



ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2017 and 2016

(Canadian dollars)
(Unaudited)

Prepared by management – See Notice to Reader

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice to this effect. These unaudited condensed interim consolidated financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed interim consolidated statements of financial position of Erdene Resource Development Corporation as at March 31, 2017 and December 31, 2016 and the unaudited condensed interim consolidated statements comprehensive loss, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 31, 2017 and 2016 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Financial Position

(Canadian dollars)

	Notes	March 31, 2017	December 31, 2016
ASSETS			
Current assets:			
Cash		\$ 13,486,941	\$ 1,071,209
Receivables		87,298	36,854
Prepaid expenses		39,594	39,743
		13,613,833	1,147,806
Non-current assets:			
Exploration and evaluation assets	3	3,515,496	3,066,211
Property, plant and equipment		78,350	79,418
		3,593,846	3,145,629
TOTAL ASSETS		\$ 17,207,679	\$ 4,293,435
LIABILITIES & EQUITY			
Current liabilities:			
Trade and other payables		\$ 275,713	\$ 182,644
TOTAL LIABILITIES		\$ 275,713	\$ 182,644
SHAREHOLDERS' EQUITY			
Share capital	6	\$ 99,768,445	\$ 86,783,669
Contributed surplus		12,298,822	11,952,465
Accumulated other comprehensive income (loss)		(550,641)	(636,283)
Deficit		(94,584,660)	(93,989,060)
		16,931,966	4,110,791
TOTAL LIABILITIES AND EQUITY		\$ 17,207,679	\$ 4,293,435

Commitments (Note 4)

Comparative figures (Note 8)

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

Approved on behalf of the Board:

Signed "Peter C. Akerley"

_____ Director

Signed "John P. Byrne"

_____ Director

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Comprehensive Loss

(Canadian dollars)

	Notes	For the three months ended	
		2017	2016
			March 31,
Exploration expenses		\$ 150,542	\$ 281,624
Corporate and administration	5	460,898	249,138
Foreign exchange (gain) loss		(1,227)	683
Loss from operating activities		610,213	531,445
Finance income		14,613	1,090
Net loss		\$ 595,600	\$ 530,355
Other comprehensive income (loss):			
Foreign currency translation difference			
arising on translation of foreign subsidiaries		85,642	(224,339)
Other comprehensive income (loss)		85,642	(224,339)
Total comprehensive loss		\$ 509,958	\$ 754,694
Basic and diluted loss per share		\$ 0.00	\$ 0.01
Basic and diluted weighted average			
number of shares outstanding		134,120,581	105,906,778

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Changes in Equity

(Canadian dollars)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance at January 1, 2016		105,060,005	\$ 81,967,477	\$ 11,945,440	\$ (341,838)	\$ (91,489,321)	\$ 2,081,758
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(530,355)	(530,355)
Other comprehensive loss		-	-	-	(224,339)	-	(224,339)
Warrants exercised	6	4,816,025	887,501	(120,401)	-	-	767,100
Share-based compensation		-	-	18,397	-	-	18,397
Total transactions with owners		4,816,025	887,501	(102,004)	-	-	785,497
Balance at March 31, 2016		109,876,030	\$ 82,854,978	\$ 11,843,436	\$ (566,177)	\$ (92,019,676)	\$ 2,112,561
Balance at January 1, 2017		126,810,031	\$ 86,783,669	\$ 11,952,465	\$ (636,283)	\$ (93,989,060)	\$ 4,110,791
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(595,600)	(595,600)
Other comprehensive income		-	-	-	85,642	-	85,642
Private placements, net of share issue costs	6	18,465,555	12,955,971	322,597	-	-	13,278,568
Options exercised	6	115,000	28,805	(8,805)	-	-	20,000
Share-based compensation		-	-	32,565	-	-	32,565
Total transactions with owners		18,580,555	12,984,776	346,357	-	-	13,331,133
Balance at March 31, 2017		145,390,586	\$ 99,768,445	\$ 12,298,822	\$ (550,641)	\$ (94,584,660)	\$ 16,931,966

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Cash Flows

(Canadian dollars)

	Notes	For the period ended March 31,	
		2017	2016
Cash flows from operating activities:			
Net loss		\$ (595,600)	\$ (530,355)
Items not involving cash:			
Depreciation and amortization		3,632	2,663
Share-based compensation		32,565	18,398
Net finance income		(14,613)	(1,090)
Foreign exchange gain		(1,227)	683
Change in non-cash working capital		43,048	(23,328)
Cash flows from operating activities		(532,195)	(533,029)
Cash flows from financing activities:			
Issue of common shares for cash, net of issue costs	6	13,278,568	-
Proceeds on exercise of warrants		-	767,100
Proceeds on exercise of stock options		20,000	-
Cash flows from financing activities		13,298,568	767,100
Cash flows from investing activities:			
Expenditures on exploration and evaluation assets		(367,797)	(76,281)
Expenditures on property, plant and equipment		(601)	(48,856)
Interest received		14,613	1,090
Cash flows from investing activities		(353,785)	(124,047)
Effect of exchange rate changes on cash and cash equivalents		3,144	(4,593)
Increase in cash and cash equivalents		12,415,732	105,431
Cash and cash equivalents, beginning of period		1,071,209	675,790
Cash and cash equivalents, end of period		\$ 13,486,941	\$ 781,221

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the three months ended March 31, 2017 and 2016

1. Nature of operations:

Erdene Resource Development Corporation (the "Corporation") is a corporation domiciled in Canada. The address of the Corporation's registered office is 1300-1969 Upper Water Street, Halifax, Nova Scotia, B3J 2V1. The consolidated financial statements of the Corporation as at and for the three months ended March 31, 2017 and 2016 comprise the Corporation and its subsidiaries. The principal business of the Corporation is the exploration and development of mineral deposits. The Corporation is primarily focused on the exploration of precious and base metal deposits in Mongolia.

To date, the Corporation has not earned significant revenues and its key resource properties are still in the exploration and evaluation stage so it is dependent upon raising funds in the equity markets to fund its ongoing operations.

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34").

These financial statements were prepared using the same accounting policies and methods of computation, and are subject to the same use of estimates and judgments, as the Corporations consolidated financial statements for the year ended December 31, 2016. They do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Corporation's 2016 annual consolidated financial statements which have been prepared in accordance with IFRS.

The consolidated financial statements were authorized for issue by the Board of Directors on May 10, 2017.

3. Exploration and evaluation assets

	Zuun Mod Moly/Copper	Tsenkher Nomin Gold	Khundii Gold	Other	Total
Balance, January 1, 2016	\$ 881,821	\$ 804,495	\$ 50,977	\$ 299	\$ 1,737,592
Additions	85,885	634,963	1,771,556	294	2,492,698
Sandstorm royalty	-	(876,972)	-	-	(876,972)
Effect of movements in exchange rates	(239,542)	(11,215)	(36,338)	(12)	(287,107)
Balance, December 31, 2016	\$ 728,164	\$ 551,271	\$ 1,786,195	\$ 581	\$ 3,066,211
Balance, January 1, 2017	\$ 728,164	\$ 551,271	\$ 1,786,195	\$ 581	\$ 3,066,211
Additions	-	52,463	315,334	-	367,797
Effect of movements in exchange rates	25,677	12,452	43,347	12	81,488
Balance, March 31, 2017	\$ 753,841	\$ 616,186	\$ 2,144,876	\$ 593	\$ 3,515,496

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the three months ended March 31, 2017 and 2016

3. Exploration and evaluation assets (continued)

The Corporation's mineral exploration and mining licenses in Mongolia are held by its subsidiaries, Erdene Mongol LLC, and Anian Resources LLC. Mineral exploration licenses are valid for a period of three years and, through renewals, can be extended to a maximum of 12 years, subject to minimum work requirements. Mining licenses are issued for an initial term of 30 years with two 20-year extensions possible. These rights are held in good standing through the payment of an annual license fee.

Zuun Mod/Khuvyn Khar

The Zuun Mod property contains a molybdenum-copper resource. The property is located in Bayankhongor Province southwest of Ulaanbaatar. The mining license was issued in 2011 (consisting of 6,041 hectares).

The Mining License is valid for an initial 30-year term with provision to renew the license for two additional 20-year terms.

Tsenkher Nomin

The license is located in Bayankhongor province in Mongolia. The 4,669 hectare Tsenkher Nomin license includes the Altan Nar gold, silver, lead, zinc prospect and has an annual renewal in December. The license is in the eighth year of a 12 year term. At the beginning of the first quarter of 2015, having received the initial resource estimate for the Altan Nar prospect, the Corporation began capitalizing exploration costs on the property in accordance with its capitalization policy. Prior to 2015, the Corporation only capitalized the license costs associated with Altan Nar.

Khundii

The license is located in Bayankhongor province in Mongolia. The 4,514 hectare Khundii license includes the Bayan Khundii gold prospect and Altan Arrow gold prospect. The exploration license has an annual renewal in April and is in the seventh year of a 12 year term. At the beginning of the third quarter of 2016, the Corporation began capitalizing exploration costs on the property in accordance with its capitalization policy. Prior to this, the Corporation only capitalized the license costs associated with Khundii.

Teck Alliance

In April 2013, the Corporation entered into an agreement with Teck Resources Limited ("Teck"), to fund and explore the Corporation's mineral tenements in the Trans Altai region of southwest Mongolia. Teck has the option to acquire additional shares of the Corporation, at a 10% premium to the then market price, until it has invested at least \$3 million or has acquired 19.9% of the outstanding shares of the Corporation, whichever occurs first. Teck invested a total of \$3.0 million to March 31, 2017. Under the Teck Alliance, two licenses were staked in early 2015. Both are located in Govi-Altai province and total 1,552 hectares, are in the second year of a 12 year term and have June annual renewal dates. No major exploration work has been completed on these licenses to date.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the three months ended March 31, 2017 and 2016

3. Exploration and evaluation assets (continued)

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 and Khundii licenses in Exchange for 321,888 shares of Sandstorm with a 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 are subject to an 18 month hold period that expires 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 has been 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 balance of capitalized Exploration and Evaluation assets at the date of close of the transaction and the remaining \$623,028 recognized as a gain on the sale of net smelter royalty interest in the statement of loss for the period ended June 30, 2016.

The Corporation sold the shares in Sandstorm in 2016 realizing gross proceeds of \$1,981,064 and recognized a gain of \$481,064.

4. Commitments

Operating lease rentals are payable as follows:

	March 31, 2017	December 31, 2016
Less than 1 year	62,936	62,936
Between 1 and 5 years	89,159	104,893
Total	\$ 152,095	\$ 167,829

The Corporation has an operating lease for office space in Dartmouth, Nova Scotia that expires August 31, 2019.

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).

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the three months ended March 31, 2017 and 2016

5. Corporate and administration

	For the period ended March 31,	
	2017	2016
Administrative services	\$ 103,402	\$ 80,003
Depreciation and amortization	1,699	2,160
Directors fees and expenses	41,233	19,060
Investor relations and marketing	123,471	33,373
Office and sundry	30,062	27,467
Professional fees	34,223	21,011
Regulatory compliance	46,341	34,215
Share-based compensation	27,165	16,148
Travel and accommodations	53,302	15,701
	\$ 460,898	\$ 249,138

6 Share Capital

On February 23, 2017, the Corporation closed a bought deal common share private placement 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 and had a fair value on the grant date of \$322,597 (\$0.30 per compensation option).

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 for gross proceeds of \$500,000. This fulfills Teck's annual equity investment obligation pursuant to the agreement outlined in Note 3.

During the three months ended March 31, 2017, the Corporation issued 115,000 shares on the exercise of options, generating gross proceeds of \$20,000.

In the first quarter of 2017, the Corporation granted 37,429 DSUs with a fair value of \$0.87 per DSU (2016 - 91,988 DSUs with fair value of \$0.20 per DSU). The fair value of \$32,565 (2016 - \$18,398) was charged to share based compensation included in exploration expenses and corporate and administration expenses.

In March 2016, the Corporation received \$770,564 in gross proceeds from the exercise of 4,816,025 warrants with an exercise price of \$0.16 per share.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

For the three months ended March 31, 2017 and 2016

7. Financial instruments

Credit Risk:

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

	Carrying Amount	
	March 31, 2017	December 31, 2016
Cash	\$ 13,486,941	\$ 1,071,209
Receivables	87,298	36,854
	\$ 13,574,239	\$ 1,108,063

The Corporation manages credit risk by holding the majority of its cash with a Canadian Schedule I bank, where management believes the risk of loss to be low. At March 31, 2017, \$54,579 or less than 1% of the balance of cash was held in banks outside Canada (December 31, 2016 - \$90,637 or 8%).

Receivables include an amount from Morien. The Corporation has an agreement to provide management services to Morien, invoiced monthly. Morien accounted for 33% of receivables at March 31, 2017 (December 31, 2016 – 56%). 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 March 31, 2017, the Corporation had a cash balance of \$13,486,941 (December 31, 2016 - \$1,071,209) to settle current liabilities of \$275,713 (December 31, 2016 - \$182,644).

Market Risk:

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

a) Interest rate risk

As of March 31, 2017, the Corporation has no interest-bearing debt and is not exposed to any significant interest rate risk.

b) Foreign currency risk

The Corporation operates in Mongolia, giving rise to foreign currency risk. To limit the Corporation's exposure to this risk, cash 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 favourable rates in line with the Corporation's budgets, otherwise the Corporation does not use any form of hedging against fluctuations in foreign exchange.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements (Canadian dollars)

For the three months ended March 31, 2017 and 2016

7. Financial instruments (continued)

Market Risk (continued):

b) Foreign currency risk (continued)

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

	March 31, 2017	December 31, 2016
Cash	\$ 328,061	\$ 112,269
Trade and other payables	(242)	(3,463)
	\$ 327,819	\$ 108,806

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 \$32,800 (December 31, 2016 - \$10,900).

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

	March 31, 2017	December 31, 2016
Cash	\$ 4,427	\$ 21,275
Trade and other receivables	11,492	7,319
Trade and other payables	(6,931)	(67,575)
	\$ 8,988	\$ (38,981)

Sensitivity to a plus or minus 10% change in the Mongolian Tugrik would affect net loss and comprehensive loss and deficit by approximately \$900 (December 31, 2016 - \$3,900).

c) 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.

Fair Value:

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

	March 31, 2017 Level 1	December 31, 2016 Level 1
Assets measured at fair value:		
Cash	\$ 13,486,941	\$ 1,071,209

8. Comparative figures

Certain comparative information for 2016 has been reclassified to conform to the presentation adopted in the 2017 financial statements.



ERDENE RESOURCE DEVELOPMENT CORPORATION

Management's Discussion and Analysis Quarter ended March 31, 2017

This Management Discussion and Analysis ("MD&A"), dated May 10, 2017, 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 statements for the period ended March 31, 2017 and 2016, audited consolidated financial statements for the years ended December 31, 2016 and 2015 and the notes thereto. The consolidated financial statements of the Corporation have been prepared in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS").

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

The risk factors identified above are not intended to represent a complete list of the factors which could affect the Corporation. Additional factors are noted under "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2016, 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.

Highlights

Summary

- The Corporation is focused on advancing its 100% owned portfolio of high-grade gold projects within a 20 km long district and exploring for new precious and base metal opportunities in southwestern Mongolia.
- Subsequent to March 31, 2017, the Corporation commenced its 2017 drill program, consisting of approximately 20,000 m of diamond drilling at Bayan Khundii and an additional 4,000 m at Altan Nar and Altan Arrow.

- Initial results for the first six holes at Bayan Khundii included infill holes BKD-98 which intersected 80 metres of 6.0 g/t gold and BKD-99 which intersected 56 metres of 6.1 g/t gold (see the Corporation's press release on May 4, 2017 for additional details and map cross-section).

Bayan Khundii Gold Project – 100% Erdene (located on the Khundii license)

- Bayan Khundii is a low-sulphidation epithermal gold system characterized by structurally controlled, high-grade veins or shoots hosted within pervasively altered volcanics that contain low to moderate gold grades, locally over very wide intervals.
- Extensive geologic mapping and geophysical and geochemical surveys have outlined a minimum target area of 1.7 km by 0.7 km defined by a sequence of altered and mineralized Devonian volcanic units overlain in part by younger Cretaceous and Quaternary units.
- The Devonian hosts 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 m apart.
- Between Q4 2015 (initial discovery drill hole) and Q4 2016, Erdene completed 96 diamond drill holes totaling 11,340 m, of which 95 have intersected anomalous gold mineralization. The 2016 program included 81 holes, totaling 10,644 m.
- The average vertical drill depth is 91 m and the deepest hole was drilled to a vertical depth of 250 m.
- The majority of drilling has been concentrated within and around the periphery of the exposed area that includes the Striker and Gold Hill zones where holes have been spaced at approximately 20 to 40 m, on the assumption that this will result in a relatively high confidence in future resource estimates.
- The majority of 2016 drilling was completed within the Striker Zone, which continues to demonstrate good continuity of high-grade gold mineralization. Highlights of 2016 drilling include ⁽¹⁾,
 - 63 m of 5.3 g/t gold starting at 50 m; BKD-17; May 9, 2016
 - 24 m of 7.5 g/t gold starting at 74 m BKD-49; October 4, 2016
 - 31 m of 6.8 g/t gold starting at 62 m; BKD-57; October 18, 2016
 - 65 m of 6.3 g/t gold starting at 71 m; BKD-77; November 28, 2016
- Striker Zone drilling has also returned broad zones of lower-grade mineralization surrounding the high-grade gold mineralization, including ⁽¹⁾;
 - 70 m of 1.1 g/t gold starting at 50 m; BKD-28; May 24, 2016
 - 66 m of 1.0 g/t gold starting at 76 m; BKD-34; June 14, 2016
 - 112 m of 1.2 g/t gold starting at surface; BKD-51; October 4, 2016
 - 76 m of 1.3 g/t gold starting at 24 m; BKD-83; November 28, 2016
- Initial drilling in Q4 2016, through the overlying cover, was successful in confirming continuity of the gold mineralization west and north of the Striker and Gold Hill Zones.
- The discovery of the Midfield Zone under younger, post-mineralization cover, 200 m northeast of Striker Zone returned some of the highest grades and the longest mineralized intervals intersected to date at Bayan Khundii, including ⁽¹⁾:

- 149 m of 2.1 g/t gold starting at 23 m, including 41 m of 5.2 g/t gold and 15 m of 6.5 g/t gold (BKD-90)
- 72 m of 4.0 g/t gold starting at 108 m (BKD-92)
- 16 m of 3.9 g/t gold and 40 m of 1.0 g/t gold starting at 19 m (BKD-95)
- Although visible gold is commonly observed in high-grade zones, the majority of the gold is considered to be fine grained; 81% passing -75 µm.
- Sulfide minerals are largely absent within the widespread alteration zone, thus benefitting gold recovery.
- The Corporation concluded preliminary metallurgical test work at Bayan Khundii in Q1 2016 on representative composites from initial drilling which only included approximately the top 50 m of the Striker and Gold Hill zones. These results indicated 99% recovery (gravity followed by cyanide leach of the tails) in a high-grade (24.9 g/t gold) composite, and 92% recovery from a low-grade (0.7 g/t gold) composite.
- Subsequent to March 31, 2017, the Corporation commenced a 20,000 m diamond drilling program at Bayan Khundii. The drill program has a dual objective of increasing confidence in areas with established resource potential (Striker, Gold Hill, and Midfield Zones) and simultaneously expanding the perimeter and testing new areas within the larger 2.0 by 1.8 km trend in order to establish potential extensions and boundaries to the gold system in advance of a resource drilling program. The Corporation plans to carry out additional metallurgical testing, hydrogeological, environmental, geotechnical and preliminary economic studies related to the Bayan Khundii discovery.
- A decision regarding when to commence an independent resource estimate will be influenced by drilling results although it is anticipated that a resource study will be underway in the Q4 2017 to Q2 2018 period.

Altan Nar Gold-Polymetallic Project – 100% Erdene (located on the Tsenkher Nomin license)

- Altan Nar is a large intermediate-sulphidation epithermal gold system characterized by structurally controlled, high-grade gold mineralized breccias and veins with locally intense sulfide mineralization and carbonate gangue over zones that can range from several metres up to 100 m wide.
- Extensive geologic mapping and geophysical and geochemical surveys have outlined a minimum target area of 5.6 km by 1 km defined by a sequence of altered and mineralized Carboniferous volcanic units. The mineralized structures are typically recessed due to their less resistant nature and covered by thin unconsolidated recent cover.
- A total of 18 distinct targets have been defined within the 5.6 km trend, each ranging from 200 m to in excess of 500 m as defined by drilling, mapping, geochemical and geophysical surveys.
- Exploration of these 18 targets has mainly concentrated on the Discovery Zone and Union North Zone with others receiving some trenching and limited drilling.
- Resources were reported for the Discovery Zone and Union North Zone in March 2015 and included an indicated resource of 147,000 ounces (“oz”) gold equivalent (“AuEq”)⁽²⁾ averaging 2.5 g/t AuEq (1.7 g/t Au, 11.1 g/t Ag and 1.1% combined lead-zinc) and an inferred resource of 102,000 oz AuEq averaging 2.1 g/t AuEq (1.5 g/t Au, 10.4 g/t Ag and 0.9% combined lead-zinc),

at a 1.0 g/t AuEq cut-off grade within 1.8 million tonnes (“Mt”) indicated and 1.5 Mt inferred resources, respectively.

- Subsequent to the initial resource the Corporation identified two significant discoveries at Altan Nar including a previously unrecognized very high-grade central core at the Discovery Zone and a new mineralized zone east of Union North.
- The zone discovered in the central part of Discovery Zone was reported on December 19, 2016. Drill hole TND-101, designed to test a structural intersection, included 110 m of 9.3 g/t gold, 32 g/t silver, and 1.4% combined lead-zinc, including 14 m of 55.6 g/t gold, 131 g/t silver and 5.6% combined lead-zinc.
- TND-101 was consistently mineralized from surface to 170 m with high gold grades not previously observed at Altan Nar. The hole was an exploratory hole drilled perpendicular to a cross-cutting feature observed in geophysical surveys, but at a low, oblique angle to the mineralized Discovery Zone trend. True width of the zone reported is assumed to be in the range of 25 to 35 m.
- In addition to the high base metal and gold zones, there is also a distinct copper event that may reflect a new fluid phase at the Discovery Zone. Copper levels reached as high as 2.43%.
- At Union North, trenching and drilling 155 m east of the Corporation’s Q1 2015 mineral resource boundary, returned 22 m of 1.57 g/t AuEq (1.08 g/t Au, 5 g/t Ag and 0.81% combined lead-zinc) starting at 34 m depth (TND-97), under a trench that had previously returned 28 m of 2.5 g/t AuEq (1.88 g/t Au, 4.3 g/t Ag and 1.13% combined lead-zinc).
- Subsequent to March 31, 2017, the Corporation commenced a 3,000 m diamond drill program at Altan Nar. A key objective will be establishing the continuity and extent of a new high-grade zone identified at the Discovery Zone. A high-resolution magnetic survey and a deep Induced Polarization survey will be completed to assist the Company in exploring areas along the 5.6 km Altan Nar trend where zones of structural dilation, or offset, similar to TND-101, may have provided a favorable setting for the concentration of base and precious metal-rich solutions over wider intervals.
- The Corporation will also initiate additional metallurgical testing, hydrogeological, environmental, geotechnical and preliminary economic studies related to the Altan Nar project.
- A decision on when to commence an updated independent resource estimate will be influenced by drilling results although it is anticipated that a resource study will be underway in the Q4 2017 to Q2 2018 period.

Altan Arrow Gold-Silver Project – 100% Erdene (located on the Khundii license)

- The Corporation’s Altan Arrow gold-silver project, 3.5 km north of Bayan Khundii, and 13 km southeast of Altan Nar is an epithermal-style gold-silver discovery at an early exploration stage.
- A maiden drilling program, totalling 590 m in seven widely spaced, shallow holes (1 square km area), was completed in Q4 2016.
- Drill results confirmed the presence of high-grade veins, including 23.5 g/t gold over 2 m at 76 m depth, and up to 171 g/t silver in separate holes. Results also indicate a wide gold-silver mineralized alteration zone associated with the main northeast-trending mineralized structure.
- A 1,000 m diamond drilling program is expected to be undertaken in Q2 2017 to follow up on these initial encouraging results.

⁽¹⁾ *The reported drill intersections above are not true width. At this time there is insufficient data with respect to the shape of the mineralized system to calculate true orientations in space. See Project Summaries below for more detail.*

⁽²⁾ *For the Altan Nar project, reference to “gold equivalent” above 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.*

Teck Alliance

- The Corporation continued 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 Tian Shan copper-gold belt.
- The program has provided the Alliance with a significant amount of technical information that continues to be evaluated. The 2016 exploration program consisted of surface geochemical sampling, geological mapping and prospecting, and analysis of newly acquired satellite data.
- The Alliance excludes the Corporation’s Bayan Khundii, Altan Nar, Altan Arrow and Zuun Mod projects.
- Additional exploration will be completed in Q3 2017.

Financing

- On February 23, 2017, the Corporation closed a bought deal financing for gross proceeds to the Corporation of \$13.8 million (see further details below under Outstanding Share Data).
- On March 20, 2017, the Corporation closed a non-brokered private placement with Teck for gross proceeds to the Corporation of \$500,000.

Company Overview and Strategy

Erdene is a mineral resource exploration and development corporation listed on the Toronto Stock Exchange (TSX:ERD) and focused on precious and base metals exploration in southwest Mongolia. The Corporation’s projects include the Bayan Khundii Gold project, the Altan Nar Gold-Polymetallic project, the Altan Arrow Gold-Silver Project, the Zuun Mod/Khuvyn Khar Molybdenum-Copper project, as well as other earlier stage prospects. The Corporation is primarily focused on the development of the Bayan Khundii Gold and the Altan Nar Gold-Polymetallic projects.

Discovered by the Corporation in Q2 2015, with initial drill results reported in Q4 2015, the Corporation’s 100% owned Bayan Khundii (‘Rich Valley’) gold project has become the highest priority project for the Corporation based on its high grades, proximity to surface, favorable metallurgy, and size potential. The Corporation completed 11,340 m of diamond drilling at Bayan Khundii to the end of 2016, comprised of 96 holes (average true vertical depth of 91 m). Drilling to date has confirmed continuity of the high-grade Striker Zone, where mineralization starts from surface. The high-grade gold zones within the Striker Zone can be very wide, grading in excess of 5 g/t gold (up to 187 g/t) and greater than 50 m in width. Step-out drilling in 2016 has indicated that mineralization extends under younger, post-mineralization cover to the northeast along a 1.7 km trend. The new discovery, named the Midfield Zone, is located approximately 200 m northeast of Striker Zone and returned some of the highest grades and the longest mineralized intervals intersected to date at Bayan Khundii, suggesting that mineralization strengthens to the northeast under cover.

The 100% owned Altan Nar project hosts a total of 18 mineralized (gold, silver, lead and zinc) target areas that have been identified within a 5.6 km by 1.5 km 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 focus of an initial NI 43-101 mineral resource estimate released by the Corporation in Q1 2015, as well as detailed metallurgical processing test-work, infill drilling and trenching completed in Q3 2015. In December 2016, the Corporation drill tested a structural intersection in DZ (hole TND-101) that returned consistent mineralization from surface to 170 m depth, with high gold grades not previously observed at Altan Nar. Results included 110 m of 9.3 g/t gold, 32 g/t silver, and 1.4% combined lead-zinc. The hole was an exploratory hole drilled perpendicular to a cross-cutting feature observed in geophysical surveys but at a low, oblique angle to the mineralized DZ trend. True width of the zone reported in TND-101 is assumed to be in the range of 25 to 35 m. The remaining 16 targets are either undrilled or scout-drilled and are considered by the Corporation to have good potential for hosting additional resources.

Various technical studies in support of future scoping/feasibility-level studies and a mining license application, including hydro-geological, archaeological, paleontological, and environmental base line studies, have commenced on both Bayan Khundii and Altan Nar.

The Corporation, through its alliance with Teck Resources Limited, will also continue to assess regional opportunities for porphyry and porphyry-related mineralization, and will pursue acquisitions as opportunities arise in the Alliance’s area of interest in southwest Mongolia. The Corporation’s Bayan Khundii, Altan Na, Altan Arrow 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 and 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 are subject to an 18 month hold period which expires 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 has been 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.

The Corporation sold all its shares in Sandstorm in 2016, generating proceeds of \$1.98 million and recognized a gain of \$481,064.

Alliance with Teck Resources Limited

In April 2013, an alliance was formed by the signing of option and private placement agreements (collectively, “Agreement”) 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 has invested \$3

million or has acquired 19.9% of the outstanding shares of the Corporation, whichever occurs first. Eighty five percent of the proceeds from the private placements are committed to exploration work. The following are details of the combined \$3.0 million in private placements completed with Teck between April 2013 and March 2017:

- April 2013: The initial tranche, which closed on April 22, 2013, resulted in the issuance of five million shares priced at \$0.20 per share for aggregate proceeds to Erdene of \$1 million.
- November 2013 and April 2014: Teck purchased 2,142,857 shares at \$0.07 on November 7, 2013 for cash consideration of \$150,000, and on April 21, 2014, Teck purchased 2,000,000 shares at \$0.175 for cash consideration of \$350,000.
- April 2015: The Corporation closed a private placement with Teck on April 24, 2015, for \$392,857 at \$0.139 per share and received \$107,143 on the exercise of \$0.10 warrants for total consideration of \$500,000.
- April 2016: The Corporation agreed on April 22, 2016 to extend the optional subscription date for 2016 by 60 days to June 23, 2016. On June 3, 2016, the Corporation closed a private placement with Teck purchasing 1,063,830 shares at \$0.47 per share for cash consideration of \$500,000.
- March 2017: Subsequent to year end, on March 20, 2017, the Corporation closed a private placement with Teck purchasing 543,478 shares at \$0.92 per share for cash consideration of \$500,000.

Outlook

General

Management's long-term focus remains the discovery and development of significant precious and base metal deposits in Mongolia. Regional exploration will continue, particularly in conjunction with the Teck Alliance program, however, the Corporation's immediate focus will continue to be the evaluation of the neighboring Bayan Khundii Gold and Altan Nar Gold-Polymetallic projects.

The Corporation has discovered a series of gold prospects and deposits that are at relatively early stage of exploration. Results to date are encouraging and through continued exploration and evaluation, the Corporation aims to demonstrate that these projects have the size and grade potential to be developed. In addition, because of their close proximity, the Corporation will be reviewing the possibility of a large-scale, centralized gold production complex. These discoveries include Bayan Khundii, Altan Nar and other, earlier-stage, neighboring gold prospects. Determining, to a reasonable extent, the size potential of these targets is the primary, near-term objective of the Corporation.

The next stage will be to define to a high confidence level the potential mineral resource area. 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 which will progress through a series of increasingly more detailed assessments leading to an eventual feasibility decision which will potentially lead through mine and plant development and construction and onto initial commercial production. Coincident with the resource definition and economic assessment studies, a series of studies will be completed to support a mining license application. The timeline for these studies will be better defined following the 2017 exploration program, which is expected to be a minimum of 20,000 m of drilling at Bayan Khundii, Altan Nar and Altan Arrow, with the majority of the drilling dedicated to Bayan Khundii. Quarter-end reviews of technical information will be undertaken to determine whether

to expand drill programs, commence the resource estimate work leading to economic studies, or a combination of both.

Bayan Khundii (Khundii license)

Results to date have been very encouraging and support an extensive exploration program to determine the continuity and limits of the reported high-grade gold mineralization at depth and on surface. Subsequent to March 31, 2017, the Corporation commenced a 20,000 m drill program to continue to define, at a higher confidence, gold mineralization within the Striker, Midfield and Gold Hill Zones, and to drill expansion and perimeter holes throughout the 1.7 km Bayan Khundii trend, in order to establish potential boundaries to the gold system in advance of more detailed resource drilling in those areas. In addition, the Corporation has commenced additional metallurgical testing, as well as various technical studies in support of future scoping/feasibility-level studies and a mining license application, including hydrology, archeology, paleontological, and environmental base line studies.

The following table provides a summary of the 2017 budget for exploration program on the Bayan Khundii project.

Geology and Geochemical Surveys	\$ 455,000
Geophysics	58,000
Drilling	3,000,000
Technical Studies	939,000
Field Support	1,400,000
Subtotal	\$ 5,852,000
Contingency (10%)	585,200
TOTAL	\$ 6,437,200

Altan Nar (Tsenkher Nomin license)

Recent drilling completed by the Corporation has increased its confidence in the potential to significantly expand the areas of known gold-polymetallic mineralization at Altan Nar, outside of the current DZ-UN resource boundaries. Additionally, the new discovery at the intersection of major structures provides strong support for additional drilling at Altan Nar. Subsequent to March 31, 2017, the Corporation commenced a 3,000 m drill program at Altan Nar in Q2 2017 to establishing the continuity and extent of the new high-grade zone identified at the Discovery Zone. Future exploration will focus on establishing continuity of this new high-grade zone and exploring areas where zones of structural dilation, or offset, may have provided a favorable setting for the concentration of these metal-rich solutions over wider intervals. Upcoming work at Altan Nar will include additional drilling (discussed above), as well as various technical studies in support of a mining license application, including hydrogeological, archaeological, paleontological, and environmental base line studies.

The following table provides a summary of the 2017 budget for exploration program for the Altan Nar project.

Geology and Geochemical Surveys	\$ 376,000
Geophysics	63,000
Drilling	455,000
Technical Studies	713,000
Field Support	199,000
Subtotal	\$ 1,806,000
Contingency (10%)	180,000
TOTAL	\$ 1,986,000

Altan Arrow (Khundii license)

The Corporation's 2016 drill results at Altan Arrow confirm the presence of high-grade gold bearing veins and broad structurally controlled lower-grade zones with similar style to the Corporation's Bayan Khundii project, albeit with higher silver values. Subsequent to March 31, 2017, the Corporation, a 1,000 metre diamond drilling program is expected to be undertaken in Q2 2017 to follow up on these initial encouraging results. A 2017 follow-up program is expected to include additional drilling as well as follow-up of the large gold-in-soil anomaly.

The following table provides a summary of the 2017 budget for exploration program for the Altan Arrow project.

Geology and Geochemical Surveys	\$ 45,000
Geophysics	21,000
Drilling	150,000
Technical Studies	20,000
Field Support	55,000
Subtotal	\$ 291,000
Contingency (10%)	29,000
TOTAL	\$ 320,000

Zuun Mod/Khuvyn Khar (Khuvyn Khar license)

Management believes that the Zuun Mod molybdenum-copper deposit has significant potential for development provided the molybdenum price improves. Recent market demand and pricing conditions for molybdenum have been generally depressed with the price of molybdenum oxide at approximately US\$6.90 per pound in March 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 in regards to 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.

Teck Alliance

The Corporation continues to be active through its Alliance with Teck Resources Limited (“Teck”), Canada’s largest diversified mining company, in identifying additional porphyry and porphyry-related mineralization in southwest Mongolia’s prolific Tian Shan copper-gold belt. The program was designed to be a multi-year program, and has provided the Alliance thus far with a significant amount of technical information that continues to be evaluated. With the renewal of the Alliance, the 2017 exploration program will consist of follow-up work on anomalous targets identified during the 2016 program, comprising surface geochemical sampling, geological mapping/prospecting, ground-verification of multispectral anomalies, and sampling of alteration zones for hyper-spectral analysis. Additional work is also planned for one of the Alliance’s newly acquired exploration licenses, consisting of geochemical, geophysical, and geological work. The Corporation’s Bayan Khundii, Altan Nar, Altan Arrow and Zuun Mod projects are excluded from the Alliance.

Budget

The Corporation has working capital which is expected be sufficient to meet its budgeted expenditures through second quarter of 2018. The 2018 budget is subject to change depending on the results of the planned drill programs at Bayan Khundii, Altan Nar, and Altan Arrow. The ability of the Corporation to continue beyond this point is contingent upon equity financing, entering joint venture agreement(s), asset sales, or a combination thereof.

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	2016	2015	2014
Revenues	\$ Nil	\$ Nil	\$ Nil
Loss for the year	\$ 2,500	\$ 12,608	\$ 2,617
Basic and diluted loss per share	\$ 0.02	\$ 0.14	\$ 0.04
Total assets	\$ 4,293	\$ 2,522	\$ 10,912
Total long-term liabilities	\$ Nil	\$ Nil	\$ Nil
Cash dividends declared	\$ Nil	\$ Nil	\$ Nil

Discussion of Operations

Three months ended March 31, 2017 and 2016

The tables below show exploration and evaluation costs for the periods ended March 31, 2017 and 2016, 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 and Tsenkher Nomin licenses.

Period ended March 31, 2017	Zuun Mod	Tsenkher Nomin	Khundii	Other	Total
E&E assets, January 1, 2017	\$ 728,164	\$ 551,271	\$ 1,786,195	\$ 581	\$ 3,066,211
Exploration expenditures					
Drilling, trenching, sampling and assaying	932	1,765	27,778	259	30,734
Geological services, camp and field	12,970	45,169	264,427	71,702	394,268
Travel and other	-	5,529	23,129	2,713	31,371
Share-based compensation	-	-	-	5,400	5,400
Mongolian office costs	-	-	-	56,566	56,566
Total exploration expenditures	13,902	52,463	315,334	136,640	518,339
Capitalized expenditures	-	(52,463)	(315,334)	-	(367,797)
Expensed exploration costs 2017	13,902	-	-	136,640	150,542
Effect of movements in exchange rates	25,677	12,452	43,347	12	81,488
E&E assets, March 31, 2017	\$ 753,841	\$ 616,186	\$ 2,144,876	\$ 593	\$ 3,515,496

Period ended March 31, 2016	Zuun Mod	Tsenkher Nomin	Khundii	Other	Total
E&E assets, January 1, 2016	\$ 881,821	\$ 804,505	\$ 50,976	\$ 290	\$ 1,737,592
Exploration expenditures					
Drilling, trenching, sampling and assaying	1,022	5,004	37,554	728	44,308
Licence costs	-	-	3,803	-	3,803
Geological services, camp and field	29,523	61,030	149,189	18,603	258,345
Travel and other	-	6,444	14,118	5,259	25,821
Share-based compensation	-	-	-	2,250	2,250
Mongolian office costs	-	-	-	23,378	23,378
Total exploration expenditures	30,545	72,478	204,664	50,218	357,905
Capitalized expenditures	-	(72,478)	(3,803)	-	(76,281)
Expensed exploration costs 2016	30,545	-	200,861	50,218	281,624
Effect of movements in exchange rates	(171,128)	(43,042)	(2,688)	(15)	(216,873)
E&E assets, March 31, 2016	\$ 710,693	\$ 833,941	\$ 52,091	\$ 275	\$ 1,597,000

Corporate & administrative expenses were \$460,898 for the three months ended March 31, 2017 compared to \$249,138 for the same period in 2016, a \$211,760 increase. Additional management services were required to manage the increase in exploration and evaluation programs in 2017. The Corporation also increased the level of its investor relations activities in order to communicate results to stakeholders.

	For the period ended March 31,		
	2017	2016	Change
Administrative services	\$ 103,402	\$ 80,003	\$ 23,399
Depreciation and amortization	1,699	2,160	(461)
Directors fees and expenses	41,233	19,060	22,173
Investor relations and marketing	123,471	33,373	90,098
Office and sundry	30,062	27,467	2,595
Professional fees	34,223	21,011	13,212
Regulatory compliance	46,341	34,215	12,126
Share-based compensation	27,165	16,148	11,017
Travel and accommodations	53,302	15,701	37,601
	\$ 460,898	\$ 249,138	\$ 211,760

For the three months ended March 31, 2017, the Corporation recognized a net loss of \$595,600, or \$0.00 per share, compared to a loss of \$530,355, or \$0.01 per share for the same period in 2016.

Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2017	Fiscal 2016				Fiscal 2015		
	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	\$596	\$442	\$73	\$1,423	\$512	\$11,476	\$393	\$222
Basic and diluted loss per share	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.13	\$0.00	\$0.01
Total Assets	\$17,208	\$4,293	\$3,872	\$4,044	\$2,504	\$2,522	\$12,508	\$12,540

The Corporation's expenditures vary from quarter to quarter largely depending on the timing of its Mongolian exploration programs. The net loss in Q4 2015 was mainly an impairment charge recognized on the Zuun Mod/Khuvyn Khar property. 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 \$12.7 million in working capital.

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 Corporations 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 through Q2 2018. 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

As of the date of this MD&A, the Corporation had 145,550,586 shares issued and outstanding.

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 for gross proceeds of \$500,000.

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.

Stock Options

As of the date of this MD&A, the Corporation had 9,966,250 outstanding stock options with a weighted average exercise price of \$0.38, all of which are exercisable.

On April 1, 2017, 2,620,000 options were granted to certain officers, directors and employees of the Corporation. Each option is exercisable at \$0.87 per share until March 31, 2022.

In the period ended March 31, 2017, the Corporation received \$20,000 on the exercise of 115,000 share purchase options at an average price of \$0.17. Subsequent to March 31, 2017, the Corporation received \$30,250 on the exercise of 160,000 options at an average price of \$0.19.

Compensation options

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 were exercisable.

In conjunction with the Paradigm 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).

Deferred Stock Units

As of the date of this MD&A, the Corporation had a balance of 3,273,888 deferred stock units ("DSUs") outstanding which may be settled in cash or shares.

For the period ended March 31, 2017, the Corporation granted certain officers, directors and employees of the Corporation an aggregate of 37,429 DSUs at a weighted average price of \$0.87.

Project Summaries

The Corporation's gold projects are located in the Tian Shan Gold Belt, part of the Central Asian Orogeny, host to some of the world's largest 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, which has resulted in the discovery of multiple gold and copper occurrences including the discoveries at Bayan Khundii and Altan Nar. The wider 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-silver and molybdenum-copper porphyries, intermediate sulphidation / carbonate base metal gold deposits, and low sulphidation epithermal gold and gold-silver systems within an approximately 40 km by 60 km area.

The following is a summary of the exploration programs carried out on the Corporation's properties.

Bayan Khundii Gold Project (located on the Khundii license)

The Bayan Khundii ("Rich Valley") gold project is located on Erdene's 100% owned, 4,514 hectare, Khundii exploration license in southwest Mongolia, 16 km south of the Corporation's Altan Nar gold-polymetallic project. The license is in its seventh year of a maximum 12-year term. The license 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 4380 g/t gold), at areas now known as Striker Zone and Gold Hill Zone. To date, The Corporation has identified gold mineralization in four separate prospect areas (Striker Zone, Gold Hill, Midfield, and Northeast Zone) over a 1.7 km trend. Mineralization is hosted within a zone of intensely silicified and illite-altered Devonian volcanic units 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

During 2016, the Corporation completed 81 drill holes, totaling 10,644 m. Since drilling the first hole in Q4 2015 to the end of the last drill program (Q4 2016), the Corporation has completed 96 diamond drill holes (45 to 90 degree angles) at Bayan Khundii totaling 11,340 m (average vertical drill depth of 91 m), of which 95 have intersected anomalous gold mineralization. Drill hole depths ranged from 31 m to 251 m (average 118 m), with vertical depth ranging from 22 m to 250 m.

Striker Zone

The majority of drilling has focused on the Striker Zone in southwest Bayan Khundii, where the Corporation has identified very good continuity of multiple, near-surface, high-grade gold zones, including both very high concentrations of gold (ex: 306 g/t gold over 1 m; hole BKD-77), wide intervals of high-grade gold (ex: 5.3 g/t gold over 63 m; hole BKD-17), and broad, lower grade intervals surrounding the high-grade mineralization (ex. 1.2 g/t gold over 112 m; hole BKD-51). See Table below.

Table summarizing drill results at Striker Zone

Drill Hole	From (m)	To (m)	Interval (m)*	Gold (g/t)	Results Reported
BKD-01	14	21	7	27.5	Dec 9, 2015
BKD-09	33	59	26	5.90	Dec 14, 2015
incl	34	49	15	9.90	
BKD-10	0	35	35	5.70	Dec 14, 2015
incl	11	23	12	16.2	
BKD-17	50	113	63	5.31	May 9, 2016
incl	54	69	15	11.5	
incl	82	95	13	11.3	
BKD-28	42	120**	78	1.00	May 24, 2016
BKD-34	76	142	66	1.01	June 14, 2016
BKD-44	0.7	9	8.3	14.2	June 22, 2016
BKD-46	2.3	19	16.7	4.65	October 4, 2016
incl	8	15	7	10.2	
and	100	108	8	5.61	
BKD-49	45	116	71	3.06	October 4, 2016
incl	74	98	24	7.52	
BKD-51	0	112	112	1.17	October 4, 2016
incl	76	106	30	3.23	
incl	100	103	3	19.8	
BKD-57	36	126**	90	2.51	October 18, 2016
incl	62	93	31	6.80	
incl	66	73	7	26.0	
BKD-60	20	143	123	1.32	October 18, 2016
incl	24	92	68	1.96	
incl	29	59	30	2.98	

* Reported intervals are not true width. At this time there is insufficient data with respect to the shape of the mineralized system to calculate true orientations in space. They represent drill intersection widths from holes drilled at a 45 to 90 degree angle. The Bayan Khundii mineralization is interpreted to be moderately dipping (approximately 40 to 50 degrees to the southwest).

** End of hole

Midfield Zone

In addition to establishing continuity within the main mineralized zone, a secondary focus of the Corporation's 2016 drill program was to test for mineralization within the Cretaceous and Quaternary-filled basin to the east, north, and west of the Striker Zone. Strong geophysical anomalies (induced polarization resistivity) at depth beneath these younger, post-mineralization units suggest Bayan Khundii's epithermal system may be more widespread than the main exposed areas at surface. This was confirmed in October 2016 when a step-out hole 170 m northeast of the Striker Zone (targeting a geophysical anomaly) discovered a new gold zone (referred to as Midfield Zone), under Cretaceous cover; hole BKD-60 returned 68 m of 2.0 g/t gold from 24 to 92 m depth.

On November 25, 2016, the Corporation mobilized a drill rig to test the area surrounding hole BKD-60. Eight holes, totalling 1,370 m were completed in this new area. The holes were drilled on 40 m centres surrounding hole BKD-60, and were oriented at 45 to 60 degrees to the north-northeast to intersect the mineralized zones approximately perpendicular to their interpreted orientation. Results were reported subsequent to year end, on January 10, 2017 and returned some of the highest grades and the longest mineralized intervals intersected to date at Bayan Khundii. All holes intersected gold mineralization with visible gold observed in six of the eight holes, establishing lateral continuity of this new mineralized zone

in all directions. Results included: 149 m of 2.1 g/t gold, including 41 m of 5.2 g/t gold and 15 m of 6.5 g/t gold (BKD-90); 72 m of 4.0 g/t gold (BKD-92); and 16 m of 3.9 g/t gold and 40 m of 1.0 g/t gold (BKD-95). See Table below.

Table summarizing drill results at Midfield Zone

Drill Hole	From (m)	To (m)	Interval (m)*	Gold (g/t)	Results Reported
BKD-60	20	143	123	1.32	October 18, 2016
incl	24	92	68	1.96	
incl	29	59	30	2.98	
BKD-89	92	173.6	81.6	1.15	January 10, 2017
BKD-90	23	171.8	148.8	2.11	January 10, 2017
incl	40	81	41	5.17	
incl	66	81	15	6.51	
and	108	115	7	4.58	
BKD-92	108	180.3	72.3 **	3.96	January 10, 2017
incl	119	121	2	112.8	
BKD-94	59	126	67	1.15	January 10, 2017
BKD-95	19	35	16	3.93	January 10, 2017
and	106	146.3	40.3	1.03	

* Reported intervals are not true width. At this time, there is insufficient data with respect to the shape of the mineralized system to calculate true orientations in space. They represent drill intersection widths from holes drilled at a 45 to 60 degree angle, and oriented to the northeast. The Bayan Khundii mineralization is interpreted to be moderately dipping (approximately 40 to 50 degrees to the southwest).

** BKD-92 includes two post-mineral dykes, from 128 m to 135.7 m depth and 144.15 m to 155.45 m depth. These dykes have been incorporated into the drill results for BKD-92 as 0.00 g/t gold over the combined 19 m.

Geology

Bayan Khundii is located in southwest Mongolia within the Tian Shan metallogenic 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 volcanoclastic units. Much of the project area is overlain by younger, post mineralization, Cretaceous and Quaternary units. 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, Bayan Khundii is mostly devoid of sulphide minerals, including copper, lead and zinc-bearing sulphide minerals.

Exploration Potential

There are several indications that Bayan Khundii's epithermal system may be more widespread than the main exposed areas at surface;

Striker and Midfield Potential

- Approximately 30% of the drill holes at Bayan Khundii have ended in mineralization, and all zones remain open at depth and along strike.

Geophysical Surveys

- A strong induced polarization resistivity geophysical response, that is typical of the Striker Zone, suggests extensive zones of alteration continue at depth to the north, northeast and west of the Midfield Zone, beneath the younger Cretaceous units, over an approximately 1 km x 2 km area.

Northeast Zone

- The Northeast Zone, located 700 m to the northeast of Striker Zone, contains an outcropping area of altered tuffs measuring 300 m by 300 m, and has returned numerous anomalous surface gold assays (>0.2 g/t) from mineralized rock chip samples with up to 4 g/t gold. Shallow drilling in the area returned wide zones of strongly altered volcanics and up to 2.3 g/t gold over 2 m. In addition, two rock chip samples collected a further 500 m to the northeast (NE Extension prospect) returned gold assay values of 6.9 g/t and 0.4 g/t gold.

Younger, Post-Mineralization Cover

- Post-mineralization sedimentary units and basalt overlie the majority of the Bayan Khundii target area. The vertical depth of the younger cover, from the nine holes completed at Midfield Zone, ranges from 8 m to 110 m (average of 48 m). Geophysical data suggests that the thickness of the younger units is variable but thins to expose mineralization in the Northeast Zone. The three outcropping prospect areas (Striker Zone, Gold Hill Zone, and Northeast Zone) are interpreted as erosional 'windows', with the full extent of the altered and mineralized zone yet to be determined.

West of Striker Zone

- The limited drilling that has been completed to the west of the Striker and Midfield Zones demonstrates the potential for the discovery of additional gold mineralization under cover to the west. Hole BKD-59, located 230 m west of Striker Zone, returned 31 m of 1.0 g/t gold at 121 m depth and 2 m of 7.4 g/t gold at 216 m depth. Hole BKD-40, located 180 m west of Striker Zone, returned 2 m of 15.3 g/t gold at 124 m depth, and hole BKD-53, 200 m west of Striker Zone, returned 5 m of 2.2 g/t gold at 99 m depth.

Independent Consultants

As part of the Corporation's Q3-2016 exploration program, the Corporation commissioned several independent studies at Bayan Khundii, including structural mapping studies, hyperspectral analysis of core and surface samples, evaluation by an expert in epithermal gold systems, geophysical interpretation, development of a 3-D model, and through this combined evaluation, examined the ideal approach to drilling in regards to both exploration 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, visited Bayan Khundii with the objective of aiding on-going geological interpretation and drill targeting efforts;

- Mr. Anthony Coote, of Applied Petrologic Services & Research in New Zealand, completed mineralogical petrographic and fluid inclusion studies on drill core samples from Bayan Khundii to interpret the hydrothermal environment and controls on the distribution of gold mineralogy and paragenesis;
- Dr. Stefan Kruse, an experienced structural geologist with Terrane Geoscience Inc., spent 12 days on-site to determine the principal structural controls and geometry of the mineralized systems;
- Ms. Khashagerel Bat-Erdene and Mr. Imants Kavalieris of Plus Minerals LLC, who specialize in alteration studies of epithermal and porphyry systems, completed field and drill core evaluations to identify alteration zonation within the hydrothermal systems to assist with future drill targeting;
- Terrane Geoscience Inc. is completing a 3-D model of the multiple mineralized zones to assist with drill targeting. The model will incorporate 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 with the objective of recommending optimal drill hole spacing in advance of future resource definition drilling.

Geophysics

Between Q4 2015 and Q2 2016, the Corporation completed extensive geophysical programs over the 1.7 km Bayan Khundii target area, consisting of gradient IP (covering a 2 km x 2 km area at 100 m line spacing), dipole-dipole (23 line km at 50 m line spacing), and ground magnetics (20 m spaced lines over 1.7 km by 1.8 km 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 Zone under Cretaceous cover.

A strong positive resistivity anomaly (>1,000 ohm m) in the gradient array data corresponds very closely to the exposed, intensely altered (silicified and sericitized) volcanic rocks and is thought to 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, suggesting the alteration zone extends beneath the volcanic cover, as also suggested by magnetic data. 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 (<100m) and to the south under Cretaceous sediments and volcanics.

The magnetic data provides 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 (low magnetic response presumably reflecting magnetite destruction within zones of silica/sericite 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 areas with intense magnetite destruction, presumably from widespread alteration, whereas areas with low-moderate magnetic response near Striker and Gold Hill zones, and in the Northeast Zone, are interpreted as reflecting late post-mineral monzonite, and possibly syenite 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 m 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 represents 1.2% of the original sample mass and contains 1380.9 g/t gold and 200 g/t silver. The low-grade gravity concentrate 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 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.

Technical Report

On March 27, 2017, Erdene filed on SEDAR a National Instrument 43-101 technical report for Bayan Khundii entitled "Bayan Khundii Gold Project (Khundii Exploration License), Bayankhongor Aimag, Southwest Mongolia, National Instrument 43-101 Technical Report" dated March 23, 2017. 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.

Conclusion and Recommendations

Results to date at Bayan Khundii have been very encouraging and support an extensive exploration program to determine the continuity and limits of the reported high-grade gold mineralization at depth and on surface. The late 2016 blind discovery of the Midfield Zone supports an extensive program to test beneath the post-mineralization Cretaceous cover. On April 13, 2017, subsequent to the filing of this report, the Corporation commenced a 20,000 m diamond drill program at Bayan Khundii with a dual objective of increasing confidence in areas with established resource potential (Striker, Gold Hill, and Midfield zones) and simultaneously expanding the perimeter of known mineralized zones and testing for new areas within the larger 1.7 km trend, in order to establish potential extensions and boundaries to the gold system in advance of a resource drilling program. In addition, the Corporation has commenced additional metallurgical testing, and various technical studies in support of future scoping/feasibility-level studies and a mining license application, including hydrogeology, archeology, paleontological, and environmental base line studies.

Altan Nar Gold-Polymetallic Project (located on the Tsenkher Nomin license)

The Altan Nar ("Golden Sun") project is located on the Corporation's Tsenkher Nomin exploration license in southwest Mongolia. The exploration license is in its eighth year of a maximum 12-year term. The license 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 four years has established Altan Nar as a significant new epithermal gold-silver-lead-zinc mineralized system. Exploration, specifically the 2013 through 2015 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 km by 1.5 km 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 (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.

In Q4 2016, the Corporation drill tested a conceptual target at a structural intersection at DZ, and intersected a consistently mineralized zone from surface to 170 m, with the highest gold grades observed at Altan Nar (see below details below). The new discovery at the intersection of major structures provides strong support for additional drilling at DZ, and throughout the larger 5.6 km long Altan Nar trend.

Discovery and Deposit Style

Altan Nar was first discovered by the Corporation in Q3 2011 and 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 the most prolific style 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 Inc.), 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 km. The Kelian open pit, for example, was developed to a depth of 500 m.

Drilling Summary – Discovery Zone

Drilling to date at the DZ has identified a minimum strike length of 500 m. A total of thirty-six, mostly shallow drill holes (i.e. <150 m true vertical depth), on 20 m to 100 m spacing along strike, have demonstrated vertical and lateral continuity of gold, silver, lead and zinc mineralization. Mineralization is structurally controlled and associated with epithermal breccia zones that are steeply dipping to sub-vertical. The DZ remains open along strike to the northeast and at depth. Exploration work has identified north-northeast trending, sub-vertical zones of mineralization over variable widths (up to 53 m apparent width) averaging in excess of 1 g/t gold, including intervals up to 19 m averaging 5.8 g/t gold (7.8 g/t AuEq) in Discovery Zone North. During Q4 2014, drilling at Discovery Zone North returned 30 m of 4.2 g/t gold (5.1 g/t AuEq) including 8 m 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 m of 7.3 g/t gold (9.2 g/t AuEq) within a 38 m interval of 2.0 g/t gold (2.8 g/t AuEq), from 43 to 81 m depth; and hole TND-90, also located in DZ South, returned a 53 m 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 m depth.

Q4 2016 – DZ Drilling Summary

On December 19, 2016, the Corporation announced results for drill hole TND-101, designed to test a structural intersection in the DZ. Results included 110 m of 9.3 g/t gold, 32 g/t silver, and 1.4% combined

lead-zinc. Drill hole TND-101 was consistently mineralized from surface to 170 m with high gold grades not previously observed at Altan Nar. The hole was an exploratory hole drilled perpendicular to a cross-cutting feature observed in geophysical surveys but at a low, oblique angle to the mineralized DZ trend. True width of the zone reported in TND-101 is assumed to be in the range of 25 to 35 m. In addition to the high base metal gold zones, there is also a distinct copper event with high copper-gold that may reflect a new fluid phase at the DZ. Copper levels reached as high as 2.43%.

In Q4 2016, the Corporation extended hole TND-31 from 190 m depth to 450 m depth (390 m vertical depth) below the DZ North deposit area. The extension of the hole confirmed that high-grade precious and base metal mineralization extends below the depths previously tested, returning 1 m samples up to 18.3 g/t AuEq (17.9 g/t gold, 10 g/t silver, and 0.47% combined lead-zinc) at 370 m depth and up to 6.90 g/t AuEq (2.3 g/t gold, 43 g/t silver, and 7.8% combined lead-zinc) at 401 m depth. The deepest hole at Altan Nar prior to extending TND-31, was TND-58 which was drilled to 270 m vertical depth, and returned 6 m of 5.6 g/t AuEq (4.8 g/t gold, 9.3 g/t silver and 1.4% combined lead and zinc) near the bottom of the hole. As demonstrated by TND-101, the potential exists for these narrow high-grade zones to be enhanced greatly in size and grade in favorable structural settings within the district.

Drilling Summary - Union North

In addition to DZ, one of the early discoveries at Altan Nar was Union North ("UN"), 1.3 km north of the DZ. At UN, a series of 8 trenches and 20 drill holes, at 50 m to 200 m 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 m of 1.3 g/t gold, including 9 m 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 m from surface), which returned 5 m 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 m 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 m east of the current UN resource boundary, returned 8 m 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 m 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 m east of the Corporation's Q1-2015 UN mineral resource boundary, returned 22 m of 1.57 g/t AuEq (1.08 g/t Au, 5 g/t Ag and 0.81% combined lead-zinc) starting at 34 m depth, under trench ANT-41 that had previously returned 28.5 m 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 m 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.

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 km 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.

Geology

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

Resource Estimate - Discovery Zone and Union North Deposits

During Q1-2015, an independent National Instrument 43-101 technical report entitled “Altan Nar Gold Project, Bayankhongor Aimag, Southwest Mongolia, National Instrument 43-101 Mineral Resource Technical Report” dated March 24, 2015 (“Altan Nar Report”) outlining the initial resource estimate at Altan Nar for the Discovery Zone (“DZ”) and Union North (“UN”) deposits was completed and is available on SEDAR.

Table 1 below shows the Indicated and Inferred Mineral Resource (“Mineral Resource”) estimate for the Discovery Zone and Union North prospects as at February 19, 2015. The Mineral Resource was completed by RungePincocKMinarco (“RPM”) in accordance with the recommended guidelines of the CIM Definition Standards references in National Instrument 43-101 (“NI 43-101”). The Mineral Resources are provided at a number of gold equivalent (“AuEq”) cut-offs, however RPM suggests reporting the Mineral Resource at a 1.0 g/t AuEq cut-off. The 0.6 g/t AuEq and 1.4 g/t AuEq cut-off grade Mineral Resources are provided for illustrative purposes.

Table 1 - Altan Nar Project –Mineral Resource Estimate Summary as at February 19, 2015

AuEq Cut-off g/t	Classification	Tonnes Mt	Au g/t	Ag g/t	Zn %	Pb %	AuEq g/t	Au kOz	Ag kOz	Zn Mlbs	Pb Mlbs	AuEq kOz
0.6	Indicated	3.4	1.0	9.4	0.57	0.47	1.7	112	1,014	42.4	34.8	185
0.6	Inferred	3.0	0.8	9.4	0.51	0.35	1.4	83	913	33.9	23.5	139
1.0	Indicated	1.8	1.7	11.1	0.61	0.54	2.5	102	657	24.7	22.1	147
1.0	Inferred	1.5	1.5	10.4	0.54	0.39	2.1	72	498	17.7	12.8	102
1.4	Indicated	1.3	2.3	12.1	0.61	0.58	3.1	92	486	16.8	15.9	124
1.4	Inferred	1.0	2.0	10.8	0.53	0.40	2.6	63	342	11.5	8.6	83

Notes:

1. The Statement of Estimates of Mineral Resources has been compiled under the supervision of Mr. Jeremy Clark who is a full-time employee of RPM and a Member of the Australian Institute of Geoscientists. Mr. Clark has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Qualified Person as defined in the CIM Standards of Disclosure.
2. All Mineral Resources figures reported in the table above represent estimates as at 19th February, 2015. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
3. Mineral Resource grades are reported in accordance with the CIM Standards.
4. Mineral Resources reported on a dry in-situ basis.
5. Totals may differ due to rounding

To assist in reporting the Mineral Resources, Erdene requested that RPM report an AuEq value in an effort 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 \$1,200/oz gold, US \$18/oz silver, and US \$0.90/lb for lead and zinc.

The Mineral Resource was completed by RPM using ordinary kriging and inverse distance squared interpolation methods. The Mineral Resource is reported using a cut-off grade which is deemed appropriate for the style of mineralization and the current state of the Mineral Resources. Of importance for mine planning, the model accommodates in situ and contact dilution but excludes mining dilution.

Block size (25 x 5 x 5 m, sub-blocked to 3.25 x 1.25 x 1.25 m) is similar to the expected small-mining units conventionally used in this type of deposit, and appropriate for an open pit mine.

Resource Expansion Potential

During Q3-2016, the Corporation completed a drilling and trenching program over the DZ-UN mineral resource areas and reconnaissance drilling in an effort to expand the current resource and to provide future growth potential at Altan Nar. The DZ-UN program achieved the Corporation's objective of increasing confidence in the near-surface mineralized zones, returning multiple, significant intersections. The reconnaissance drilling increased the Corporation's confidence in the potential for these target areas, outside of the DZ-UN resource boundaries, to significantly expand the areas of known gold-polymetallic mineralization at Altan Nar.

Geophysical Surveys

The aerial extent of ground geophysical surveys at Altan Nar was expanded in 2014, with 20 line km of induced polarization ("IP") dipole-dipole surveys completed along 100 m 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 m 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 m. 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 10m-spaced survey lines was completed over a 500 m by 500 m 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. Based on these encouraging results, a high-resolution ground magnetic survey for the entire Altan Nar project is planned for 2017.

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

The new discovery at DZ, situated at the intersection of major structures, provides strong support for additional drilling at Altan Nar. The 2017 exploration program that commenced in Q2 2017, subsequent to the filing of this report, will focus on establishing continuity of this new high-grade zone and exploring areas where zones of structural dilation, or offset, may have provided a favorable setting for the concentration of these metal-rich solutions over wider intervals. Approximately 3,000 m of diamond drilling will be completed.

Additionally, drilling completed subsequent to the Q1 2015 resource estimate, has increased the Corporation's confidence in the potential for these target areas, outside of the DZ-UN resource boundaries, to significantly expand the areas of known gold-polymetallic mineralization at Altan Nar.

A high-resolution magnetic survey is also planned for Altan Nar in 2017 and the results will be used to evaluate the potential for similar cross-cutting structures, as observed at DZ, at the 17 other target areas within the mineralized corridor.

In addition to drilling, upcoming work at Altan Nar is 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 Sep 29, 2015, "Erdene Drills 12 m of 5.3 g/t Gold Equivalent at Union North, and 200 m Step-Out Trench Returns 28 m of 2.5 g/t Gold Equivalent"
- 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"

Altan Arrow Gold-Silver Project (located on the Khundii license)

The Altan Arrow gold-silver prospect is situated on the Bayan Khundii license, 3.5 km north of the Bayan Khundii project. Previous exploration by the Corporation in 2013 confirmed the presence of high-grade

gold within epithermal quartz veins and the potential for broader mineralized zones. Erdene geologists identified an approximately 1 square-km area of anomalous gold-silver mineralization in quartz veins that returned up to 57 g/t gold in hand samples and 1 m of 31.4 g/t gold and 6 m of 4.5 g/t gold in trenching.

In Q4-2016, the Corporation completed a maiden drill program at Altan Arrow, consisting of a total of 590 m in seven holes at an average spacing of 200 m, completed to an average vertical depth of 58 m. Drill results confirmed the presence of high-grade veins, including 23.5 g/t gold over 2 m at 76 m depth, and up to 171 g/t silver, at 36 m depth, in a separate hole. Results also indicate a wide gold-silver mineralized alteration zone associated with the main northeast-trending mineralized structure. The two southwestern holes, spaced at approximately 300 m along the main mineralized structure, returned intersections of 28 m of 0.45 g/t gold equivalent * ("AuEq") (0.39 g/t gold, 3.75 g/t silver) and 17 m of 0.43 g/t Au, including values of up to 2.4 g/t gold and 171 g/t silver in AAD-02 and AAD-05, respectively.

The results confirm the presence of both high-grade gold bearing veins and broad structurally controlled lower-grade zones with similar style to the Corporation's Bayan Khundii gold project (3.5 km south), albeit with higher silver values. A 2017 follow-up program will commence in Q2 2017, and is expected to include approximately 1,000 m of diamond drilling as well as follow-up of the large gold-in-soil anomaly.

** Gold Eq. ("gold equivalent") for Altan Arrow has been used to express the combined value of gold and silver 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 and \$18/oz silver.*

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"

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 km southwest of Ulaanbaatar and 215 km from railhead on the Mongolia-China border at Ceke. The railhead is located 50 km 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 early June, 2011, the Corporation released the May 2011 Zuun Mod molybdenum-copper deposit National Instrument 43-101 compliant resource estimate which has 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.

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 km 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 m of 1.3% copper and 9.24 g/t silver from 308 m to 342 m (hole ZMD-121). Additional drilling on the Khuvyn Khar prospect has defined a very large copper mineralized zone trending over 900 m with multiple zones in three drill holes returning assays in excess of 0.2% copper over significant widths (12 m to 42 m).

Recent exploration work carried out at Khuvyn Khar included a property-wide gravity survey, an expansion of the mobile-metal-ion ("MMI") geochemical survey, re-logging of all drill holes and alteration mapping, including spectral analysis of drill core. This program resulted in the identification and prioritization of seven porphyry copper drill targets, three of which are considered high-priority with strong probability of intersecting copper porphyry mineralization at relatively shallow depths.

In 2014, work on the Khuvyn Khar project included rock chip sampling, geophysical modeling, detailed vein and alteration mapping of high priority areas and a 1,532 m trenching program designed to identify the geology, alteration and mineralization in areas of poor outcrop exposure located within high priority target areas. The data collected from this exploration work has provided further definition and confidence in the modelling of potential mineralization at Khuvyn Khar. The 2014 work program has culminated in the identification of new, partially buried high priority drill target in the north-central Khuvyn Khar area as well as a new target in the western portion of the Khuvyn Khar property. The ongoing exploration program continues to confirm the potential for copper-rich porphyry style mineralization within the Khuvyn Khar target area. This conclusion is supported by high-grade copper-silver mineralization intersected by Erdene in previous drilling (34 m of 1.34% copper and 9.24 g/t silver).

The 2014 exploration program on the Zuun Mod – Khuvyn Khar property met the objectives of the program, namely, to better define high-priority drill targets for follow-up exploration on the Khuvyn Khar copper porphyry target and to complete work on the Zuun Mod molybdenum-copper deposit required to maintain the mining licenses in good standing, including annual license payments, ongoing environmental review requirements and community development work.

Khuvyn Khar 2015 Tian Poh

In Q1 2015, the Corporation announced the granting to Tian Poh Resources Limited ("Tian Poh") a period of exclusivity to exercise an option to acquire an interest in the Zuun Mod mining license ("Zuun Mod"). Tian Poh agreed it would complete a 1,000 m drill program by October 30, 2015 to test the Khuvyn Khar North target area, an approximately 1 km x 1.5 km prospect area, that was identified by the Corporation. The target area was identified on the basis of several overlapping geological, geophysical and geochemical factors, including: gravity low response, magnetic low response, concentration of quartz veins surrounded by D-vein zones, the presence of copper mineralization at surface, anomalous copper, silver, and gold in soils and rock chips, 2014 trenching results, and IP chargeability response. Tian Poh completed a two-hole, 1,000 m drill program on the Khuvyn Khar North target area in Q3 2015. Hole ZMD-129 reached a depth of 450 m and intersected hydrothermal intrusive breccias and several porphyry intrusions in the upper 242 m of the hole, with assay results returning an average of 0.08% copper ("Cu"),

including an 8 m interval that averaged 0.13% Cu. Hole ZMD-130 was drilled to a depth of 550 m and intersected andesite with cross-cutting porphyry dykes in the top 192 m, with assays for this interval averaging 0.10% Cu, including a 4 m interval averaging 0.25% Cu. The drilling also encountered elevated gold, up to 0.12 g/t.

In Q4 2015, Tian Poh elected to not exercise its option to acquire an interest in the Zuun Mod mining license.

Recent market demand for molybdenum has been depressed, with the price of molybdenum oxide at approximately US\$6.90 per pound in March 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 in regards to technology and/or additional exploration information.

Data verification and exploration information for the Khuvyn Khar section can be found in the following documents 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 March 31, 2017:

Contractual Obligations	Total	Less than one year	1-3 years years	4-5 years	More than 5 years
Office leases	\$ 152,095	\$ 62,936	\$89,159	\$ -	\$ -
Accounts payable and accrued liabilities	275,713	275,713	-	-	-
	<u>\$ 427,808</u>	<u>\$338,649</u>	<u>\$89,159</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 work commitments for the Zuun Mod mining license.

Sandstorm Gold Ltd. is entitled to a 2.0% net smelter return royalty on the Altan Nar and Bayan Khundii projects. 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).

Off-Balance Sheet Arrangements

As at March 31, 2017, 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 carrying amount exceeds 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 \$32,565 in non-cash share-based compensation in the three months ended March 31, 2017 (2016 - \$18,398).

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 accounting policies applied in the consolidated financial statement for the period ended March 31, 2017 are consistent with those used in the Corporation's Consolidated Financial Statements for the year ended December 31, 2016.

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 March 31, 2017 condensed interim consolidated financial statements.

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.

The Corporation intends to adopt IFRS 9 for the annual period beginning January 1, 2018, but does not expect IFRS 9 to have a material impact on the financial statements.

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.

The Corporation intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Corporation doesn't expect the amendments to have a material impact on the financial statements.

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. The amendments apply for annual periods beginning on or after January 1, 2018.

The Corporation is currently assessing the impact of adopting this standard on its 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 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.

The Corporation intends to adopt the Interpretation in its financial statements for the annual period beginning January 1, 2018. 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).

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

	March 31, 2017 Level 1	December 31, 2016 Level 1
<hr/>		
Assets measured at fair value:		
Cash	\$ 13,486,941	\$ 1,071,209

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	
	March 31, 2017	December 31, 2016
Cash	\$ 13,486,941	\$ 1,071,209
Receivables	87,298	36,854
	\$ 13,574,239	\$ 1,108,063

The Corporation manages credit risk by holding the majority of its cash with a Canadian Schedule I bank, where management believes the risk of loss to be low. At March 31, 2017, \$54,579 or less than 1% of the balance of cash was held in banks outside Canada (December 31, 2016 - \$90,637 or 8%).

Receivables include an amount from Morien. The Corporation has an agreement to provide management services to Morien, invoiced monthly. Morien accounted for 33% of receivables at March 31, 2017 (December 31, 2016 – 56%). 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 March 31, 2017, the Corporation had a cash balance of \$13,486,941 (December 31, 2016 - \$1,071,209) to settle current liabilities of \$275,713 (December 31, 2016 - \$182,644).

Foreign currency risk:

The Corporation operates in Mongolia, giving rise to foreign currency risk. To limit the Corporation's exposure to this risk, cash 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 favourable 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 \$327,819 as at March 31, 2017 (December 31, 2016 - \$108,806). 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 \$32,800 (December 31, 2016 - \$10,900).

The Corporation's exposure to Mongolian Tugrik currency risk was \$8,988 as at March 31, 2017 (December 31, 2016- \$38,981). Sensitivity to a plus or minus 10% change in the Mongolian Tugrik would affect net loss and comprehensive loss and deficit by approximately \$900 (December 31, 2016 - \$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

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) released the updated *Internal Control–Integrated Framework* (2013 Framework) in May 2013. COSO announced that the 2013 Framework will supersede the original 1992 Framework. The Corporation is working to adopt the new framework which is expected to be complete in 2017.

Management is responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Corporation, including its consolidated subsidiaries, is made known to the Corporation's certifying officers. The Corporation's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Corporation's disclosure controls and procedures as at March 31, 2017 and have concluded that these controls and procedures are effective.

The Corporation's management, under the supervision of its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO have concluded that internal controls over financial reporting were effective as of March 31, 2017.

There have been no material changes in the Corporation's internal control over financial reporting during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

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 Parksville British Columbia, Canada, or ALS Chemex in Vancouver, Canada. In addition to internal checks by SGS Laboratory, Central Geological Laboratory and ALS Chemex, the Corporation incorporates a QA/QC sample protocol utilizing prepared standards 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.