(Excerpt from the Annual Information Form for the Fiscal Year ended December 31, 2007 dated March 25, 2008. See full report on SEDAR)

Galshar Coal Project

Summary

The Galshar coal project is located on the border of Dornogovi and Khentii provinces 300km southeast of Ulaanbaatar and 63km from rail. The Corporation holds three licenses covering a major part of the Galshar coal deposit in the southeast part of the Choir-Nyalga coal basin. The Galshar deposit consists of a thick, folded anticline and anticline limb package of locally thermal grade, Lower Cretaceous coal in a topographic and structural depression.

Geological correlations of the coal beds at Galshar have been made on the basis of diamond drilling completed by a 1970s joint Mongolia-Russian exploration team and more recently by the Corporation. Altogether, 84 drillholes have been completed for a total of 7,464 meters. As presently defined, Galshar extends northeast-southwest over a 4.7 by 1.8 km area and from surface to a depth of 134m. Recent drilling by the Corporation in 2006 confirmed the coal deposit extends at least 3.6 km to the northeast of the Corporation's 2005 drill hole CDD-01 that returned a 21.8m section of 10,076 BTU/lb coal with low ash (6%) and low sulfur (0.4%).

Although Mongolian-Russian and the Corporation's drilling have identified the substantial coal deposit at Galshar, additional drilling is required to define the full lateral extent of the deposit and make accurate quantity and quality determinations.

Location

The Galshar coal property is located 300km southeast of Ulaanbaatar on the border of Dornogovi and Khentii provinces. Galshar lies 63km from the nearest rail link and 250km from the Mongolia-China border. Four exploration licenses totalling 72,898 hectares are considered to be part of the Galshar coal property. The licenses are 100% owned by the Corporation and are registered in the name of the Erdene Mongol XXK. Under the terms of the Mongolian Minerals Law, the minimum 2008 work requirements to maintain all of the licenses in good standing totals US$72,770.

Table 25 - Galshar Licenses

License Name	License Number	Province	Hectares	Date of issue mm/dd/yyyy	Current Year of Issue	Expiry Date mm/dd/yyyy
Takhilgat Uul	9024X	Dornogobi	33,759	12/23/2004	4th	12/23/2010
Tsagaan Ondor Tolgoi	9383X	Dornogobi	3,808	07/03/2005	4th	07/03/2011
Alag Tolgoi 1	9736X	Dornogobi Khentii	35,074	05/05/2005	3rd	05/05/2008
Khashaat	12553X	Dornogobi	257	07/17/2007	1st	07/17/2010

Access and Infrastructure

The general topography at Galshar consists of a northeast-southwest trending valley depression surrounded by gently rolling terrain with relatively minor relief. The elevations in the region range from 1175m to 1457m, with the higher elevations lying within the basalt and granite hills that border the depression. Sparse semi-desert shrubs and grasses are typical of the vegetation throughout the region.

Unpaved roads connect the deposit area to the town of Bor-Ondor, 65km to the southwest, and there is a rail line linking this town with the Trans-Mongolian Railway which crosses Mongolia in a generally northwesterly direction connecting through Ulaanbaatar and north to Russia and south to China. Power infrastructure consists of a 35

kilowatt power line connecting the Khashaat Khuag coal mine operation with Ikh Khet, a small town 12km to the south. There is a 110KW power supply located at Bor-Ondor.

Historical Work

The coal deposit at Khashaat Khudag was discovered during regional 1:50,000 scale Government mapping in 1975. Prior to this, 1:100,000 scale hydrogeological mapping was conducted in the region in 1966 and from 1972-74. As a result of the coal discovery 1:2,000 scale relief mapping was conducted in 1978 within a 1.4km^2 area. A total of 3,261m of induced polarization geophysical surveys were also completed. In 1978, 48 drill holes were completed along 9 fences. Holes and fences were 100-200m apart and hole depths ranged from 44 to 127m. Down hole geophysical surveys including; resistivity and gamma were also conducted. The Khashaat Khudag coal deposit is hosted within a 5km by 6km synclinal depression. An anticline structure occurs in the center of the basin and is exposed in the Khashaat Khudag open pit. The strike extension of this feature was the target of the Corporation's drill program in 2006

Geology and Structure

The East Mongolian coal-bearing province is limited by the Khentei uplift in the NW and by Nukhetdavaa uplift to the SE near the border with China. The area encompasses the Central Mongolian and South Mongolian regional fold systems of Hercynian age. The base of Upper Mesozoic coal hosting structures are Paleozoic and partially Precambrian fold complexes. The East Mongolian coal-bearing province occupies a large region of Mesozoic basins which extend over a distance of approximately of 450 km within southeastern Mongolia.

Late Mesozoic extensional basins are a prominent geological and topographical feature of central-east Asia including Inner Mongolia where they are targets of petroleum exploration. The basins are interpreted to have formed in an intracontinental, back-arc tectonic setting in response to extensional faulting. These basins are interpreted to be fault-bounded grabens and half-grabens which were filled by eroded sediment during the Jurassic to Cretaceous. The basins comprise lacustrine and alluvial sediments. Government mapping has identified a Lower and Upper Cretaceous Formation. Six separate coal-bearing basins have been defined in southeastern Mongolia. These are; Choir-Naylga, Choibalsan, Sukhbaatar, Tamsag, Middle and East Gobi coal basins. The Choir-Naylga and Choibalsan basins are the largest.

Coal concentration within these basins is almost without exception related to Lower Cretaceous sediments and only in eastern Gobi to Lower-Middle Jurassic-aged sediments. These sediments can also be petroleum and uranium bearing. Lower Cretaceous continental sediments of the Choir Basin are identified as the Zuunbayan Series. This is comprised of three distinct suites (from bottom to top): Engerulan, Khartsav and Kharnuur. Total thickness of Zuunbayan series within the borders of Choir-Nyalga basin reaches 1,500 m. At basin margins, narrow graben-synclinal sections of this suite consist of varicolored coarse grained conglomerate, arkose and sandstone with intercalated siltstone and mudstone.

The Choir-Nyalga coal basin consists of several sub-basins: Nyalga, Choir, Avdarbayan, Bayansoum, Bayanmunkh, Olongiinuskhas, Tevshingobi and others. These structures overlay pre-Mesozoic fold belts. Tectono-thermal activity related to these regional structural features occurred intermittently from the Pre-Cambrian to Cenozoic.

In Choir-Nyalga basin Government reports indicate the occurrence of 23 separate coal layers, with a total composite thickness of 276 m. Coal quality within Cretaceous Basins of southeastern Mongolia is overwhelmingly brown coal with minor sub-bituminous coal. Further east of the Galshar region the coal is reportedly soft brown to lignite.

Alteration and Mineralization

In addition to reportedly substantial quantities of brown coal the Lower Cretaceous sediments are also host to tabular and roll-front uranium deposits. Uranium mineralization in this setting is usually hosted within sandstones and commonly manifest as sooty pitchblende, coffinite, uranium-phosphates (autunite, torbernite) with associated vanadium, rare earth element, molybdenum, and silver enrichment. Mineralization develops along the redox boundary and the presence of common carbonaceous beds (coal, lignite) reflects the reducing conditions necessary for uranium deposition.

Exploration

In 2005, the Corporation conducted a first phase reconnaissance exploration program consisting of detailed mapping, grab sampling from the Khashaat Khudag opencast pit, and two scout diamond drill holes (totaling 198m) located adjacent to the coal mine. In 2006, the Corporation completed a second phase exploration program consisting of a widely spaced (approximately 1km centers), nine hole diamond drilling program (totaling 895m), designed to determine the full extent of the coal bearing lithologies at Galshar. Ten of the 11 holes drilled to date were positioned over the 1km-spaced, north-south oriented grid.

A total of 587m of down-hole geophysics was completed in these holes in 2006 by GE & S Logging Company. This included natural gamma, high resolution density, long spacing density, and borehole diameter. Results of the geophysics generally coincide with the geologist log.

Sampling of drill core focused of minimizing moisture loss. This was accomplished by sealing the coal samples in tightly wrapped plastic bags immediately after the core was logged and photographed. The approximate time of exposure to air for each coal sample was approximately 15 to 25 minutes.

For each sample collected, the entire core was sampled (typically 2m samples). Sample intervals within the coal seams were selected taking into account coal quality and non-coal partings. Non-coal partings less than 50cm, when interbedded with coal, were included as one sample. The sampling approach sometimes introduced non-coal dilution where coaly mudstone and carbonaceous units were indistinguishable from coal. Core recovery was overall very good with minimal core loss.

A phase III program was initiated in 2007 to expand the coal resource from 2005 and 2006 drill results. In addition to resource expansion, an equally important objective of the 2007 program was the utilization of MacElroy-Brian Geological Services (MGBS) coal core logging methodology, a system based on utilizing raw geologic log data collected from the drill cores which is depth-corrected using the borehole geophysical logs, effectively allowing for the coal quality characteristics of a given coal seam to be more clearly understood vertically “ply-by-ply” through the seam and laterally along strike throughout the deposit providing for more detailed and accurate sampling to gain a better understanding of the range of coal products that may exist in a given coal layer or ply. A total of 6 diamond and 15 polycrystalline diamond (PCD) holes were completed over the Galshar deposit area in 2007,
for a total of 2,287m, including 2,074m of downhole geophysics.

Drill Results

A total of 32 drillholes have been completed by Erdene (2005-07) totaling 3,082m; 17 holes were diamond drilled; and 15 poly-crystalline diamond drilled. A skid-mounted 44 Long Year drill was used. Eleven holes, with an average spacing of greater than 1 kilometre and totalling 1,093 metres were completed by the Corporation during 2005 – 2006 in the Galshar basin. Drilling has identified one main coal seam with an average thickness of 21 metres (maximum thickness of 46.6 metres) overlain by an additional five to 10 seams, each 1 to 2 metres thick. Drilling by the Corporation in 2006 (drill hole GHR-11) confirmed the coal seams extend at least 3.6 kilometres to the northeast of the Corporation's 2005 drill hole CDD-01 that returned a 21.8 metre section of greater than 10,000 BTU/lb coal with low ash (6%) and low sulfur (0.4%). Hole GHR-03, located 2.2 kilometres northeast of hole CDD-01 intersected a 17.4 metre section of the main coal seam that averaged greater than 8,000 BTU/lb.

In 2007, a first stage resource delineation drilling program was completed including six diamond and 15 poly-crystaline diamond (PCD) holes, totalling 2,287 metres with a drill spacing of 500 metres to 1 kilometre. The diamond holes were cored and samples selected for analysis. A total of 256 samples were collected. All twenty one drill holes were tested with down-hole geophysics to assist in coal seam identification and quality totalling 2,074 metres of down-hole geophysics. The program was successful in expanding the coal resource to the west and defining the deposit structure and continuity to the east, north and northeast of the 2005 drill hole CDD-01, which reported 21.8 metres of greater than 10,000 BTU/lb coal, low ash (6%) and low sulfur (0.4%). Eight of the 2007 program drill holes intersected a 12.8 to 15.3 metre thick, homogenous coal seam at an average depth of 90 metres and within an area extending over 1.8 square kilometres. Final coal quality results and resource estimates are pending.

Sampling Method and Approach

All samples were sent to the Central Geological Laboratory ("CGL") in Ulaanbaatar, Mongolia. The CGL operates as a joint Mongolian-German laboratory. In 2005-06, CGL was accredited through the DAP German Accreditation System for Testing in conformity with the Standards DIN EN ISO/IEC 17025 and DIN EN ISO/IEC 17011 in the field of mineral research and coal. The laboratory participates in various internal and external proficiency programs to ensure that a high standard of analytical precision and accuracy is maintained. The quality assurance/quality control protocol in place by CGL includes internal monitoring; statistical monitoring; proficiency program; standards scrutiny and document and method validation. Erdene also commissioned Bob Leach, a metallurgist from A&B Mylec (Brisbane, Australia) to supervise and instruct on all coal quality and analyses carried out by CGL in 2007.

The coal core was stored on-site, kept in on-site refrigeration units at 0-5ºC, to await sampling before the geophysics was logged. Immediately following the geologic logging of each core run, the coal core was placed into a core box, sealed in a rice bag with packing tape, and securely placed into an on-site refrigerator at roughly -2ºC to await sampling. After the geology log has been depth corrected to the geophysics and the coal plies selected, the coal core was removed, one box at a time, from the refrigerator units to commence sampling. Each coal sample was tightly sealed with packing tape in a 25 micron plastic sample bag. A sample tag was placed inside and sample number written on each bag. All samples were double bagged in case damaged during shipment. The coal samples were then placed into refrigerators inside a locked, on-site ger until sample shipment (up to five days). Prior to shipment, the samples were batched for transport, and a sample dispatch form was completed by an on-site Erdene geologist. One copy of this form accompanied the samples to the laboratory in Ulaanbaatar and an additional copy was sent to the Erdene office in Ulaanbaatar which used it to track sample results as they arrived. An additional recording of sample information (drillhole number, sample number, depth interval, and sample description) was made in a central Erdene Microsoft Access database.

Environmental

As part of the process of obtaining a mineral exploration license, the Corporation was required to file an environmental report with the Mongolia Mineral Authority identifying planned surface disturbances and also post a remediation bond with the local provincial Government. All RC and diamond drill holes were plugged and cemented to prevent water outflow.