

Dividing Your ACB

Shareholders have asked how to calculate the adjusted cost base of the shares of Erdene Resource Development Corporation ("**Erdene**") and the shares of Morien Resources Corporation ("**Morien**") as a result of the Plan of Arrangement implemented effective November 9, 2012. Under the terms of the Plan of Arrangement, each holder of a share of Erdene prior to the Plan of Arrangement received 0.5 of a share of Erdene and 0.5 of a share of Morien for each Erdene share held immediately prior to the implementation of the Plan of Arrangement.

We are providing this communication to explain our understanding of the division of the adjusted cost base between the shares of Erdene and Morien you received upon the implementation of the Plan of Arrangement. **This summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular shareholder, and no representations with respect to the adjusted cost base of the shares of Erdene or Morien to any particular shareholder are made.**

The adjusted cost base ("**ACB**") of each whole share of Morien you received upon the implementation of the Plan of Arrangement is equal to the fair market value of such share at the time of the implementation of the Plan of Arrangement. The ten day volume weighted average trading price of the Morien shares, beginning on the effective date of the Plan of Arrangement, was \$0.27. We believe this is a good indication of that fair market value; however, we point out the Canada Revenue Agency may not agree with this method of determining fair market value.

The ACB of each whole share of Erdene you received upon the implementation of the Plan of Arrangement is equal to the excess (if any) of the ACB of the shares of Erdene you owned prior to the implementation of the Plan of Arrangement over the ACB allocated to the shares of Morien. The fair market value of the shares of Erdene is not relevant to determine this amount.

We offer the following sample calculations by way of example to allow shareholders to properly determine the ACB of their shares.

Example 1 – Owner of 10,000 Erdene shares with an ACB of \$0.50 per share (\$5,000 aggregate)

This shareholder received 5,000 Erdene shares and 5,000 Morien shares upon the implementation of the Plan of Arrangement.

The ACB of the Morien shares received is equal to \$0.27 per share, which is an aggregate ACB for these shares of \$1,350. Therefore, the ACB of the Erdene shares received is equal in the aggregate to \$3,650 (\$5,000 - \$1,350), which is \$0.73 per Erdene share.

Example 2 – Owner of 10,000 Erdene shares with ACB of \$0.20 per share (\$2,000 aggregate)

This shareholder received 5,000 Erdene shares and 5,000 Morien shares upon the implementation of the Plan of Arrangement.

The ACB of the Morien shares received is equal to \$0.27 per share, which is an aggregate ACB for these shares of \$1,350. Therefore, the ACB of the Erdene shares received is equal in the aggregate to \$650 (\$2,000 - \$1,350), which is \$0.13 per Erdene share.

Example 3 – Owner of 10,000 Erdene shares with ACB of \$0.10 per share (\$1,000 aggregate)

This shareholder likely bought shares of Erdene on a past offering of flow-through shares, which have nil ACB, and shares of Erdene through other offerings or in secondary trading. This shareholder received 5,000 Erdene shares and 5,000 Morien shares upon the implementation of the Plan of Arrangement.

The ACB of the Morien shares received is equal to \$0.27 per share, which is an aggregate ACB for these shares of \$1,350. This shareholder was deemed to have realized a taxable capital gain equal to \$350 during the 2012 taxation year. The ACB of the Erdene shares received is equal in the aggregate to \$0 (nil) since there is no remaining ACB after the allocation of ACB to the Morien shares.

Example 4 – Owner of 10,000 Erdene shares with nil ACB (Flow-Through Shares)

This shareholder bought shares of Erdene on a past offering of flow-through shares, which have nil ACB. This shareholder received 5,000 Erdene shares and 5,000 Morien shares upon the implementation of the Plan of Arrangement.

The ACB of the Morien shares received is equal to \$0.27 per share, which is an aggregate ACB for these shares of \$1,350. This owner was deemed to have realized a taxable capital gain equal to \$1,350 during the 2012 taxation year. The ACB of the Erdene shares received remains nil.