ERDENE RESOURCE DEVELOPMENT CORPORATION

Management's Discussion and Analysis
First quarter March 31, 2013

This Management Discussion and Analysis ("MD&A"), dated May 14, 2013, relates to the operating results and financial condition of Erdene Resource Development Corporation ("Erdene" or the "Corporation") and should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2012, unaudited condensed interim consolidated financial statements for the period ended March 31, 2013 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, 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, exploitation and exploration results, continued availability of capital and financing and general economic, market or business conditions.

Overview of the Business

Erdene is a resource exploration and development corporation listed on the Toronto Stock Exchange (TSX:ERD), and is focused on the discovery and development of large tonnage, low cost, base and precious metals deposits in Mongolia. The Corporation has numerous projects in Mongolia including the Zuun Mod Molybdenum-Copper Project, the Altan Nar Gold-Silver Project as well as other early stage prospects.

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 Altay region of southwest Mongolia. Under the terms of the Agreement, Teck agreed to subscribe for up to $3 million of Erdene shares by way of a non-brokered private placement. 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 of $1 million. The Corporation will commit 85% of the proceeds from the private placement to exploration work primarily on the Corporation's Khuvyn Khar copper porphyry project and regional exploration in the Trans Altay region.

Teck has the option to acquire additional shares of Erdene, priced at the then current market plus 10%, until it has invested $3 million or acquired through subscriptions 19.9% of the outstanding shares of Erdene, whichever occurs first. The balance of the private placement option is due within 30 days of Teck and Erdene being satisfied that clarification of recent proposed changes to the mining law and foreign investment laws of Mongolia have occurred and is subject to receipt of Toronto Stock Exchange approval. Specifically, the parties require assurance that Mongolian laws have been clarified to permit transfers of mineral licenses and confirmation that a majority interest in licenses can be transferred to a foreign controlled entity. Until that time, beginning six months after the closing of the initial tranche, Teck may subscribe to the balance of the private placement with a minimum of $500,000 subscribed on each anniversary date of the closing of the initial tranche.

Project Summaries

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

Zuun Mod Molybdenum-Copper Project

In June 2011, the Corporation announced the receipt of an updated resource estimate for the Zuun Mod project by Minarco-MineConsult (“Minarco”) part of the Runge Group. The Zuun Mod molybdenum-copper deposit has a NI 43-101 compliant resource estimate that includes a Measured and Indicated resource of 218 million tonnes ("Mt") at an average grade of 0.057% Mo, and 0.069% Cu at a cut-off grade ("cog") of 0.04% Mo. This equates to 273.5 million pounds ("M lbs") of contained Mo metal and 330.7 M lbs of contained Cu metal. In addition, there is a 168 Mt Inferred Resource at an average grade of 0.052% Mo and 0.065% Cu, equating to a further 191.8 M lbs of contained Mo metal and 240.5 M lbs of contained Cu metal.

Also in June 2011, the Corporation was granted a 30-year mining license for the Zuun Mod project by the Mongolian government. The June-2011 Zuun Mod project is contained with the Khuvyn Khar mining license which covers an area of 6,041 hectares. A second mining license, located south of the June-2011 mining license, was received on July 20, 2012. This mining license covers 358 hectares. All of the reported Zuun Mod molybdenum and copper resources lie within the boundaries of the two contiguous mining licenses.

In 2012, Minarco, the Corporation's independent technical consultant, completed work on a pit optimization study. This study includes high level production scheduling, a review of operating and capital costs, and economic modeling. The study will be used to determine the parameters of additional pre-feasibility level studies expected to be carried out as the project advances. During the second quarter 2012, the Environmental Impact Study for the Zuun Mod project, prepared by EcoTrade LLC, a Mongolian consulting firm, was approved by the Mongolian Ministry of the Environment.

Khuvyn Khar Copper Project

The Khuvyn Khar copper prospect is located within the Khuvyn Khar Mining License, 2.2 kilometres northwest of the Zuun Mod molybdenum-copper deposit. Drilling at Khuvyn Khar has intersected up to 34 meters of 1.3% copper and 9.24g/t silver from 308 meters to 342 meters. This hole lies on the western extent of a very large copper mineralized zone trending over approximately 3000 meters with limited, wide-spaced drilling intersecting multiple zones in excess of 0.2% copper.

Altan Nar Gold Project - Mongolia

The Altan Nar prospect consists of a large area (1.5km by 5km) with coincident gold, lead and zinc geochemical and gradient array IP chargeability anomalies hosting multiple prospects containing gold-bearing epithermal-style quartz veins and breccias. The first reported occurrence of gold mineralization was by Erdene in late 2011 when initial drilling returned >50 metres of over >1.0 g/t gold which was followed by a higher grade intersection 50 meters below the initial hole which contained 11 metres of 9.0 g/t gold. Results to date have included the identification of multiple zones over a 5 km strike length including the Discovery Zone ("DZ"), an area approximately 400 metres by 150 metres defined by significant, near surface, gold-silver mineralization associated with epithermal quartz veins and breccias. The DZ includes broad zones of mineralization including the northern most hole which returned 94 metres of 0.5g/t gold, 6g/t silver, and 0.93% combined lead and zinc ranging up to 6 metres of 12g/t gold within 100 metres of surface ~400 metres south. The DZ which has been tested by 23 shallow drill holes is open at depth and along strike to the north.

The 2012 exploration program at Altan Nar included close-spaced soil and rock geochemical sampling and IP gradient array and magnetic geophysical surveys. This work resulted in the identification of numerous exploration drill targets along the 5km strike length of the Altan Nar prospect, outside the area of the DZ. This work significantly expanded the potential of identifying additional gold-bearing epithermal deposits on the Altan Nar property. To date, 27 scout holes (15 in 2011 and 12 in 2012) have been drilled across the Altan Nar prospect, outside of the DZ. Over half of these holes (14) returned intervals (1 to 47 metres) of 0.5 g/t gold or higher (up to 4.4 g/t over 9 metres) confirming the widespread nature of the Altan Nar mineralized epithermal system. In particular, results for two holes (TND-45 and 46) indicated a substantial new zone of gold-polymetallic mineralization, located approximately 1.3 kilometres northwest of the DZ and within 50 metres of surface. Drill hole TND-46 contains multiple high grade gold zones separated by post-mineralization dykes which, when included in the overall assay results, yielded an average grade of 1.3 g/t gold over 47 metres.

Initial metallurgical test work was carried out on an arsenopyrite-rich sample of high-grade gold-silver-base metal epithermal quartz breccia collected from the DZ. This sample is not considered representative of the Altan Nar gold mineralization as a whole. Test results indicate that gold mineralization in this sample was principally associated with arsenopyrite. Results also indicated that recoveries between 90% and 95% can be achieved from this type of Altan Nar mineralization using established processing techniques. Additional metallurgical test work is being carried out on gold-silver-base metal mineralized zones with both high and low concentrations of arsenopyrite with initial tests indicating good recovery of gold mineralization with "bottle roll" (cyanide leach) tests. Both low and high arsenopyrite bearing mineralization have been intersected by drilling across the Altan Nar prospect. Final results of the additional metallurgical test work are pending.

In the first half of 2013, in addition to further metallurgical test, a review of results to date has been on-going, including the identification of priority drill targets. Exploration work at Altan Nar commenced in the second quarter and is expected to lead to improved definition of the gold mineralized system and final definition of drill targets in 2013.

Other Mongolian Projects

The Corporation's Alliance with Teck includes plans to explore the Trans Altay region of southwest Mongolia, including several of the Company's mineral tenements, where regional scale exploration work by the Corporation since 2009 has identified a number of areas prospective for the discovery of porphyry copper and epithermal gold related mineral deposits. These prospects include the Altan Arrow property, an early stage surface exploration prospect, located 15 km south-southeast of Altan Nar. Exploration work to date has returned significant gold and silver mineralization associated with epithermal quartz veins over a one-square-kilometre area. Results include an average grade from rock chip samples over a 1 km strike length of 3.5 g/t Au and 60 g/t Ag, including samples with up to 57 g/t Au and 416 g/t Ag. In addition, in late 2012, a new gold discovery was made on the Corporation's Teeg Uul exploration license located approximately 100 km north of Altan Nar. Analysis of a rock chip from quartz veins hosted by an altered porphyry intrusion returned 4.7 g/t Au.

The Corporation retains a royalty interest in the Galshar thermal coal project in Mongolia. The project is operated by Xanadu Coal Mongolia LLC ("Xanadu"), a 100% owned subsidiary of ASX listed Xanadu Mines Ltd. Xanadu has delineated a JORC compliant thermal coal resource of 70 Mt Indicated and 100 Mt Inferred. At Galshar, the basal seam, which contains a resource of 48 Mt Indicated and 53 Mt Inferred, is classified as medium to low ash, high moisture sub-bituminous coal suitable for power generation or Coal to Liquids (CTL) technologies. Xanadu has commenced the permit process to obtain a Mining License at Galshar. The project is subject to a royalty payable to Erdene, its successors and assigns, of US$1.50 for each tonne of the first 5 million tonnes of coal mined from the property and a royalty of US$0.75 per tonne for any additional tonnes of coal mined.

Outlook

General

Management's long term focus remains the discovery and development of large tonnage, low cost, base and precious metal deposits in Mongolia.

The Corporation has working capital sufficient to meet its budgeted expenditures until approximately the third quarter of 2013. The ability of the Corporation to continue beyond this point is contingent upon reduction of expenditures, asset sales, entering joint venture agreement(s), equity financing or a combination thereof.

Zuun Mod

Management believes that the Zuun Mod molybdenum-copper deposits have significant potential for development when molybdenum prices improve and will continue to complete evaluations towards optimizing project economics as new information is received in regards to technology and/or additional exploration information. With the establishment of the Alliance with Teck, the Corporation will continue to carry out exploration on the Khuvyn Khar copper prospect in 2013 with the goal of identifying drill targets through analysis of current and newly acquired geotechnical data. Discovery of additional significant copper mineralization at Khuvyn Khar could provide synergies for the advancement of the Zuun Mod molybdenum deposits.

Altan Nar

The Corporation's drilling program on Altan Nar has delivered very encouraging results including confirming lateral and vertical continuity of gold-silver mineralization within the DZ as well as significant mineralization from reconnaissance drilling including a substantial new gold-polymetallic zone located approximately 1.3 kilometres northwest of the DZ. The Corporation is completing analysis of all exploration data acquired to date and is carrying out geotechnical surveys in 2013 designed to better define the extent and nature of the gold-silver mineralization at Altan Nar in advance of future drilling.

Regional Exploration

Exploration programs will commence in Q2 2013 to follow-up on discoveries on the Altan Arrow and Teeg Uul licenses as well as further regional exploration designed to identify additional porphyry and porphyry related mineralization in southwestern Mongolia.

Transaction with Advanced Primary Minerals

On November 9, 2012, the Corporation closed a statutory plan of arrangement involving Erdene, Advanced Primary Minerals (“APM”), Erdene Resources Inc. ("ERI"), and the securityholders of Erdene and APM whereby:

- Erdene transferred all of the issued and outstanding shares of its subsidiary, ERI, an entity that owned Erdene’s North American property interests, to APM in exchange for an aggregate of 360,028,650 common shares of APM.
- APM and ERI amalgamated to form Morien Resources Corp (“Morien”), TSXV:MOX.
- On the amalgamation of APM and ERI, each shareholder of APM (including Erdene) received one (1) common share of Morien for every 7.85 shares of APM owned by such shareholder.
- Erdene created a new class of common shares ("Erdene New Shares") and exchanged with the Erdene shareholders one-half of one Morien share and one half of one Erdene New Share for each existing common share of Erdene, resulting in 100% of the shares of Morien owned by Erdene being distributed to the Erdene shareholders.

The shares of the Corporation are widely held and there are no controlling blocks of shareholders or formal voting arrangements in place. Following the transaction, Erdene does not have any continuing interest in Morien. As a result, the transaction was accounted for as a distribution of assets to the shareholders of the Corporation in accordance with IFRIC 17: Distributions of non-cash assets to owners. Under IFRIC 17, the distribution of the net assets to the Corporation's shareholders is measured at the fair value of the net assets distributed and is recorded as a reduction in equity. Management determined the recoverable amount of the net assets to be distributed based on the fair value less costs to distribute, which was supported by a formal valuation of the range of values representing the fair market value of the assets acquired by APM. The following table presents the carrying value of assets and liabilities distributed.

Cash	$	2,293,465
Restricted cash		55,355
Prepaid expenses		239,504
Exploration and evaluation assets		20,945,901
Property, plant and equipment		508,658
Goodwill		5,000,000
Note payable to Erdene Resource Development		(550,000)
Trade and other payables		(206,590)
Deferred tax liability		(4,916,034)
		23,370,259
Transaction costs		499,250
Less: impairment		(2,435,485)
Fair value of assets and liabilities distributed	$	21,434,024

Detailed disclosure of the Arrangement can be found in the management information circulars prepared by Erdene and APM, both of which are available on SEDAR at www.sedar.com.

Selected Annual 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	**2012**	**2011**	**2010**
Revenues	$ nil	$ nil	$ nil
Loss for the year attributable to equity holder of Erdene	$ 7,047	$ 11,861	$ 4,089
Basic and diluted loss per share	$ 0.15	$ 0.30	$ 0.10
Total assets	$ 13,315	$ 46,783	$ 57,025
Total long-term liabilities	$ 7	$ 5,354	$ 5,300
Cash dividends declared	Nil	Nil	Nil

Discussion of Operations

In June 2012, the Corporation disposed of its real estate and associated royalty interest in the Granite Hill aggregate property. In November 2012, the Corporation completed the Arrangement discussed above; which resulted in the transfer of the North American assets to APM and subsequent distribution to shareholders. As a result, the prior year cash flows and results of operations have been restated to show the discontinued operations separately from continuing operations.

Three months ended March 31, 2013 and 2012

Exploration expenses totaled $341,801 for the three months ended March 31, 2013 compared to $525,227 in 2012. Approximately one-half the decrease in exploration is due to lower assaying and analytical work in the first quarter of 2013 compared to 2012 when we were processing samples from Altan Nar drilling. The remaining decrease is due to lower salaries, contract services and travel related costs.

Corporate & administrative expenses amounted to $202,973 for the three months ended March 31, 2013 compared to $513,043 in 2012. The Corporation also introduced an extensive costcutting program to decrease corporate overhead and administrative costs. As a result, most administrative costs have either decreased or remain unchanged compared to the prior year.

The Corporation also has a management services agreement with Morien. As a result, Erdene recovers administrative costs of approximately $45,000 per month for management services, administrative support and office costs.

In the first quarter of 2013, the Corporation recognized a $137,357 loss of the windup of its subsidiary ERD Aggregate Corp. ERD Aggregate Corp. sold its remaining assets in 2012 and the windup will save ongoing accounting, tax and legal costs to maintain the subsidiary. The loss is non-cash and was mainly the cumulative translation adjustment on this foreign subsidiary which has now been cycled through the statement of loss.

The Corporation has reclassified the prior year results from operations associated with the Granite Hill Property, APM and Donkin CGU as discontinued operations as outlined in the table below.

		For the three months ended March 31, 2012
Results of discontinued operations		
Revenue	$	**157,804**
Cost of sales		**155,757**
		2,047
Exploration expenses		**4,781**
Corporate and administration		**79,873**
Foreign exchange loss (gain)		**316**
Loss from operating activities		**(82,923)**
Finance income		**83**
Finance expense		**(7,748)**
		(7,665)
Net loss from discontinued operations	**$**	**(90,588)**

The Corporation recorded a net loss from continuing operations of $675,011 in the three months ended March 31, 2013 compared to $1,035,430 for the same period in 2012.

Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amount

	Fiscal 2013	Fiscal 2012				Fiscal 2011		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss to equity holders	$675	$1,391	$3,977	$896	$1,082	$8,804	$1,267	$1,790
Basic and diluted loss per share	$0.01	$0.03	$0.08	$0.02	$0.02	$0.11	$0.02	$0.02
Total Assets	$12,527	$13,315	$34,910	$44,084	$45,871	$46,783	$51,017	$51,260

All financial data has been prepared in accordance with IFRS.

Subsequent to the sale of operating assets in the second quarter of 2012, and after the reorganization which closed on November 9, 2012, the Corporation's expenditures vary from quarter to quarter largely depending on the timing of its Mongolian exploration programs. The Corporation is not aware of any other specific trends which account for fluctuations in financial results from period to period.

Liquidity and Capital Resources

The Corporation had working capital of $531,783 at March 31, 2013 compared to $1,091,293 at December 31, 2012, representing a $559,510 decrease.

On April 22, 2013, the Corporation completed a $1.0 million initial tranche of a non-brokered private placement financing with Teck (see "Alliance With Teck Resources Limited" above). As a condition of the agreement, $850,000 of the financing must be applied toward Mongolian exploration work as directed by the Technical Committee constituted under the Agreement.

As of the date of this MD&A, the Corporation has approximately $1.2 million in working capital which is sufficient to fund the Corporation's budgeted expenditures until approximately the third quarter of 2013. The ability of the Corporation to continue with its exploration programs beyond this point is contingent upon securing additional funds through expenditure reduction, asset sales, formation of alliance, option, and/or joint venture agreements or equity financing. The timing and availability of additional equity financing will be determined largely by market conditions and results from 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.

Contractual Obligations

The following table summarizes the Corporation's contractual obligations at March 31, 2013:

Contractual Obligations	Total	Less than one year	1-3 years years	4-5 years	More than 5 years
Office leases	$ 132,428	$ 78,515	$ 53,914	$ -	$ -
Finance leases	9,897	4,007	5,890	-	-
Accounts payable and accrued liabilities	316,771	316,771	-	-	-
	$ 459,096	$ 339,293	$ 59,804	$ -	$ -

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.

Off-Balance Sheet Arrangements

As at March 31, 2013, the Corporation had no material 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.

Fair value of financial instruments, including embedded derivatives

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Provisions for site restoration

The Corporation records provisions which include various estimates, including the Corporation's best estimate of the future costs associated with settlement of the obligation, and discount rates applied. Such estimates are necessarily calculated with reference to external sources, all of which are subject to annual review and change.

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.

Future changes in accounting policies

New standards, amendments and interpretations effective for the first time from January 1, 2013

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2013. The following new standards, amendments and interpretations, which have been adopted by the Corporation, have had an effect on the Corporation's results, financial position, and/or presentation and disclosure of such items:

- **Amendment to IAS 1 Presentation of Financial Statements**

  The amendments to IAS 1 revised the presentation of other comprehensive income (OCI). Separate subtotals are required for items which may subsequently be recycled through profit or loss and items that will not be recycled through profit or loss.

  The Corporation has updated the presentation of OCI on the face of the Condensed Interim Statements of Comprehensive Loss.

- **IFRS 13 Fair Value Measurement**

  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

  The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Corporation.

- **IFRS 12 Disclosures of Interest in Other Entities**

  IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Corporation has not made such disclosures.

  The application of IFRS 12 will result in additional disclosures in the annual consolidated financial statements.

- The following new or amended standards and interpretations which are mandatory for 2013 annual periods have not had a material impact on the Corporation at this time:

  IFRS 7 Financial Instruments: Disclosures: Amendments – Offsetting Financial Assets and Financial Liabilities

  IFRS 10, consolidated financial statements

  IFRS 11, Joint arrangements. IFRS 11 supersedes IAS 31, Joint Ventures.

  IAS 19 Employee Benefits (Amendments)

  Annual Improvements to IFRSs (2009 – 2011 Cycle)

IFRS 9 Financial instruments ("IFRS 9") issued by the IASB on November 12, 2009, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 ("IAS 39") for debt instruments with a mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Corporation has not early adopted IFRS 9 and is currently evaluating the impact on its financial statements.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRIC 20 sets out the criteria for the capitalization of production stripping costs to non-current assets and requires companies to ensure that capitalized costs are amortized over the useful life of the component of the ore body to which access has been improved due to the stripping activity. The Corporation has not early adopted IFRIC 20 as it does not have any assets in operation.

Financial Instruments and Other Risks

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, accrued liabilities and obligations under finance leases. Management does not believe these financial instruments expose the Corporation to any significant interest, currency or credit risks. The fair market value of these financial instruments approximates their carrying values, unless otherwise noted.

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 numerous 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.

At this stage in the Corporation's development, it relies on equity financing for its working capital and capital requirements to fund its exploration and development programs. Future equity financing could be adversely or positively affected by many factors outside the Corporation's control such as market or commodity price changes, changes in the value of the Canadian dollar against the US dollar and/or the Mongolian Tugrik, general economic conditions, exploration results or political or economic changes in the jurisdictions in which the Corporation operates. The Corporation does not have sufficient funds to put any of its properties into commercial production from its current financial resources. There is no assurance that such financing will be available to the Corporation when required, or that it will be available on acceptable terms.

Outstanding Share Data

Issued and Outstanding Share Capital

On April 22, 2013, the Corporation completed a non-brokered private placement of 5,000,000 shares at $0.20 per share with Teck Resources Limited for total proceeds of $1,000,000.

As of the date of this MD&A, the Corporation has 58,785,299 common shares issued and outstanding.

Stock Options

On April 4, 2013, 15,000 options with an average exercise price of $0.86 expired.

As of the date of this MD&A, the Corporation has 2,361,500 outstanding stock options, all of which were exercisable.

Warrants

In conjunction with a December 19, 2012 private placement, 2,941,179 whole share purchase warrants were issued. Each warrant has an exercise price of $0.25 and an expiry date of December 21, 2014.

Deferred Share Units

On March 31, 2013, the Corporation made its first grant of Deferred Share Units ("DSUs") under the plan approved by shareholders on October 26, 2012. The corporation granted an aggregate of 211,191 DSUs at $0.14 per share to certain officers, directors and employees of the Corporation, resulting in 211,191 outstanding to the date of this MD&A.

Disclosure Controls and Internal Controls over Financial Reporting

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, 2013 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, 2013.

There have been no material changes in the Corporation's internal control over financial reporting during the quarter ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Qualified Person

J. Christopher Cowan, P.Eng., 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 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, sample splits and duplicates.

The disclosure in this MD&A of scientific or technical information about mineral projects on the Corporation's properties has been reviewed by J. Christopher Cowan, P.Eng., 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.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2013 and 2012

(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, 2013 and December 31, 2012 and the unaudited condensed interim consolidated statements of loss, comprehensive loss and cash flows for the three months ended March 31, 2013 and 2012. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 31, 2013 and 2012 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)
(Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash	$ **668,500**	$ 1,502,889
Trade and other receivables	**160,621**	181,477
Prepaid expenses	**23,440**	39,103
	852,561	1,723,469
Non-current assets:		
Exploration and evaluation assets	**11,563,309**	11,472,724
Property, plant and equipment	**110,957**	118,766
	11,674,266	11,591,490
TOTAL ASSETS	**$ 12,526,827**	$ 13,314,959
LIABILITIES & EQUITY		
Current liabilities:		
Trade and other payables	$ **316,771**	$ 628,252
Current portion of obligations under finance leases	**4,007**	3,924
	320,778	632,176
Non-current liabilities:		
Obligations under finance leases	**5,890**	6,923
	5,890	6,923
TOTAL LIABILITIES	$ **326,668**	$ 639,099
EQUITY		
Shareholders' equity:		
Share capital	$ **75,978,953**	$ 75,975,162
Contributed surplus	**10,633,640**	10,631,949
Accumulated other comprehensive income (loss)	**(232,703)**	(426,531)
Deficit	**(74,179,731)**	(73,504,720)
TOTAL EQUITY	$ **12,200,159**	$ 12,675,860
TOTAL LIABILITIES AND EQUITY	$ **12,526,827**	$ 13,314,959

Going concern (Note 2)
Subsequent event (Note 8)

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Loss
(Canadian dollars)
(Unaudited)

	Note	For the three months ended March 31, 2013	2012
Continuing operations			
Exploration expenses		**$ 341,801**	$ 525,227
Corporate and administration		**202,973**	513,043
Loss on windup of subsidiary	**5**	**137,357**	-
Foreign exchange (gain) loss		**(5,464)**	5,673
Loss from operating activities		**(676,667)**	(1,043,943)
Finance income		**2,667**	8,513
Finance expense		**(1,011)**	-
Net finance income		**1,656**	8,513
Net loss from continuing operations		**$ (675,011)**	$ (1,035,430)
Loss from discontinued operations	**7**	**-**	(90,588)
Net loss		**$ (675,011)**	$ (1,126,018)
Net loss attributable to:			
Equity holders of the Corporation		**(675,011)**	(1,081,736)
Non-controlling interest		**-**	(44,282)
		$ (675,011)	$ (1,126,018)
Basic and diluted loss attributable to equity holders		**$ (0.01)**	$ (0.02)
Basic and diluted loss per share:			
Continuing operations		**$ (0.01)**	$ (0.02)
Discontinued operations		**-**	-
Basic and diluted loss per share		**$ -**	$ -
Basic and diluted weighted average number of shares outstanding		**53,785,299**	47,901,451

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Loss
(Canadian dollars)
(Unaudited)

	For the three months ended March 31, 2013		2012
Net loss	**$**	**(675,011)**	$ (1,126,018)
Other comprehensive income			
Items which may subsequently be recycled through profit or loss			
Foreign currency translation difference arising on translation of foreign subsidiaries		**56,471**	314,994
Other comprehensive income		**56,471**	314,994
Total comprehensive loss	**$**	**(618,540)**	$ (811,024)
Total comprehensive loss attributable to:			
Equity holders of the Corporation		**(618,540)**	(783,924)
Non-controlling interest		**-**	(27,100)
	$	**(618,540)**	$ (811,024)

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity
(Canadian dollars)
(Unaudited)

	Attributable to equity holders of the Corporation					
	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Non-controlling interests	Total equity
Balance at January 1, 2012	$ 75,186,822	$ 10,500,956	$ (360,078)	$ (42,874,792)	$ (2,068,902)	$ 40,384,006
Total comprehensive loss for the period:						
Net loss	-	-	-	(1,081,736)	(44,282)	(1,126,018)
Other comprehensive income	-	-	297,812	-	17,182	314,994
Change in share subscription receivable	3,681	-	-	-	-	3,681
Share-based payments	-	22,074	-	-	-	22,074
Total transactions with owners	3,681	22,074	-	-	-	25,755
Balance at March 31, 2012	$ 75,190,503	$ 10,523,030	$ (62,266)	$ (43,956,528)	$ (2,096,002)	$ 39,598,737
Balance at January 1, 2013	$ 75,975,162	$ 10,631,949	$ (426,531)	$ (73,504,720)	$ -	$ 12,675,860
Total comprehensive loss for the period:						
Net loss	-	-	-	(675,011)	-	(675,011)
Other comprehensive income	-	-	56,471	-	-	56,471
Change in share subscription receivable	3,791	-	-	-	-	3,791
Share-based payments	-	1,691	-	-	-	1,691
Total transactions with owners	3,791	1,691	-	-	-	5,482
Recognition of cumulative translation adjustment in net loss upon windup of subsidiary (note 5)	-	-	137,357	-	-	137,357
Balance at March 31, 2013	$ 75,978,953	$ 10,633,640	$ (232,703)	$ (74,179,731)	$ -	$ 12,200,159

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Cash Flows
(Canadian dollars)
(Unaudited)

	Note		For the three months ended March 31, 2013		2012
Cash flows from operating activities:					
Net loss		$	**(675,011)**	$	(1,126,018)
Item not involving cash:					
Depreciation and amortization			**8,221**		9,471
Stock-based compensation			**1,691**		22,074
Loss on disposal of exploration and evaluation assets			**10,343**		-
Loss on windup of subsidiary	**5**		**137,357**		-
Net finance income			**(1,656)**		(849)
Foreign exchange gain			**(6,256)**		-
Change in non-cash working capital			**(276,073)**		3,493
Cash flows from operating activities			**(801,384)**		(1,091,829)
Cash flows from financing activities:					
Proceeds on repayment of share subscription receivable			**3,000**		3,000
Repayment of obligations under capital lease			**(950)**		(1,195)
Interest paid			**(220)**		(7,748)
Cash flows from financing activities			**1,830**		(5,943)
Cash flows from investing activities:					
Expenditures on exploration and evaluation assets			**(44,559)**		(357,456)
Expenditures on property, plant and equipment			**-**		(27,013)
Interest received			**2,667**		9,277
Cash flows from investing activities			**(41,892)**		(375,192)
Effect of exchange rate change on cash			**7,057**		5,252
Decrease in cash			**(834,389)**		(1,467,712)
Cash, beginning of period			**1,502,889**		4,104,350
Cash, end of period		**$**	**668,500**	$	2,636,638

Cash flows from discontinued operations (Note 7)

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

1. Nature of operations and continuance of operations

Erdene Resource Development Corporation (the “Corporation”) is a Corporation domiciled in Canada. The address of the Corporation’s registered office is 99 Wyse Road, Suite 1480, Dartmouth, Nova Scotia, B3A 4S5. The condensed interim consolidated financial statements of the Corporation as at and for the three months ended March 31, 2013 and 2012 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 discovery of large tonnage, low cost, gold, copper, molybdenum and coal deposits in Mongolia.

2. Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. However, in making its assessment, management is aware of material uncertainties related to events or conditions that cast significant doubt upon the Corporation’s ability to continue as a going concern, as described in the following paragraphs.

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

The Corporation experienced significant losses and negative cash flows from operations in 2013 and 2012. The Corporation had working capital of $531,783 at March 31, 2013 compared to $1,091,293 at December 31, 2012, representing a $559,510 decrease, and has a deficit. Management estimates current working capital is sufficient to fund the Corporation’s budgeted expenditures only until approximately the third quarter of 2013. The ability of the Corporation to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business and continue with, or expand upon its exploration programs is contingent upon securing equity financing, entering joint venture agreements or monetizing assets. The timing and availability of additional financing will be determined largely by market conditions and the results of the Corporation’s ongoing exploration programs. There is no certainty that the Corporation will be able to raise funds as they are required in the future.

These condensed interim consolidated financial statements do not reflect the adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate, then adjustments would be necessary to the carrying amounts of the assets, the reported revenues and expenses, and the statement of financial position classifications used.

3. 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"). 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 2012 annual consolidated financial statements which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB")

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 3 and 4 of the consolidated financial statements for the year ended December 31, 2012 with the exception of new standards, interpretations and amendments mandatorily effective for the first time from January 1, 2013. Note 4 sets out the impact of the new standards, interpretations and amendments that have a material effect on the consolidated financial statements.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 14, 2013.

4. New standards, amendments and interpretations effective for the first time from January 1, 2013

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2013. The following new standards, amendments and interpretations that have been adopted in these condensed interim consolidated financial statements have had an effect on the Corporation's future results, financial position, and/or presentation and disclosure of such items:

- Amendment to IAS 1 Presentation of Financial Statements

  The amendments to IAS 1 revised the presentation of other comprehensive income (OCI). Separate subtotals are required for items which may subsequently be recycled through profit or loss and items that will not be recycled through profit or loss.

  The Corporation has updated the presentation of OCI on the face of the Condensed Interim Statements of Comprehensive Loss.

- IFRS 13 Fair Value Measurement

  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

  The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Corporation.

- IFRS 12 Disclosures of Interest in Other Entities

  IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

4. New Standards, Amendments and Interpretations Effective for the first time from January 1, 2013 (continued)

- IFRS 12 Disclosures of Interest in Other Entities (continued)

  None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Corporation has not made such disclosures.

  The application of IFRS 12 will result in additional disclosures in the annual consolidated financial statements.

In addition, the following new or amended standards and interpretations that are mandatory for 2013 annual periods have not had a material impact on the Corporation at this time:

- IFRS 7 Financial Instruments: Disclosures: Amendments – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IAS 19 Employee Benefits (Amendments)
- Annual Improvements to IFRSs (2009 – 2011 Cycle)

5. Windup of subsidiary

During the three months ended March 31, 2013, the Corporation completed the windup of its subsidiary ERD Aggregate Corporation (Delaware) which previously held the Corporation's interest in the Granite Hill property and the associated real estate prior to disposal during the year ended December 31, 2012. During the three months ended March 31, 2013, the Corporation recognized a loss on windup of subsidiary of $137,357 in the Statement of Loss related to the recognition of the cumulative translation adjustment previously recorded in accumulated other comprehensive income.

6. Fair Value

Cash, consisting of bank balances, shown in the consolidated statement of financial position as at March 31, 2013 and December 31, 2012 are measured at fair value on a recurring basis using level 1 inputs. The fair value of the financial assets and liabilities at March 31, 2013 and December 31, 2012, using level 2 and 3 inputs, was nil. During the periods ended March 31, 2013 and December 31, 2012, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

7. Discontinued operations

During the year-ended December 31, 2012, the Corporation sold its real estate and associated royalty interest in the Granite Hill property. As a result, the cash flows and results of operations have been presented as discontinued operations for the three months ended March 31, 2012. Also, during the year-ended December 31, 2012, the Corporation completed the Plan of Arrangement as discussed in Note 6 to the

(Canadian dollars)

7. Discontinued operations (continued)

audited consolidated financial statements for the year ended December 31, 2012; which resulted in the transfer of the Donkin cash generating unit (“CGU”) to APM in exchange for shares of APM and the distribution of all the shares of APM to Erdene’s shareholders. As a result, the cash flows and results from operations of the Donkin CGU and APM have been presented as discontinued operations at March 31, 2012.

		For the three months ended March 31, 2012
Results of discontinued operations		
Revenue	$	157,804
Cost of sales		155,757
		2,047
Exploration expenses		4,781
Corporate and administration		79,873
Foreign exchange loss (gain)		316
Loss from operating activities		(82,923)
Finance income		83
Finance expense		(7,748)
		(7,665)
Net loss from discontinued operations	$	(90,588)

	Continuing operations	Discontinued operations	Total
For the three months ended March 31, 2012			
Net loss attributable to:			
Equity holders of the Corporation	$ (1,005,272)	$ (76,464)	$ (1,081,736)
Non-controlling interest	(30,158)	(14,124)	(44,282)
	$ (1,035,430)	$ (90,588)	$ (1,126,018)

Net cash provided by operating activities	$	100,932
Net cash provided by financing activities		263,143
Net cash used in investing activities		(300,000)
Net cash provided by discontinued operations	$	64,075

8. Subsequent Event

On April 22, 2013, the Corporation completed a $1 million initial tranche of a non-brokered private placement financing with Teck Resources Limited ("Teck") at a price of $0.20 per share.

Under the terms of the agreement, Teck agreed to subscribe for up to $3 million of Erdene shares by way of a non-brokered private placement. The initial tranche resulted in the issuance of five million shares priced at $0.20 per share for aggregate proceeds of $1 million. All shares issued are subject to a hold period of four months and one day from the date of issuance. There were no fees or commissions paid in connection with this financing.

The Corporation will commit 85% of the proceeds from the private placement to exploration work primarily on the Corporation's Khuvyn Khar copper porphyry project and regional exploration in the Trans Altay region of southwestern Mongolia.

Teck has the option to acquire additional shares of Erdene, priced at the then current market plus 10%, until it has invested $3 million or acquired through subscriptions 19.9% of the outstanding shares of Erdene, whichever occurs first. The balance of the private placement option is due within 30 days of Teck and Erdene being satisfied that clarification of recent proposed changes to the mining law and foreign investment laws of Mongolia have occurred and is subject to receipt of Toronto Stock Exchange approval. Specifically, the parties require assurance that Mongolian laws have been clarified to permit transfers of mineral licenses and confirmation that a majority interest in licenses can be transferred to a foreign controlled entity. Until that time, beginning six months after the closing of the initial tranche, Teck may subscribe to the balance of the private placement with a minimum of $500,000 subscribed on each anniversary date of the closing of the initial tranche.