ERDENE RESOURCE DEVELOPMENT CORPORATION

Management's Discussion and Analysis
First quarter - March 31, 2012

This Management Discussion and Analysis ("MD&A"), dated May 15, 2012, 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, 2011, unaudited condensed interim consolidated financial statements for the period ended March 31, 2012 and the notes thereto. The consolidated financial statements of the Corporation have been prepared by management, in Canadian dollars, in accordance with International Financial Reporting Standards ("IFRS").

The following discussion and analysis includes consolidated financial information relating to the following subsidiaries which are wholly owned unless stated otherwise: Erdene Gold International Inc. and Erdene International Exploration Inc., both incorporated under the laws of Barbados; Tamerlane International Limited incorporated under the laws of Bermuda; Advanced Primary Minerals Corporation ("APM") (60%), Erdene Resources Inc., and 6531954 Canada Limited, incorporated under the laws of Canada; Advanced Primary Minerals USA Corp. ("APMUSA") (60%) and ERD Aggregate Corporation, both incorporated under the laws of Delaware as well as Erdene Mongol XXK and Anian Resources XXK, incorporated under the laws of Mongolia.

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

Erdene is a resource exploration and development Corporation listed on the Toronto Stock Exchange with two core projects: the Donkin Coal Project in Nova Scotia and the Zuun Mod Molybdenum-Copper Project in Mongolia. The Corporation has numerous non-core projects including gold-copper exploration prospects in Mongolia, an operating aggregate quarry (Granite Hill royalty), and kaolin interests.

The Corporation's long term focus remains the discovery and development of large tonnage, low cost, gold, copper, molybdenum, and coal deposits in Mongolia; and the development of its coal and industrial mineral interests in North America. In the short term, management is focused on financing and creating greater value in the Corporation by undergoing a strategic review of various options including the monetization of non-core assets, a spin-off of Mongolian interests, strategic investments, project financing and other corporate and financial transactions.

Donkin Coal Project – Nova Scotia, Canada

On April 26, 2012, the Corporation announced Xstrata Coal is seeking an operating coal company to assume its 75% interest in the Donkin Coal project. Xstrata Coal cited a change in their business strategy since first acquiring the project, one which now focuses on larger volume mining complexes, as the reason for the choosing to sell their interest in the project.

It is anticipated that the sale process will be concluded during 2012, with the selection of an entity with the mining experience, technical expertise and financial capability to operate this underground mine safely and efficiently. Erdene has a 60-day right of first refusal on the sale by Xstrata Coal of its interest in the Donkin project.

During this process the project timelines will be maintained with the planned completion of the environmental assessment, progression of engineering work and obtaining the necessary approvals for commencement of the underground exploration phase. The Canadian Environmental Assessment Agency ("CEA Agency") approval process is on track and full environmental approval is anticipated in early 2013. It is estimated the Donkin mine will produce 2.75 million washed product tonnes per year and will directly employ about 300 people. Commencement of coal production is targeted for mid-2014.

Xstrata Coal, under the joint venture agreement, is committed to fund the first $10 million of Erdene's development funding requirement. Xstrata Coal will bring forward up to $1 million of this to cover Erdene's share of expenditure on the project during the sales process.

In June 2011, the Donkin Joint Venture ("DJV") released a National Instrument 43-101 compliant Technical Report for the Donkin Coal Project prepared by Marston & Marston, Inc. of St. Louis, Missouri (the "Report"). The Report presents the results of the Pre-Feasibility Study ("PFS") on the Donkin Export Coking Coal Project prepared by Xstrata Coal Donkin Limited ("Xstrata Coal") and the reserves defined by the PFS.

The Report confirms the technical and economic viability of the Donkin Export Coking Project and supports advancing the project to the next phase. The PFS concludes that Donkin has a $1.06 billion Net Present Value ("NPV") (8% discount rate) based on project development capital of approximately $500 million and demonstrates the potential for first quartile operating costs.

Zuun Mod Molybdenum-Copper Project – Mongolia

During the first quarter 2012, the Corporation's independent technical consultant, Minarco-MineConsult ("MMC"), part of the Runge Group, continued to carry out work on a pit optimization study. Once completed, this study will provide high level production scheduling, a review of operating and capital costs, and economic modeling and will be used to determine the parameters of additional pre-feasibility level studies expected to be carried out in 2012/2013.

In June 2011, the Corporation announced the receipt of an updated resource estimate for the Zuun Mod project by MMC. Their revised resource estimate included an increase in the Measured and Indicated ("M&I") resources by 38 million tonnes as well as an increase in the average grade.

Also in June 2011, the Corporation was granted a 30-year Mining License for the Zuun Mod project by the Mongolian Government. The Zuun Mod Mining License covers an area of 6,041 hectares and contains the South Racetrack and North Racetrack deposits, which host all of the M&I resources at Zuun Mod. The Mining License also contains the Khuvyn Khar copper prospect. Approval of an application for a second contiguous Mining License, south of the approved Mining License, is pending. This license application covers 358 hectares and contains the Stockwork deposit which hosts 17.8 percent of the Inferred resource at Zuun Mod.

Other – Mongolia

At the end of the first quarter 2012, the Corporation announced the commencement of the 2012 field program at Tsenkher Nomin and drilling was started in early April. The 2012 drilling program will include delineation drilling of the Altan Nar Discovery Zone, additional scout drilling to follow-up on encouraging preliminary drill-results as well as a number of geochemical and geophysical targets that remain untested by drilling. Additional field work, including close-spaced soil and rock geochemical sampling and geophysical surveys is expected to start once ground conditions permit. The initial 2012 drill program was focused on additional drilling within the Discovery Zone and concluded in late April having drilled nine holes totaling 2,030 meters. All samples have been submitted for analysis with results pending.

Exploration work in 2011 on the Corporation's Tsenkher Nomin property, located in southwestern Mongolia, identified a number of previously unknown gold and base metal mineral occurrences. The Corporation has carried out initial scout drilling on two of these prospects, Altan Nar and Nomin Tal, (located 2.5km apart). Both prospects have returned very encouraging initial results.

The Altan Nar prospect consists of a broad (2km by 3km) polymetallic-gold-in-soil anomaly hosting multiple prospects containing gold-bearing epithermal-style quartz veins. A series of 24 holes were drilled over a $1km^2$ area of the Altan Nar prospect and the presence of anomalous gold-bearing mineralized zones in 15 of the 24 holes confirmed the widespread nature of the Altan Nar mineralized system. In the one area where multiple holes have been drilled in close proximity, results have confirmed the lateral and vertical continuity of mineralized zones. Hole TND-19 was drilled 50 metres below the mineralization intersected in TND-09 (55 meters of 1.02g/t gold and 12g/t silver), and intersected 29 meters averaging 4.3g/t gold and 24.1g/t silver, suggesting an increase in intensity of gold mineralization at depth. Additional drill intersections, northeast from TND-9, 19 along a magnetic low feature, suggests a single or multiple mineralized zones over a 300 meters strike length. This area is referred to as the 'Discovery Zone'. The lateral and vertical extent of mineralization in other widely spaced drill holes remains untested.

At Nomin Tal, drilling has intersected copper-gold mineralization in a series of drill holes along a 750 meters strike length included 2.7g/t gold, 0.9% copper and 6g/t silver over 6 meters (48 to 54 meters) in TND-6, drilled under historic workings where mineralization is exposed on surface.

Kaolin Clay Operations – Georgia, USA

The Corporation, through its controlled subsidiary APM, operates a kaolin processing plant in Dearing, Georgia, USA. To date, despite encouraging results from product trials, APM has been unable to secure sufficient sales to generate sustained positive cash flows.

On February 9, 2012, Erdene granted APM an extension to its promissory note, now due August 31, 2012. This extension will allow APM to refinance or restructure its operations. Management of APM is actively seeking a buyer for its clay operating assets.

Aggregate – Georgia, USA

In January 2012, Aggregates USA (Sparta), LLC ("AUSA") commenced commercial production of the Sparta Quarry from the Corporation's Granite Hill property which is under long term lease to AUSA. The quarry has been constructed to a design capacity of greater than 2 million tonnes of product per annum. The sale of all aggregate from the property is subject to an industry competitive royalty payable to the Company with annual minimum royalties that are inflated annually. In January, the Corporation received the 2012 minimum royalty of US$165,000 from AUSA. Project development was carried out by AUSA throughout 2011, including site preparation (installation of processing and shipping infrastructure) and construction of a rail link under Georgia Highway 16 connecting the aggregate quarry site to the existing rail-line. AUSA is targeting markets in the southeastern U.S.A.

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	**2011**	**2010**	**2009**
Revenues	$ 883	$ 585	$ 168
Loss for the year attributable to equity holder of Erdene	$ 11,861	$ 4,089	$ 2,177
Basic and diluted loss per share	$ 0.13	$ 0.05	$ 0.02
Total assets	$ 46,783	$ 54,251	$ 57,025
Total long-term liabilities	$ 5,354	$ 5,236	$ 5,300
Cash dividends declared	Nil	Nil	Nil

All financial data has been prepared in accordance with IFRS with the exception of certain 2009 data.

Discussion of Operations

Three months ended March 31, 2012

The Corporation recognized revenue of $44,795 in the first quarter of 2012, compared to $45,663 in the first quarter of 2011. Revenue was mainly comprised of the minimum royalty earned on the Granite Hill aggregate property.

Cost of sales relate to management salaries and fees in the Corporation's subsidiary, ERD Aggregate Corp, which holds the Granite Hill property. These costs amounted to $25,154 in the first quarter of 2012 compared to $51,042 in the first quarter of 2011. In 2011, these costs were included in exploration costs. The costs were reclassified to cost of sales when Granite Hill entered commercial production in January 2012.

Total exploration expenses for the three months ended March 31, 2012 amounted to $474,991 compared to $881,976 for the same period in 2011. The decrease is due to a drop in share based payments which amounted to $16,767 for the three months ended March 31, 2012 (2011 - $600,970).

Corporate & administrative expenses amounted to $638,685 for the three months ended March 31, 2012 compared to $3,744,619 for the same period in 2011. If we exclude non-cash share based payments which amounted to $5,307 for the three months ended March 31, 2012 (2011 - $3,115,643), our corporate & administrative costs increased by $4,402, compared to the first quarter of 2011.

The loss associated with APM's operating assets in Georgia, USA has been reclassified and is presented under Loss from Discontinued Operation. This loss amounted to $35,022 in the first quarter of 2012 compared to $135,670 in the first quarter of 2011.

The net loss attributable to Erdene equity holders, for the three months ended March 31, 2012, was $1,081,736 compared to a loss of $4,637,955 for the same period in 2011.

Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2012	Fiscal 2011				Fiscal 2010		
	Q1 Mar-12	Q4 Dec-11	Q3 Sep-11	Q2 Jun-11	Q1 Mar-11	Q4 Dec-10	Q3 Sep-10	Q2 Jun-10
Revenue	$44	$59	$49	$53	$46	$28	$3	$4
Loss to equity holders	$1,082	$4,601	$1,355	$1,267	$4,089	$1,197	$633	$1,388
Basic and diluted loss per share	$0.01	$0.05	$0.01	$0.02	$0.05	$0.01	$0.01	$0.01
Total Assets	$45,871	$46,783	$51,017	$51,260	$53,466	$54,251	$56,507	$56,632

All financial data has been prepared in accordance with IFRS.

The Corporation's expenditures vary from quarter to quarter largely depending on the timing of its exploration and development 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 $2,389,404 at March 31, 2012 compared to $3,387,452 at December 31, 2011, representing a $998,048 decrease.

Current working capital is only sufficient to fund the Corporation's budgeted expenditures until approximately the third quarter of 2012. The ability of the Corporation to continue with its exploration programs is contingent upon securing additional funds. Management is actively exploring options to divest of certain non-core assets. 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 other than royalty income from its early stage aggregate properties and interest earned on cash and GICs. 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 two advanced stage projects (being the Donkin Coal Project and Zuun Mod Molybdenum-Copper Project), exploration and development programs on its exploration and evaluation assets and its ability to obtain sufficient equity financing.

Contractual Obligations

The following table summarizes the Corporation's contractual obligations at March 31, 2011:

Contractual Obligations	Total	Less than one year	1-3 years years	4-5 years	More than 5 years
Leases	$ 189,673	$ 76,727	$ 112,946	$ -	$ -
Finance leases	319,727	8,591	311,136	-	-
Accounts payable and accrued liabilities	919,616	919,616	-	-	-
	$ 1,429,016	$ 1,004,934	$ 424,082	$ -	$ -

Gallant Minerals Limited is entitled to a 1.5% net smelter return royalty on Zuun Mod Project, subject to a buy-down provision.

The Corporation has an obligation of $102,694 for site restoration costs related to APM's clay operations in Georgia, USA.

Off-Balance Sheet Arrangements

As at March 31, 2011, 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

IFRS 9 Financial instruments ("IFRS 9") was 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.

IAS 1, Presentation of Financial Statements, was amended to revise the presentation of other comprehensive income. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Corporation has not early adopted the amendments to IAS1 and is currently evaluating the impact on its financial statements.

The following IFRS standards have been recently issued by the IASB: IFRS 13 Fair Value Measurement, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IAS 19 Employee Benefits. The Corporation is assessing the impact of these new standards, but does not expect them to have a significant effect on the condensed consolidated interim financial statements.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine was issued in October 2011, and 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 states that the stripping activity is recognized as a component of the larger asset to which it relates. In addition, IFRIC 20 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 intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The impact of adoption of IFRIC 20 has not yet been determined.

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 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.

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 Tugrig, 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

The Corporation hasn't issued any shares in fiscal 2012. The total issued and outstanding shares, as of the date of this MD&A, are 95,802,901.

Stock Options

The Corporation hasn't issued any options in fiscal 2012. Subsequent to period end, 70,000 options with a weighted average exercise price of $0.97 were forfeit and 125,000 options with a weighted average exercise price of $1.35 expired, leaving a total of 7,413,000 outstanding as of the date of this MD&A. Of this balance, 7,259,000 were exercisable.

Exploration Results

The following is an overview of the programs carried out on the Corporation's principal properties.

Donkin Coal Project – North America

The Corporation is a 25% joint venture partner in the Donkin Joint Venture ("DJV") with Xstrata Coal Donkin Limited ("Xstrata Coal"). The DJV was formed to secure the rights to the Donkin Coal Project and to explore, assess, study and, if feasible, develop the high-grade Donkin coking and thermal coal resource. The Donkin Coal Project is located in Cape Breton, Nova Scotia, proximal to deep water ideal for seaborne shipping into the major world markets. Xstrata Coal Donkin Management Limited ("Xstrata Management"), a related party to Xstrata, is the manager of the Donkin Coal Project.

In April 2007, the DJV received a National Instrument 43-101 compliant resource report for the Donkin Coal Project from McElroy Bryan Geological Services. The report identified a 227Mt Indicated and 254Mt Inferred high volatile A-bituminous (12,000-14,000 BTUs/lb) coal. The processed Donkin coal also has many excellent coking coal properties including low ash, medium sulphur, low phosphorus, high CSN (crucible swell number) and high fluidity.

In August 2007, the dewatering phase of the project and the subsequent tunnel clearing and refurbishing program was completed to the end of the 3,500m long twin tunnels. This represented a major milestone in the project's development and clears the way for direct access to the Harbour Seam.

In February 2010, Xstrata Coal indicated that they intend to develop the Donkin Coal Project based on sales into the coking coal market. The revised Donkin Coal Project is initially expected to utilize four continuous miners added incrementally over the first 18 months of production. In addition, a coal wash plant would be built on site and it is proposed that coal would be shipped from the mine site using a barge to ship system or by rail to Sydney Harbour.

In 2010, a number of key elements of the project were initiated including civil construction, engineering and pre-feasibility studies, environmental assessment studies and consultation with government officials. Mining consulting firm Marston & Marston Inc. (“Marston”) was engaged to complete an independent NI 43-101 compliant review of the pre-feasibility study of the revised project scope. Marston is an international full-service mine consulting firm headquartered in St. Louis, Missouri with extensive experience in open pit and underground coal mines.

On June 30, 2011, the Corporation announced the receipt of a NI 43-101 compliant technical report for the Donkin Project (the “Report”) from Marston. The purpose of the Report is to present the results of the Pre-Feasibility Study ("PFS") on the Donkin Export Coking Coal Project prepared by Xstrata Coal and the reserves defined by the PFS. The Report assesses the viability of a multiple continuous miner ("CM") underground operation, producing approximately 3.5 million tonnes per year ("Mtpa") Run of Mine ("ROM") coal that would be subsequently washed to provide 2.75 Mtpa of product coal suitable for the international export coking and thermal coal markets and domestic thermal coal markets. The Report confirms the technical and economic viability of the Donkin Export Coking Project and supports advancing the project to the next phase. The PFS concludes that Donkin has a $1.06 billion Net Present Value ("NPV") (8% discount rate) based on project development capital of approximately $500 million and demonstrates the potential for first quartile operating costs.

The coal quality of the Harbour Seam is characterized by low ash, high energy, high vitrinite content, high fluidity, high crucible swell number ("CSN") and elevated levels of sulfur. Subject to further coal testing, approximately 75% of product coal from Donkin is targeted to be marketed as a coking coal blend into international coking coal markets with the remaining 25% expected to be marketed to domestic and international thermal coal markets.

The Report restates the coal resources for the Hub and Harbour Seams at Donkin with no change from previously reported resource estimates. The Report also classified a portion of the resources for the Hub and Harbour Seams as reserves. The Indicated Resources for the Hub and Harbour Seams are 73 million tonnes ("Mt") and 101 Mt respectively, for a total Indicated Resource of 174 Mt. Included in these resource numbers are 28 Mt and 30 Mt of Probable Reserves from the Hub and Harbour Seams, respectively, for a total of 58 Mt of Probable Reserves. The effective date for the resource and reserve estimates is May 2011. There are sufficient Reserves at Donkin for the first 20 years of mining. These form the basis of the economic analysis. No Inferred tonnages are included in the economic analysis.

In June 2011, a draft Project Description document was filed with Federal and Provincial regulators. This is the initial step in the Environmental Assessment ("EA") process. The document seeks approval for the 2.75 Mtpa export coking and thermal coal underground mine. On November 14, 2011, the Canadian Environmental Assessment Agency (“CEA Agency”) announced their decision that the Donkin Export Coking Coal Project is to undergo a comprehensive-study-type environmental assessment. The CEA Agency prepared and released draft Environmental Impact Statement (“EIS”) Guidelines for the project which will guide the EIS preparation and identify minimum information requirements. The public was invited to submit comments to the CEA Agency by December 29, 2011. The CEA Agency prepared draft Environmental Impact Statement (“EIS”) guidelines and invited public comment. In early February 2012, the CEA Agency issued final EIS Guidelines for the project to Xstrata Management. The EIS guidelines provide minimum information requirements for the preparation of the EA documents.

The feasibility stage will include the initial phase of mining, referred to as the exploration phase. The intent is to deploy one CM section in the Harbour Seam one year after securing an off-take agreement for the ROM coal. The exploration phase will provide the opportunity to collect multiple Harbour Seam bulk samples for testing the coal quality, geotechnical information on the roof, floor and coal, data on structures and gas desorption and underground drilling from the Harbour Seam will allow for collection of data for all categories within the Hub Seam. The additional geological and geotechnical information as well as the results of bulk sample testing by potential customers, will provide information necessary to finalize the mine and plant design and the ultimate production including an evaluation of the viability of using longwall mining equipment. Included in this study would be continued work on the studies, plans, permits and licenses necessary to start construction and operate the mine. The feasibility study is estimated to cost $94.2 million and is forecasted to be conducted over a 24-month period. The estimated cost includes tunnel rehabilitation, exploration mining along with the cost of the mining equipment and the study. The schedule for this initial development is partially dependent on securing a coal off-take agreement. Full development plans will be based on the outcome of the feasibility study and receipt of all government approvals.

Zuun Mod Molybdenum Project – Mongolia

The Zuun Mod Molybdenum Project is a porphyry molybdenum-copper deposit located in Bayankhongor Province, Mongolia, approximately 950km southwest of Ulaanbaatar and 215km from railhead on the Mongolia-China border at Ceke. The railhead is located 20km south of the Nariin Sukhait and Oyuut Tolgoi coal mines. The property consists of a Mining License totaling 6,041 hectares and a pending Mining License application totaling 358 hectares. The Mining License is registered in the name of Anian Resources XXK, 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 royalty of 1.5%, subject to a buy-down provision.

Since acquiring the Zuun Mod property, the Corporation has carried out a staged exploration program. This program has included a phased resource delineation drilling program which resulted in the identification of three mineralized zones (South Racetrack, North Racetrack and Stockwork) with potentially economic concentrations of molybdenum, with associated copper mineralization, within the 3.5km long area referred to as the South Corridor. The Corporation retained the services of MMC to carry out an independent resource estimate for the Zuun Mod Molybdenum Project. In May 2008, the Corporation received the first NI 43-101 compliant resource report for the project from MMC and established Zuun Mod as one of the largest and most advanced pre-development molybdenum projects in the North Asia Region.

Subsequent to the May 2008 resource estimate, the Corporation continued to carry out additional drilling designed to better defining localized higher grade zones and enlarging the overall deposit, both vertically and laterally. A second, updated resource estimate was completed by MMC in June 2009. In 2009 and 2010, the Corporation continued to carry out additional drilling designed to better determine the continuity of the Zuun Mod resource to a depth of 500m and to provide more detailed information on areas of higher grade mineralization expected to be initially developed for mining.

In February 2011, the Corporation released the final results of the 2010 drilling program. These included the expansion of higher grade molybdenum ("Mo") and copper ("Cu") zones within the Racetrack deposits and new higher grade molybdenum and copper zones discovered at depth.

Included in these results was a newly identified high-grade zone intersected in hole ZMD-51. This hole intersected 118 meters (362 meters to 480 meters) of 0.106% Mo and 0.098% Cu. Overall ZMD-51 averaged 0.061% Mo and 0.072% Cu over the 432 meters mineralized section (68 meters to 500 meters). The high-grade zone in ZMD-51 can be correlated with higher-grade zones in surrounding new and previously drilled holes.

Once again Minarco was contracted to update the resource estimate. In early June, 2011, the Corporation released the new May 2011 Zuun Mod molybdenum-copper deposit NI 43-101 compliant resource estimate which has a M&I 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.

Compared with the June 2009 resource estimate, the May 2011 resource estimate shows that the M&I resource increased significantly to 218 Mt from 180 Mt at a 0.04% Mo cog, a 21% increase. Much of the drilling was concentrated in the South Racetrack deposit where the high-grade zone was extended to 500m depth. The contained metal within the M&I resource of both the South Racetrack deposit and the North Racetrack deposit high-grade zones (0.04% cog) increased by 25% for molybdenum (grading 0.058% Mo) and 26% for copper (grading 0.071% Cu) to 245 M lbs and 300 M lbs respectively.

Since 2009, the Corporation has been working on a number of technical and engineering studies on various aspects of the Zuun Mod project including an environmental and social economic baseline study, a geological report and resource estimate, for submission to the Mongolian Mineral Resource Council, hyrdro-geologic drilling to identify a source for process water, metallurgical test work, a 3D data compilation project and additional geophysical surveys. The Corporation's independent technical consultant, Minarco, carried out work on a pit optimization study designed to assess various mine scheduling scenarios for a range of production profiles and molybdenum revenue rates.

Work on the pit optimization study continued until the end of 2011 and is still ongoing. Once completed this study will provide high level production scheduling, a review of operating and capital costs, and economic modeling and will be used to determine the parameters of additional pre-feasibility level studies expected to be carried out in 2012/2013.

In 2010, the Zuun Mod molybdenum-copper deposit was officially registered by the Mongolian Minerals Resource Council, a prerequisite for applying for a mining license. During the first quarter of 2011, the Corporation applied for a Mining License for Zuun Mod property and in the second quarter a Mining License was granted to the Corporation by the Mongolian Government. The Zuun Mod Mining License covers an area of 6,041 hectares and contains the South Racetrack and North Racetrack deposits, which hosts all of the M&I resources at Zuun Mod. The Mining License is valid for an initial 30-year term with provision to renew the license for two additional 20-year terms. Approval of an application for a second contiguous Mining License, south of the approved Mining License, is awaiting a decision by the Government of Mongolia on the definition of the boundaries of a water protection area overlapping the license area. This license application covers 358 hectares and contains the Stockwork deposit which hosts 17.8% of the Inferred resource at Zuun Mod.

The Zuun Mod property covers a large porphyry system and while the majority of the work to date has concentrated on defining the main molybdenum-copper deposit, the Corporation has continued to evaluate exploration targets on the remainder of the property. One such target is the Khuvyn Khar copper prospect located 2.2km northwest of the Zuun Mod deposit and located within the boundaries of the new Mining License.

In February 2011, the Corporation released the final results of the 2010 drilling program including data from the Khuvyn Khar copper prospect. Hole ZMD-121, which was drilled to test a geophysical target, intersected 34m of 1.3% copper and 9.24g/t silver from 308 meters to 342 meters. This drill hole is located within an area that exhibits intense alteration and copper geochemical anomalies on surface and in previous intersections from limited drilling in the vicinity. During the second quarter, the Corporation announced the results of a follow-up drilling program that was carried out over the Khuvyn Khar copper prospect. This program was successful in defining a very large copper mineralized zone trending over 900 meters with multiple zones in three drill holes in excess of 0.2% copper. This zone remains untested to the south where it trends under andesite cover.

Regional Coal and Metals Exploration Programs - Mongolia

Coal Project

The Corporation is involved in a comprehensive coal generative program, in cooperation with Xstrata Coal (the "Erdene-Xstrata Coal Alliance"), evaluating numerous prospective metallurgical and high quality thermal coal deposits throughout Mongolia. All of the Corporation's coal exploration in Mongolia is fully funded by Xstrata Coal and is being carried out in consultation with Xstrata Management personnel.

As part of this program, the Corporation has visited over one hundred coal sites throughout Mongolia and has compiled an extensive database on coal deposits, occurrences, prospective stratigraphy and sedimentary basins allowing for a prioritization of targets. In 2010, the Corporation carried out due diligence work on behalf of the Erdene-Xstrata Coal Alliance in addition to completing the fieldwork portion of the 2010 exploration program.

Throughout 2011, the Corporation continued its program of monitoring and evaluating opportunities to acquire new coal projects in Mongolia on behalf of the Erdene-Xstrata Coal Alliance.

Metals Project – Copper-Gold-Molybdenum

In 2009, the Corporation carried out a comprehensive regional exploration program for porphyry related copper-gold-molybdenum mineralization within the same geologic and tectonic terrane that hosts the Zuun Mod molybdenum deposit in southwestern Mongolia. The program covered an area of 35,000 square kilometres in 2009 and included interpretation of Landsat data, a regional-scale stream sediment geochemical survey, geological prospecting and rock-chip geochemical sampling. This program resulted in the identification of a number of new copper-gold-molybdenum porphyry targets.

Throughout 2010, the Corporation expanded the regional exploration program started in 2009, assessing large areas of Mongolia for their potential to host porphyry related mineral deposits. Field work for the metals exploration program focused on evaluating newly acquired exploration licenses, follow-up of anomalous results from the 2009 regional exploration program and expansion of the southwest regional porphyry evaluation program.

In 2011, the Corporation continued to expand its program of regional exploration to identify areas, principally in southern Mongolia, with the potential to host porphyry related copper-gold-molybdenum mineralization.

One of the exploration licenses acquired in 2009 was the Tsenkher Nomin property. Exploration work on this license has identified a number of previously unknown gold and base metal mineral occurrences. The Corporation has carried out initial scout drilling on two of these prospects (Nomin Tal and Altan Nar) and has reported the encouraging initial results.

The Nomin Tal prospect includes previously undocumented ancient workings (shallow pits). Samples from these pits returned an average of 2.2% copper and 1.7g/t gold from several samples taken over a strike length of 250m. Drilling at Nomin Tal in 2011 identified narrow, steeply dipping, parallel zones of high-grade gold, silver and copper bearing massive sulphide along a north-south mineralized structure over a strike length of approximately 750 meters and to a vertical depth between 30 meters to 60 meters. Assay results included 2.7 g/t gold, 0.9% copper and 6 g/t silver over 6 meters (TND-06); 0.2g/t Au, 3.2% Cu and 8g/t Ag over 3 meters (TND-05); 0.7g/t Au, 1.8% Cu and 5 g/t Ag over 8 meters (TND-02); and 0.55 g/t gold, 0.60% copper and 0.07% molybdenum over 3.45 meters (TND-8).

The Altan Nar prospect is located 2.5km southwest of Nomin Tal and consists of a broad polymetallic-gold-in-soil anomaly identified during a regional soil survey which was initiated after the discovery of gold-copper mineralization at Nomin Tal. The soil sampling program at Altan Nar has outlined a 3km by 2km area with highly anomalous values for gold (up to 1.5g/t) and lead (up to 2.6%) and associated anomalies for zinc, molybdenum, silver and copper. Follow-up mapping and rock-chip geochemistry has confirmed the presence of multiple prospects, containing gold-bearing epithermal-style quartz veins, within the large soil anomaly at Altan Nar. Geophysical surveys (magnetic and IP dipole-dipole and gradient array) over the Altan Nar prospect outlined anomalies proximal to polymetallic-gold-in-soil anomalies and epithermal veins at surface that were used to guide the initial scout-drilling program.

A 24-hole, 3,713 meters scout drilling program was carried out in the second half of 2011 at Altan Nar. The presence of anomalous gold-bearing mineralized zones in 15 of the 24 holes (TND-09, 10, 11, 12, 15, 16, 17, 18, 19, 25, 28, 29, 30, 31, 32), many located within wider zones of lead and zinc mineralization, confirmed the widespread nature of the Altan Nar mineralized system. In the few areas where multiple holes have been drilled in close proximity, assay results have confirmed the lateral and vertical continuity of mineralized zones. Hole TND-19 was drilled 50 meters below the gold mineralization intersected in TND-09 (55 meters of 1.02g/t Au and 12g/t Ag), and intersected 29 meters averaging 4.3g/t Au and 24.1g/t Ag, indicating an increase in intensity of gold mineralization at depth. Gold-polymetallic mineralization intersected in holes TND-09, 10, 11, 12, 18, 19 and 28 are located along a northeast-trending magnetic low feature, and have coincident gold- and base-metal-in-soil anomalies, suggesting a single or multiple mineralized zones over a 300 meters strike length. This area is referred to as the ‘Discovery Zone’. The lateral and vertical extent of mineralization intersected in isolated, or widely spaced, drill holes (e.g. TND-25, 29, 30, 32) remains untested by drilling.

Ongoing work for the Altan Nar project includes a review of all technical data in preparation for the 2012 exploration program. Detailed mineralogical and petrographic studies are currently being carried out to determine characterization the ore mineralogy in preparation for future geological and metallurgical studies. The 2012 field program is expected to start in early April and will include delineation drilling of the Discovery Zone, additional scout drilling to follow-up on encouraging preliminary drill-results as well as a number of geochemical and geophysical targets that remain untested by drilling. Additional field work, including close-spaced soil and rock geochemical sampling and geophysical surveys, is expected to start in the second quarter, once ground conditions permit.

Advanced Primary Minerals - Georgia, U.S.A.

Management of APM is actively seeking a buyer for its clay operating assets. Although APM has received generally positive feedback on its numerous product trials since commercial production began in late 2009, to date, it has been unable to secure sufficient sales to generate positive cash flows.

In the fourth quarter of 2011, APM announced its application for a Conditional Use Permit to mine kaolin from its Cofer and surrounding properties in McDuffie County, Georgia was denied by the McDuffie County Board of Commissioners. This decision does not affect the ability of APM to supply products to its existing customers which are sourced from its Tudor Mine. The unpermitted McDuffie Country properties account for 10.9 million tons of the NI 43-101 compliant resource of 16.1 million tons of M&I resource.

Management of APM is actively seeking a buyer for its operating clay assets.

Granite Hill Project (Sparta Quarry) - Georgia, U.S.A.

The Corporation's Granite Hill project (also known as the "Sparta Quarry") is a producing granite aggregate quarry in central Georgia. The Corporation, through its subsidiary ERD Aggregate Corp, owns the 342-acre property, which holds a resource in excess of 120 million tons situated on an existing rail line. In 2009, the property was under mining lease to Ready-Mix USA which completed permitting and initiated site preparation including overburden removal.

In early 2010, through the acquisition of Ready-Mix USA and Aggregates USA, the operation of the Granite Hill Project came under the control of SPO Partners ("SPO"), a private California based investment company. As a result of the acquisition, Aggregates USA (Sparta), LLC ("AUSA") is now party to the mining lease agreement with the Corporation. In 2010, AUSA announced a production decision and has made the Sparta Quarry Project one of its top priority new developments.

Construction work on the Granite Hill site started in the second half of 2010 and continued throughout 2011. This work included installation of all processing equipment (including primary and secondary crushers, conveyors and stalkers), roads, buildings, and rail loadout tunnel and bins. A rail-line was also completed and included the construction of an overpass on Georgia Highway 16, linking the property to an existing rail-line. AUSA is responsible for fully funding all capital and operating costs for the project. The quarry has been constructed to a design capacity of greater than 2 million tonnes of product per annum. All on-site construction work was completed by the end of 2011 and commercial production commenced in January 2012. AUSA's target market is the southeastern U.S.

Under the mining lease, the Corporation has granted an exclusive right to AUSA to mine, process, and sell aggregate from the Granite Hill property. The sale of all aggregate from the property is subject to an industry competitive royalty payable to the Corporation.

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, 2012 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, 2012.

There have been no material changes in the Corporation's internal control over financial reporting during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Outlook

General

The Corporation has working capital sufficient to meet its budgeted expenditures until the third quarter of 2012. The ability of the Corporation to continue beyond this is contingent upon monetizing assets, equity financing or a combination of both.

Management's long term focus remains the discovery and development of large tonnage, low cost, gold, copper, molybdenum, and coal deposits in Mongolia; and the development of its coal and industrial mineral interests in North America.

Management's short term focus is financing and creating greater value in the Corporation by undergoing a strategic review of various options including the sale of subsidiaries, a spin-off of Mongolian assets, strategic investments, project financing and other corporate and financial transactions.

Donkin

On April 26, 2012, the Corporation announced Xstrata Coal is seeking an operating coal company to assume its 75% interest in the Donkin Coal project. Xstrata Coal cited a change in their business strategy since first acquiring the project, one which now focuses on larger volume mining complexes, as the reason for the choosing to sell their interest in the project.

It is anticipated that the sale process will be concluded during 2012, with the selection of an entity with the mining experience, technical expertise and financial capability to operate this underground mine safely and efficiently. Erdene has a 60-day right of first refusal on the sale by Xstrata Coal of its interest in the Donkin project.

During this process the project timelines will be maintained with the planned completion of the environmental assessment, progression of engineering work and obtaining the necessary approvals for commencement of the underground exploration phase. The Canadian

Environmental Assessment Agency ("CEA Agency") approval process is on track and full environmental approval is anticipated in early 2013.

Xstrata Coal, under the joint venture agreement, is committed to fund the first $10 million of Erdene's development funding requirement. Xstrata Coal will bring forward up to $1 million of this to cover Erdene's share of expenditure on the project during the sales process.

Zuun Mod

During the first quarter 2012, the Corporation's independent technical consultant, MMC, continued to carry out work on a pit optimization study. Once completed, this study will provide high level production scheduling, a review of operating and capital costs, and economic modeling and will be used to determine the parameters of additional pre-feasibility level studies expected to be carried out in 2012/2013.

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, 2012 and 2011

(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 Company. Management have compiled the unaudited condensed interim consolidated statements of financial position of Erdene Resource Development Corporation as at March 31, 2012 and December 31, 2011 and the unaudited condensed interim consolidated statements of loss, comprehensive loss and cash flows for the three months ended March 31, 2012 and 2011. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 31, 2012 and 2011 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)

	Note	March 31, 2012	December 31, 2011
ASSETS			
Current assets:			
Cash and cash equivalents		$ **2,636,638**	$ 4,104,350
Trade and other receivables		**131,960**	242,851
Prepaid expenses		**65,116**	70,259
Inventory		**8,623**	14,830
Non-current assets held for sale	**5**	**892,791**	-
		3,735,128	4,432,290
Non-current assets:			
Exploration and evaluation assets		**32,941,443**	32,313,187
Property, plant and equipment		**4,194,695**	5,037,361
Goodwill		**5,000,000**	5,000,000
		42,136,138	42,350,548
TOTAL ASSETS		**$ 45,871,266**	**$** 46,782,838
LIABILITIES & EQUITY			
Current liabilities:			
Trade and other payables		$ **919,616**	$ 1,036,247
Current portion of obligations under finance leases		**3,687**	8,591
Non-current liabilities held for sale	**5**	**422,421**	-
		1,345,724	1,044,838
Non-current liabilities:			
Obligations under finance leases		**10,771**	333,209
Provision for restoration costs		**-**	104,751
Deferred tax liability		**4,916,034**	4,916,034
		4,926,805	5,353,994
TOTAL LIABILITIES		$ **6,272,529**	$ 6,398,832
EQUITY			
Shareholders' equity:			
Share capital		$ **75,190,503**	$ 75,186,822
Contributed surplus		**10,523,030**	10,500,956
Accumulated other comprehensive loss		**(62,266)**	(360,078)
Deficit		**(43,956,528)**	(42,874,792)
		41,694,739	42,452,908
Non-controlling interest		**(2,096,002)**	(2,068,902)
TOTAL EQUITY		$ **39,598,737**	$ 40,384,006
TOTAL LIABILITIES AND EQUITY		$ **45,871,266**	$ 46,782,838

Going concern (Note 2)

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

Approved on behalf of the Board:

Signed "Kenneth W. MacDonald"
__________________________________ Director

Signed "David S.B. Carnell"
__________________________________ Director

ERDENE RESOURCE DEVELOPMENT CORPORATION

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

	Note	For the three months ended March 31, 2012	2011
Continuing operations			
Revenue		**$ 44,795**	$ 45,663
Cost of sales		**25,154**	-
		19,641	45,663
Exploration expenses		**474,991**	881,976
Corporate and administration		**638,685**	3,744,619
Foreign exchange loss		**5,558**	25,017
Loss from operating activities		**(1,099,593)**	(4,605,948)
Finance income		**8,596**	22,762
Finance expense		**-**	(684)
Net finance income		**8,596**	22,078
Net loss from continuing operations		**$ (1,090,996)**	$ (4,583,870)
Loss from discontinued operation	**6**	**(35,022)**	(135,670)
Net loss		**$ (1,126,018)**	$ (4,719,540)
Net loss attributable to:			
Equity holders of the Corporation		**(1,081,736)**	(4,637,955)
Non-controlling interest		**(44,282)**	(81,585)
		$ (1,126,018)	$ (4,719,540)
Basic and diluted earnings per share		**$ (0.01)**	$ (0.05)
Basic and diluted weighted average number of shares outstanding		**95,802,901**	90,057,721

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, 2012	2011
Net loss	**$ (1,126,018)**	$ (4,719,540)
Other comprehensive income (loss)		
Foreign currency translation difference arising on translation of foreign subsidiaries	**314,994**	20,602
Other comprehensive income (loss)	**314,994**	20,602
Total comprehensive loss	**$ (811,024)**	$ (4,698,938)
Total comprehensive loss attributable to:		
Equity holders of the Corporation	**(783,924)**	(4,570,936)
Non-controlling interest	**(27,100)**	(128,002)
	$ (811,024)	$ (4,698,938)

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, 2011	$ 72,325,969	$ 7,012,557	$ 22,671	$ (31,012,681)	$ (256,942)	$ 48,091,574
Total comprehensive loss for the period:						
Net loss	-	-	-	(4,637,955)	(81,585)	$ (4,719,540)
Other comprehensive income (loss)	-	-	67,019	-	(46,417)	$ 20,602
Change in share subscription receivable	3,662	-	-	-	-	3,662
Share-based payments	-	3,716,613	-	-	-	3,716,613
Stock options exercised	777,400	(320,760)	-	-	-	456,640
Total transactions with owners	781,062	3,395,853	-	-	-	4,176,915
Reduction in ownership of APM	-	-	-	(791)	(791)	(1,582)
Balance at March 31, 2011	$ 73,107,031	$ 10,408,410	$ 89,690	$ (35,651,427)	$ (385,735)	$ 47,567,969
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 (loss)	-	-	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

ERDENE RESOURCE DEVELOPMENT CORPORATION

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

	For the three months ended March 31, 2012	2011
Cash flows from operating activities:		
Net loss	**$ (1,126,018)**	$ (4,719,540)
Item not involving cash:		
Depreciation and amortization	**9,471**	85,934
Depletion of resource property interest	**-**	10,091
Stock-based compensation	**22,074**	3,716,613
Net finance income	**(849)**	(14,447)
Foreign exchange loss	**-**	24,287
Change in non-cash working capital	**3,493**	326,159
Cash flows from operating activities	**(1,091,829)**	(570,903)
Cash flows from financing activities:		
Proceeds from exercise of stock options	**-**	456,640
Changes in ownership of subsidiary that do not result in a loss of control	**-**	(1,582)
Proceeds on repayment of share subscription receivable	**3,000**	3,000
Repayment of obligations under capital lease	**(1,195)**	(1,115)
Interest paid	**(7,748)**	(7,653)
Cash flows from financing activities	**(5,943)**	449,290
Cash flows from investing activities:		
Expenditures on exploration and evaluation assets	**(357,456)**	(690,021)
Expenditures on property, plant and equipment	**(27,013)**	(54,232)
Interest received	**9,277**	22,762
Cash flows from investing activities	**(375,192)**	(721,491)
Effect of exchange rate change on cash and cash equivalents	**5,252**	(15,800)
Decrease in cash and cash equivalents	**(1,467,712)**	(858,904)
Cash and cash equivalents, beginning of period	**4,104,350**	8,379,230
Cash and cash equivalents, end of period	**$ 2,636,638**	$ 7,520,326

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" or "Erdene") 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 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 primarily in Mongolia; and the development of coal and industrial mineral interests in North America.

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 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. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity'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 2012, 2011 and 2010. The Corporation had working capital of $2,389,404 at March 31, 2012 compared to $3,387,452 at December 31, 2011, representing a $998,048 decrease. Current working capital is sufficient to fund the Corporation's budgeted expenditures until approximately the third quarter of 2012. 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 or monetizing assets. The timing and availability of additional financing will be determined largely by market conditions, legal restrictions, 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 values 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").

3. Statement of compliance (continued)

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, 2011 with the exception of the significant accounting policies described in Note 4. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2011.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 14, 2012.

4. Significant accounting policies

Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Corporation's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, and deferred tax assets, if any, which continue to be measured in accordance with the Corporation's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurment are recognized in the Statement of Loss. Gains are not recognized in excess of any cumulative impairment loss.

Discontinued operations

A discontinued operation is a component of the Corporation's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statements of loss and comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative period.

5. Non-current assets and liabilities held for sale

The Corporation's subsidiary, Advanced Primary Minerals ("APM"), has been undercapitalized since operations began in 2009 and has been operating during the weakest US economy in recent years. In the current period and prior year, APM has financed its working capital deficits through the sale of non-core assets and a secured line of credit with Erdene. Obtaining sales agreements with new customers has been slower than anticipated and in December 2011, sales to an existing key customer declined significantly. These lower than budgeted sales combined with the lack of success in having the McDuffie land permitted caused the Corporation to assess the recoverable amount of the non-financial assets related to the cash generating unit (APM clay operations) at December 31, 2011.

(Canadian dollars)

5. Non-current assets and liabilities held for sale (continued)

The recoverable amount of the cash-generating unit was estimated based on the fair value less costs to sell. The fair value less costs to sell for non-producing assets (McDuffie land that is not permitted for producing clay) was based on appraised value of land. For the producing assets, fair value less costs to sell was based on a non-binding offer from an interested party associated with the operations, which represented the best available information. Based on the assessment in 2011, the carrying amount of the cash-generating unit was approximately $1,350,000 resulting in an impairment loss of $3,917,790 recorded in cost of sales in the Statement of Loss in the fourth quarter of 2011. The assumptions used to estimate the impairment are subject to further change which could lead to further write downs or the reversal of previously recognized impairments.

In the first quarter of 2012, following APM management's decision to sell APM's clay operations, the assets and liabilities associated with the disposal group were presented as non-current assets and liabilities held for sale. The APM clay operations are part of the operating segment USA. Efforts to sell the disposal group have commenced and a sale is expected within the next twelve months. At March 31, 2012, the disposal group comprised assets of $892,791 less liabilities of $422,421.

Non-current assets held for sale

Property plant and equipment	$	892,791
	$	892,791

Property plant and equipment reclassified to non-current assets held for sale is primarily comprised of land, buildings, plant equipment and resource property interests related to the APM clay operations.

Non-current liabilities held for sale

Obligations under finance leases	$	319,727
Provision for restoration costs		102,694
	$	422,421

6. Discontinued operation

In the first quarter of 2012, following APM management's decision to sell the clay operations, the non-current assets and liabilities associated with the disposal group were presented as assets and liabilities held for sale. The APM clay operations are part of the operating segment USA and represent a separate significant line of business and geographical area of operation. As such, the net loss and cash flows related to the disposal group held for sale were presented as a discontinued operation. The disposal group was not a discontinued operation or classified as held for sale as at March 31, 2011 or December 31, 2011 and the comparative statements of loss and comprehensive loss have been re-presented to show discontinued operations separately from continuing operations.

(Canadian dollars)

6. Discontinued operation (continued)

	For the three months ended March 31, 2012	For the three months ended March 31, 2011
Results of discontinued operation		
Revenue	**$ 113,009**	$ 194,725
Cost of sales	**130,604**	314,263
	(17,595)	(119,538)
Exploration expenses	**172**	-
Corporate and administration	**9,077**	9,230
Foreign exchange loss	**430**	(730)
Loss from operating activities	**(27,274)**	(128,039)
Finance expense	**(7,748)**	(7,631)
Net loss from discontinued operation	**$ (35,022)**	$ (135,670)

	For the three months ended March 31, 2012	For the three months ended March 31, 2011
Cash flows used in discontinued operation		
Net cash used in operating activities	**$ (27,274)**	$ (43,680)
Net cash used in financing activities	**(7,748)**	(7,631)
Net cash used in discontinued operation	**$ (35,022)**	$ (51,311)

	Continuing operations	Discontinued operation	Total
For the three months ended March 31, 2012			
Net loss attributable to:			
Equity holders of the Corporation	$ (1,060,838)	$ (20,898)	$ (1,081,736)
Non-controlling interest	(30,158)	(14,124)	(44,282)
	$ (1,090,996)	$ (35,022)	$ (1,126,018)
For the three months ended March 31, 2011			
Net loss attributable to:			
Equity holders of the Corporation	$ (4,557,001)	$ (80,954)	$ (4,637,955)
Non-controlling interest	(26,869)	(54,716)	$ (81,585)
	$ (4,583,870)	$ (135,670)	$ (4,719,540)

(Canadian dollars)

7. Operating segments:

The Corporation has four reportable segments: Canada, United States, Mongolia and Corporate, based on the geographic regions of the exploration and evaluation assets and resource properties. The corporate segment includes corporate growth activities and the groups that provide administrative, technical, financial and other support to the exploration and development segments. The information reported for segments is based on information provided to the Chief Executive Officer and Chief Financial Officer, the chief operating decision makers.

Information about reportable segments:

For the three months ended March 31, 2012

	Canada	USA	Mongolia	Corporate	Total
External Revenue	$ -	$ 157,804	$ -	$ -	$ 157,804
Segment loss before tax and finance income	$ (1,267)	$ (81,805)	$ (228,630)	$ (809,576)	$ (1,121,278)
Reportable segment assets	$ 26,329,065	$ 5,263,012	$ 11,803,800	$ 2,475,389	$ 45,871,266

For the three months ended March 31, 2011

	Canada	USA	Mongolia	Corporate	Total
External Revenue	$ -	$ 240,388	$ -	$ -	$ 240,388
Segment loss before tax and finance income	$ (34,892)	$ (187,918)	$ (733,041)	$ (3,753,849)	$ (4,709,700)
Reportable segment assets	$ 25,336,816	$ 8,852,730	$ 11,927,381	$ 7,349,174	$ 53,466,101

Reconciliation of external revenue and segment profit or loss for the three months ended March, 31:

	2012	2011
Total external revenue for reportable segments	$ 157,804	$ 240,388
Elimination of discontinued operation	(113,009)	(194,725)
Total exernal revenue	$ 44,795	$ 45,663

	2012	2011
Loss before tax and finance income for reportable segments	$ (1,121,278)	$ (4,709,700)
Foreign exchange loss	(5,588)	(24,287)
Finance income	8,596	22,762
Finance expense	(7,748)	(8,315)
Elimination of discontinued operation	35,022	135,670
Loss before tax for continuing operations	$ (1,090,996)	$ (4,583,870)