ERDENE
RESOURCE DEVELOPMENT

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2018 and 2017

(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 September 30, 2018 and December 31, 2017 and the unaudited condensed interim consolidated statements of comprehensive loss, changes in equity and cash flows for the three and nine months ended September 30, 2018 and 2017. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2018 and 2017 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)

	Notes		**September 30, 2018**		December 31, 2017
Assets					
Current assets:					
Cash		**$**	**3,210,654**	$	3,225,202
Receivables			**136,940**		148,069
Prepaid expenses			**73,925**		47,479
			3,421,519		3,420,750
Non-current assets:					
Exploration and evaluation assets	**6**		**14,591,791**		11,394,843
Property, plant and equipment			**123,104**		130,283
			14,714,895		11,525,126
Total Assets		**$**	**18,136,414**	**$**	14,945,876
Liabilities and Equity					
Current liabilities:					
Trade and other payables		**$**	**446,514**	$	191,600
Total Liabilities		**$**	**446,514**	$	191,600
Shareholders' Equity					
Share capital	**8**	**$**	**103,815,481**	$	99,890,270
Contributed surplus			**15,955,065**		13,775,386
Accumulated other comprehensive loss			**(1,179,503)**		(894,855)
Deficit			**(100,901,143)**		(98,016,525)
Total Shareholders' Equity			**17,689,900**		14,754,276
Total Liabilities and Equity		**$**	**18,136,414**	$	14,945,876

Commitments (Note 7)

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

Approved on behalf of the Board:

Signed "Dr. Anna G. Biolik"
_________________________________ Director

Signed "T. Layton Croft"
_________________________________ Director

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Comprehensive Loss

(Canadian dollars)

(Unaudited)

		For the three months ended September 30,		For the nine months ended September 30,	
	Notes	**2018**	**2017**	**2018**	**2017**
Operating Expenses					
Exploration		**$ 404,652**	$ 317,209	**$ 1,304,254**	$ 1,288,186
Corporate and administration	**9**	**335,239**	383,204	**1,613,286**	2,108,396
Loss from operating activities		**739,891**	700,413	**2,917,540**	3,396,582
Finance income		**(17,746)**	(25,334)	**(38,960)**	(74,487)
Foreign exchange loss		**21,339**	38,155	**6,038**	55,936
Net Loss		**$ 743,484**	$ 713,234	**$ 2,884,618**	$ 3,378,031
Other comprehensive loss:					
Foreign currency translation difference arising on translation of foreign subsidiaries		**589,718**	469,407	**284,648**	424,832
Other comprehensive loss		**589,718**	469,407	**284,648**	424,832
Total comprehensive loss		**$ 1,333,202**	$ 1,182,641	**$ 3,169,266**	$ 3,802,863
Basic and diluted loss per share		**$ 0.01**	$ 0.00	**$ 0.02**	$ 0.02
Basic and diluted weighted average number of shares outstanding		**161,775,791**	145,877,895	**152,689,891**	141,890,154

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

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

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance at January 1, 2017		126,810,031	$ 86,783,669	$ 11,952,465	$ (636,283)	$ (93,989,060)	$ 4,110,791
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(3,378,031)	(3,378,031)
Other comprehensive loss		-	-	-	(424,832)	-	(424,832)
Private placements, net of share issue costs		18,465,555	12,925,317	322,597	-	-	13,247,914
Options exercised		687,500	181,285	(55,310)			125,975
Share-based compensation		-	-	1,440,255	-	-	1,440,255
Total transactions with owners		19,153,055	13,106,602	1,707,542	-	-	14,814,144
Balance at September 30, 2017		145,963,086	$ 99,890,271	$ 13,660,007	$ (1,061,115)	$ (97,367,091)	$ 15,122,072
Balance at January 1, 2018		**145,963,086**	**$ 99,890,270**	**$ 13,775,386**	**$ (894,855)**	**$ (98,016,525)**	**$ 14,754,276**
Total comprehensive loss for the period:							
Net loss		**-**	**-**	**-**	**-**	**(2,884,618)**	**(2,884,618)**
Other comprehensive income		**-**	**-**	**-**	**(284,648)**	**-**	**(284,648)**
Private placements, net of share issue costs	**8**	**14,834,580**	**3,650,261**	**1,357,750**			**5,008,011**
Options exercised	**8**	**978,125**	**274,950**	**(100,700)**			**174,250**
Share-based compensation	**8**	**-**	**-**	**922,629**			**922,629**
Total transactions with owners		**15,812,705**	**3,925,211**	**2,179,679**	**-**	**-**	**6,104,890**
Balance at September 30, 2018		**161,775,791**	**$ 103,815,481**	**$ 15,955,065**	**$ (1,179,503)**	**$ (100,901,143)**	**$ 17,689,900**

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Cash Flows

(Canadian dollars)

(Unaudited)

		For the three months ended September 30,		For the nine months ended September 30,	
	Notes	2018	2017	2018	2017
Cash flows from operating activities:					
Net loss		**$ (743,484)**	$ (713,234)	**$ (2,884,618)**	$ (3,378,031)
Items not involving cash:					
Depreciation and amortization		**5,150**	6,135	**15,574**	13,310
Share-based compensation		**30,615**	32,818	**922,629**	1,440,255
Finance income		**(17,746)**	(25,334)	**(38,960)**	(74,487)
Foreign exchange not related to cash		**21,339**	38,155	**6,038**	55,936
Change in non-cash working capital		**(14,514)**	(9,079)	**246,914**	211,217
Cash flows from operating activities		**(718,640)**	(670,539)	**(1,732,423)**	(1,731,800)
Cash flows from financing activities:					
Issue of common shares, net of issue costs	8	**-**	-	**5,008,011**	13,247,914
Proceeds on exercise of stock options	8	**-**	75,725	**174,250**	125,975
Cash flows from financing activities		**-**	75,725	**5,182,261**	13,373,889
Cash flows from investing activities:					
Expenditures on exploration and evaluation assets		**(1,205,333)**	(3,193,038)	**(3,485,812)**	(7,021,421)
Expenditures on property, plant and equipment		**(831)**	(415)	**(10,579)**	(72,403)
Interest received		**17,746**	25,334	**38,960**	74,487
Cash flows from investing activities		**(1,188,418)**	(3,168,119)	**(3,457,431)**	(7,019,337)
Effect of exchange rate changes		**(29,047)**	(45,998)	**(6,955)**	(76,306)
Increase (decrease) in cash and cash equivalents		**(1,936,105)**	(3,808,931)	**(14,548)**	4,546,446
Cash and cash equivalents, beginning of period		**5,146,759**	9,426,586	**3,225,202**	1,071,209
Cash and cash equivalents, end of period		**$ 3,210,654**	$ 5,617,655	**$ 3,210,654**	$ 5,617,655

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

1. Nature of operations

Erdene Resource Development Corporation ("Erdene" or the "Corporation") is a Canadian based resource company focused on the exploration of precious and base metal deposits in Mongolia. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "ERD" and the Mongolian Stock Exchange under the symbol "ERDN". The address of the Corporation's registered office is 1300-1969 Upper Water Street, Halifax, Nova Scotia, B3J 2V1.

2. Going concern

These unaudited 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 considers 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 for the interim period ended September 30, 2018 and for the years ended December 31, 2017 and 2016 and had a deficit of $100,901,143 at September 30, 2018. The Corporation had working capital of $2,975,005 at September 30, 2018, compared to $3,229,150 at December 31, 2017, representing a $254,145 reduction. Management estimates current working capital is sufficient to fund the Corporation's planned expenditures until the first quarter of 2019; which could be extended with the deferral of planned expenditures. 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 or other forms of 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. Basis of presentation

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 (the "Interim Financial Statements") have been prepared in accordance with IAS 34 - Interim Financial Reporting. The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017 ("Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements were authorized for issue on behalf of the Board of Directors on November 9, 2018.

4. Changes in Accounting Policies

Erdene has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. Given that the Corporation does not have revenue from contracts with customers, there is currently no impact from adoption of the standard.

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Corporation adopted IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The adoption of this standard had no financial impact to Erdene. Refer to accounting policies and Note 10 in the unaudited condensed interim consolidated financial statements.

IFRS 2 – Share-based Payments

The IASB issued amendments to IFRS 2, Share-based Payments, to clarify the classification and measurement of share-based payment transactions. These amendments deal with variations in the final settlement arrangements including; accounting for cash settled share-based payments, classification of share-based payments settled net of tax obligations, and accounting for modifications of share-based payment transactions from cash-settled to equity. The Corporation adopted amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The adoption of this standard had no financial impact to Erdene.

4. Changes in Accounting Policies (continued)

IAS 12: Income taxes

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The Corporation adopted amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2018. The adoption of this standard had no financial impact to Erdene.

IFRIC 22: Foreign currency transactions and advance consideration

On December 8, 2016 the IASB issued IFRIC Interpretation 22. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Corporation adopted IFRIC 22 in its financial statements for the annual period beginning on January 1, 2018. The adoption of this standard had no financial impact to Erdene.

New accounting standards not yet adopted:

The IASB has issued the following standard that has not been applied in preparing these consolidated financial statements as its effective date falls within annual periods beginning subsequent to the current reporting period.

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 Leases. In January 2016 the International Accounting Standards Board issued IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17 the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. As the Company currently has limited exposure to leases, no material impact is expected from the future adoption of the standard.

IFRIC 23: Uncertainty over income tax treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Corporation intends to adopt the Interpretation in its financial statements for the annual period beginning January 1, 2019. The Corporation does not expect the Interpretation to have a material impact on the financial statements.

5. Seasonality

The corporation’s business experiences a seasonal pattern in which exploration expenditures and investments in exploration and evaluation assets are concentrated in the second and third quarters of the year due to weather conditions in Mongolia.

(Canadian dollars)

6. Exploration and evaluation assets

	Khundii Gold	Tsenkher Nomin Gold	Zuun Mod Moly/Copper	Ulaan & Other	Total
Balance, January 1, 2017	$ 1,786,195	$ 551,271	$ 728,164	$ 581	$ 3,066,211
Additions	6,109,190	1,480,569	74,062	949,326	8,613,147
Effect of movements in exchange rates	(179,997)	(46,396)	(36,431)	(21,691)	(284,515)
Balance, December 31, 2017	$ 7,715,388	$ 1,985,444	$ 765,795	$ 928,216	$ 11,394,843
Balance, January 1, 2018	**$ 7,715,388**	**$ 1,985,444**	**$ 765,795**	**$ 928,216**	**$ 11,394,843**
Additions	**2,708,298**	**700,138**	**70,074**	**7,302**	**3,485,812**
Effect of movements in exchange rates	**(199,464)**	**(51,390)**	**(20,026)**	**(17,984)**	**(288,864)**
Balance, September 30, 2018	**$ 10,224,222**	**$ 2,634,192**	**$ 815,843**	**$ 917,534**	**$ 14,591,791**

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

Khundii

The license is located in Bayankhongor province in Mongolia. The 4,514 hectare Khundii license includes the Bayan Khundii and Altan Arrow gold prospects. The license is in its eighth year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia. On July 1, 2016, the Corporation began capitalizing exploration costs on the property in accordance with its capitalization policy. Prior to this, the Corporation only capitalized the license costs associated with Khundii.

Tsenkher Nomin

The license is located in Bayankhongor province in Mongolia. The 4,669 hectare Tsenkher Nomin license includes the Altan Nar gold, silver, lead, zinc prospect and has an annual renewal in December. The exploration license is in its ninth year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia. On January 1, 2015, having received the initial resource estimate for the Altan Nar prospect, the Corporation began capitalizing exploration costs on the property in accordance with its capitalization policy. Prior to 2015, the Corporation only capitalized the license costs associated with Altan Nar.

Zuun Mod/Khuvyn Khar

The property is located in Bayankhongor Province in Mongolia. The 6,041 hectare Zuun Mod property contains a molybdenum-copper resource. The mining license was issued in 2011 and is valid for an initial 30-year term with provision to renew the license for two additional 20-year terms.

(Canadian dollars)

6. Exploration and evaluation assets (continued)

Ulaan & Other

The Ulaan exploration license covers an area of approximately 1,780 hectares, situated immediately adjacent to the Khundii license. The exploration license is in its third year of a maximum 12-year term and can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia. On August 30, 2017, Erdene acquired 51% of the outstanding shares of Leader Exploration LLC, a private Mongolian company that holds the property. Provided Erdene spends a minimum of US$600,000 on work expenditures on the property over three years, it has the right to acquire the remaining 49% of the shares of Leader, or at Erdene's option, a portion of the property, for the then fair market value of the property or the portion to be acquired. Erdene may extend the option beyond three years by spending a minimum of US$100,000 per annum on work expenditures thereafter.

In April 2013, the Corporation entered into an agreement with Teck Resources Limited ("Teck"), to fund and explore the Corporation's mineral tenements in the Trans Altai region of southwest Mongolia. Under the Teck Alliance, two licenses were staked in early 2015, totaling 1,552 hectares. No major exploration work has been completed on these licenses to date.

7. Commitments

Operating lease rentals are payable as follows:

		September 30, 2018		December 31, 2017
Less than 1 year		**57,691**		62,936
Between 1 and 5 years		**-**		41,957
Total	**$**	**57,691**	$	104,893

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

In 2018, minimum exploration expenditures of USD$1.50 per hectare are required on the Corporation's Tsenkher Nomin and Khundii licenses (USD$7,004 and USD$6,771 respectively).

The Corporation must spend a total of USD$600,000 over three years to have the right to purchase any (or all) of the remaining 49% of Leader (Ulaan). The Corporation can extend the option period beyond three years by spending an additional USD$100,000 per year on exploration work (see Note 6).

On April 21, 2016 the Corporation granted Sandstorm Gold Ltd. ("Sandstorm") a 2% net smelter returns royalty ("NSR Royalty") on Erdene's Tsenkher Nomin and Khundii licenses. Erdene has an option to buy-back 50% of the NSR Royalty for $1.2 million, to reduce the NSR Royalty to 1%, which expires April 14, 2019. Sandstorm has been given a right of first refusal on future stream or royalty financings related to the Khundii and Tsenkher Nomin licenses.

(Canadian dollars)

8. Share Capital

Authorized

An unlimited number of common shares with no par value.

Issued

On June 8, 2018, the Corporation closed a non-brokered common share private placement for gross proceeds of $4.12 million, issuing 10,834,580 units at a price of $0.38 per unit. Each unit consisted of one common share of the Corporation and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.60 for 30 months from the closing date. The Corporation paid finder's fees in the aggregate of $182,400 and issued 480,000 finder's warrants in connection with the private placement. Each finder's warrant is exercisable into one common share of the corporation at $0.60 per share, for a period of 30 months from the closing date. The total fair value on the grant date of the 11,314,580 warrants issued was $1,357,750 ($0.12 per warrant). All securities issued pursuant to the private placement are subject to a four-month hold period from the closing date.

On June 14, 2018, the Corporation closed a financing in connection with a secondary listing of its common shares on the Mongolian Stock Exchange (MSE) for gross proceeds of $1.36 million. This makes the Corporation the first cross-listed company on the MSE. In this transaction, the Corporation issued 4,000,000 common shares at a price of $0.34 per share. The Corporation paid a cash commission of 7% of the gross proceeds to the underwriters of $95,200. The shares issued under the Mongolia offering commenced trading on the MSE on June 19, 2018. Under current Mongolian regulations, the shares listed on the MSE may only be traded through facilities of the MSE until de-listed or until cross-border trades are permitted by Mongolian authorities. In addition, all shares issued pursuant to the Mongolia offering are subject to a four-month hold period in Canada from the closing date of the Mongolia Offering.

Stock Based Compensation

For the nine months ended September 30, 2018, the Corporation charged a total of $922,629 of stock-based compensation expense to the statement of comprehensive loss (2017 – $1,440,255) of which $359,413 is attributable to exploration expenses (2017 – $595,324).

Stock Options

Options granted under the Corporation's option plan vest immediately and are exercisable over a period of five years. Any consideration paid by the optionee on the exercise of options is recorded in share capital. Option transactions and the number of options outstanding at September 30, 2018 are summarized as follows:

	Number of options	Weighted average exercise price
Outstanding at January 1, 2018	**9,703,750**	**$ 0.40**
Granted	**3,060,000**	**0.40**
Expired	**(100,000)**	**0.40**
Exercised	**(978,125)**	**0.18**
Outstanding at end of period	**11,685,625**	**$ 0.42**

(Canadian dollars)

8. Share Capital (continued)

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model and resulted in a charge of $804,600 (2017 – $1,341,800) to share based compensation included in exploration expenses and in corporate and administration expenses.

At September 30, 2018, the Corporation had the following options outstanding:

Range of prices	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price of exercisable options	
$0.01 - $0.24	**4,005,625**	**1.19**	**$**	**0.15**
$0.25 - $0.49	**4,860,000**	**3.90**		**0.38**
$0.50 - $0.99	**2,820,000**	**3.53**		**0.86**
	11,685,625	**2.88**	**$**	**0.42**

Deferred Share Units

Deferred Share Units ("DSU") granted under the Corporation's plan to directors and employees have no expiration date and are redeemable upon termination of service. During the nine months ended September, 2018, the Corporation granted 326,755 DSUs with a fair value of $0.36 per DSU (2017 – 115,123 DSUs with fair value of $0.86 per DSU). The fair value of $118,029 (2017 – $98,455) was charged to share based compensation included in exploration expenses and corporate and administration expenses.

DSU transactions and number of DSUs outstanding at September 30, 2018 are summarized as follows:

	Number of DSUs	Weighted average grant price	
Outstanding at January 1, 2018	**3,410,186**	**$**	**0.17**
Granted	**326,755**		**0.36**
Outstanding at end of period	**3,736,941**	**$**	**0.19**

(Canadian dollars)

8. Share Capital (continued)

Warrants

Warrant transactions and the number of warrants outstanding at September 30, 2018 are summarized as follows:

	Number of warrants	Weighted average exercise price
Outstanding at January 1, 2018	**1,075,324**	**$ 1.20**
Issued	**11,314,580**	**0.60**
Outstanding at end of period	**12,389,904**	**$ 0.65**

The remaining contractual lives of warrants outstanding at September 30, 2018, are as follows:

Weighted average exercise price	Number of warrants outstanding	Weighted average remaining contractual life (years)
$0.01 - $0.99	**11,314,580**	**2.19**
$1.00 - $1.99	**1,075,324**	**0.40**
	12,389,904	**2.03**

9. Corporate and administration

The following table summarizes corporate and administration expenses during the three and nine-month periods ended September 30, 2018 and 2017:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Administrative services	**$ 134,947**	$ 111,001	**$ 405,599**	$ 454,275
Depreciation and amortization	**1,527**	1,635	**4,580**	4,999
Directors fees and expenses	**28,384**	55,118	**103,526**	140,080
Investor relations and marketing	**51,346**	49,472	**141,495**	240,142
Office and sundry	**24,779**	29,811	**88,945**	87,448
Professional fees	**50,130**	31,440	**168,108**	105,678
Regulatory compliance	**10,247**	59,435	**97,050**	136,363
Share-based compensation	**26,239**	27,310	**563,216**	844,931
Travel and accommodations	**7,640**	17,982	**40,767**	94,480
	$ 335,239	$ 383,204	**$ 1,613,286**	$ 2,108,396

(Canadian dollars)

10. Financial instruments

Credit Risk:

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

	Carrying Amount	
	September 30, 2018	**December 31, 2017**
Cash	**$ 3,210,654**	$ 3,225,202
Receivables	**136,940**	148,069
	$ 3,347,594	$ 3,373,271

The Corporation manages credit risk by holding the majority of its cash with a Canadian Schedule I bank, where management believes the risk of loss to be low. At September 30, 2018, $133,928 or approximately 4% of the balance of cash was held in banks outside Canada (December 31, 2017 – $113,555 or 4%).

Liquidity Risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. As of September 30, 2018, the Corporation had a cash balance of $3,210,654 (December 31, 2017 - $3,225,202) to settle current liabilities of $446,514 (December 31, 2017 - $191,600).

Market Risk:

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

a) Interest rate risk

As of September 30, 2018, the Corporation has no interest-bearing debt and is not exposed to significant interest rate risk.

b) Foreign currency risk

The Corporation operates in Mongolia, giving rise to foreign currency risk. To limit the Corporation's exposure to this risk, cash balances are primarily held with Canadian financial institutions. Based on the timing of the Corporation's exploration programs, foreign currencies may be purchased in advance of expenditures to lock in favourable rates in line with the Corporation's budgets; otherwise, the Corporation does not use any form of hedging against fluctuations in foreign exchange.

(Canadian dollars)

10. Financial instruments (continued)

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

	September 30, 2018	December 31, 2017
Cash	**$ 225,389**	$ 212,116
Trade and other receivables	**-**	7,424
Trade and other payables	**(23,814)**	(13,767)
	$ 201,575	$ 205,773

A 10% change in the US dollar exchange rate would affect net and comprehensive loss and deficit by approximately $20,200 (December 31, 2017 - $20,600).

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

	September 30, 2018	December 31, 2017
Cash	**$ 6,053**	$ 25,328
Trade and other receivables	**13,131**	7,158
Trade and other payables	**(212,486)**	(71,012)
	$ (193,302)	$ (38,526)

A 10% change in the Mongolian Tugrik exchange rate would affect net and comprehensive loss and deficit by approximately $19,300 (December 31, 2017 - $3,900).

c) Price risk

The Corporation's financial instruments are not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Corporation has no significant revenues.

Fair Value:

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

	September 30, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
Cash and cash equivalents	**$3,210,654**	**$ -**	**$ -**	$3,225,202	$ -	$ -

(Canadian dollars)

11. Related Party Transactions

Key management includes members of the Board, the President & CEO, the Vice-President & CFO, the Vice-President Exploration, the Vice-President Operations and the Vice-President Regulatory Affairs & Strategy. The aggregate total compensation paid to key management for employee services is shown below.

	Nine months ended September 30	
	2018	**2017**
Salaries and other short-term employee benefits	**$ 720,710**	$ 835,500
Share-based payments	**427,264**	589,965
	$ 1,147,974	$ 1,425,465