



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

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Three and nine months ended September 30, 2020

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This Management Discussion and Analysis ("MD&A"), dated November 6, 2020, relates to the operating results and financial condition of Erdene Resource Development Corporation ("Erdene" or the "Company" or the "Corporation") and should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and 2019, audited consolidated financial statements for the years ended December 31, 2019 and 2018, and the notes thereto. The consolidated financial statements of the Corporation have been prepared in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS").

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address reserve potential, exploration drilling, exploitation activities, budgeted financial results and events or developments that the Corporation expects, are forward-looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions (including, but not limited to, assumptions in connection with the continuance of the Corporation and its subsidiaries as a going concern, general economic and market conditions, mineral prices, and the accuracy of mineral resource and reserve estimates), 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, exploration and evaluation results, continued availability of capital and financing and general economic, market or business conditions and the impact of COVID-19.

The risk factors identified above are not intended to represent a complete list of the factors which could affect the Corporation. Additional factors are noted under "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2019, a copy of which is available on the Corporation's SEDAR document page at www.sedar.com.

Any financial outlook or future-oriented financial information in this MD&A, as defined by applicable securities legislation, has been approved by management of the Corporation as of the date of this MD&A. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such outlook or information should not be used for purposes other than for which it is disclosed in this MD&A.

Company Overview

Erdene Resource Development Corporation is a Canadian based resource company focused on the acquisition, exploration, and development of high-grade, near surface, precious and base metals deposits in underexplored and highly prospective Mongolia. The Company has interests in two exploration licenses and three mining licenses in southwest Mongolia, where exploration success has led to the discovery of the Khundii Gold District. The company is focused on advancing its high-grade, open-pit Bayan Khundii gold project (“Bayan Khundii” or “BK”) to production, while expanding resources in the Khundii Gold District. Erdene is listed on the Toronto Stock Exchange (TSX: ERD) and the Mongolian Stock Exchange (MSE: ERDN).

Erdene’s deposits are located in the Edren Terrane, within the Central Asian Orogenic Belt, host to some of the world’s largest gold and copper-gold deposits. Although epithermal gold and porphyry copper-gold deposits are well documented in China and along the Belt’s western trend, exploration in Mongolia was limited until the mid-1990’s, when the country opened to foreign investment. Since that time, the Oyu Tolgoi copper-gold deposit has been developed in Southeast Mongolia, and Erdene has discovered the Khundii Gold District in the country’s southwest. Within the Khundii Gold District, the Company has discovered multiple high-grade gold and base metal prospects, two of which are being developed: Bayan Khundii and Altan Nar (“AN”). In addition, the Company holds a large molybdenum-copper resource at its 100% owned Zuun Mod project, 33 kilometres east of Bayan Khundii.

Erdene is rapidly progressing BK towards gold production, as the initial step in becoming a major regional gold producer. On July 20, 2020, the Company announced the positive results of an independent Bankable Feasibility Study (“BFS”), incorporating detailed mine design and scheduling, front-end engineering design for the processing plant and site infrastructure, a hydrogeological assessment, mineral waste facility design, comprehensive capital and operating cost estimation, and an updated economic model. An Environmental and Social Impact Assessment (“ESIA”), led by Sustainability East Asia LLC, has also been completed for the Project. In June 2020, the Company appointed HCF International as project finance advisor, and on November 4, the company executed a mandate letter with Export Development Canada (“EDC”) for an up to US\$55 million senior secured debt facility to develop BK, subject to satisfactory diligence. Erdene is undertaking construction readiness activities and expects to commence construction in the first half of 2021.

While focused on development of the Bayan Khundii Gold Project, Erdene continues to explore the broader Khundii Gold District. The region hosts the full spectrum of arc-related base and precious metal systems, including copper-molybdenum porphyries, intermediate sulphidation/carbonate base metal gold deposits, and low sulphidation epithermal gold and gold-silver systems. Exploration of the district remains in the early stages; however, results to date demonstrate the potential for additional discoveries.

In late January 2020, Erdene adopted protective measures, including international travel restrictions, remote working and enhanced health care support to minimize the impact of COVID-19 on staff, stakeholders and operations. To date, operations have not been materially impacted by COVID-19.

Highlights and Significant Subsequent Events

Bayan Khundii Gold Project – 100% Erdene

- Announced positive results of the BK BFS on July 20 (results at US\$1,400/oz gold price, unless noted):
 - After-tax Net Present Value of US\$100 million (NPV5%) and 42% Internal Rate of Return (IRR), increasing to US\$216 million and 77% IRR, respectively, at current gold price of US\$1,800/oz
 - Life of Mine Earnings Before Interest, Taxes and Depreciation of US\$257 million, increasing to US\$400M at a US\$1,800/oz gold price
 - 381,700 ounces gold recovered over the initial phase of the Khundii Gold District development
 - All-in sustaining cost (“AISC”) of US\$733/ounce and upfront capital costs of US\$59 million
 - Measured and Indicated Resources of 521,000 ounces gold at an average grade of 3.16 g/t gold
 - Proven and Probable Reserves of 409,000 ounces gold at an average grade of 3.71 g/t gold
 - Average annual gold production of 63,500 ounces, including 77,600 ounces in Year 2
 - Eight-year project, including one-year pre-production, six-year operating life and one-year closure
 - Adjacent high-grade resources and recent discoveries provide high probability growth options
 - Significant benefits to Mongolia, including Life of Mine royalties and taxes of US\$103 million and approximately 400 new direct jobs in Bayankhongor Province

- Commenced construction readiness activities for the Bayan Khundii Gold Project:
 - Detailed design and engineering for the Carbon-in-Pulp (“CIP”) processing plant and mine support infrastructure is underway and expected to be submitted for approval in Q4 2020
 - The balance of the technical drawings for site infrastructure are expected to be submitted for approval by Q1 2021, allowing for a rapid construction ramp up beginning Q2 2021
 - Tender and contracting for critical facilities and services has been initiated
 - Environmental monitoring stations have been purchased, are in transport and scheduled for construction in Q4
 - Constructability review, value engineering, and HAZOPS development are also underway
- Continued stakeholder engagement for the ESIA and the Mongolian statutory Detailed Environmental Impact Assessment (“DEIA”):
 - European Bank for Reconstruction and Development (“EBRD”) ESIA public disclosure period satisfactorily completed in Q3 2020
 - Additional baseline studies are ongoing, collecting targeted social and environmental data in line with the ESIA commitments
 - Public consultations are ongoing for the Mongolian DEIA
- Obtained key permits and advanced regulatory approvals required for mine development:
 - Land use permits issued, granting access to an initial approximately 100-hectare area required to construct the BK open-pit and associated surface infrastructure
 - Completed regulatory review of the site general arrangement

Exploration

- Reported results from the first phase of the 18,000-metre Khundii Gold District exploration program:
 - Midfield North: Expansion drilling on both the western and eastern sides of the proposed Bayan Khundii economic pit returned high-grade mineralized intersections:
 - BKD-302 – Eastern flank extension: 3.9 g/t gold over 22.4 metres, including 2 metres of 27.5 g/t gold beginning 127 metres down hole (vertical 115m)
 - BKD-304 – Western flank extension: 3.9 g/t gold over 12 metres, including 1 metre of 38.9 g/t gold beginning 206 metres down hole (vertical 144m)
 - Striker SW: At the southern end of the Bayan Khundii economic pit, expanded shallow areas of high-grade mineralization beyond the economic pit and outside of the current resource:
 - BKD-310 – 4.0 g/t gold over 10 metres, including 1 metre of 24.5 g/t gold beginning 14 metres down hole, and 44 metres of 1.0 g/t gold, including 1 metre of 16.2 g/t starting 64 metres down hole
 - BKD-312 – 20.8 g/t gold over 3 metres, including 1 metre of 51.7 g/t gold beginning 13 metres down hole
 - Dark Horse: Maiden drilling at 100% owned prospect, discovered in Q4 2019, 3.5 kilometres north of the Bayan Khundii Gold Deposit, intersecting high-grade gold in two of eleven holes:
 - AAD-48 – returned 30.6 g/t gold over 1 metre, within a 7-metre zone of highly anomalous gold (up to 0.2 g/t), beginning 27 metres from the surface
 - AAD-41 – intersected 10.8 g/t gold over 1 metre, below trench KMD-03 at a vertical depth of 29 metres, 1.25 kilometres east of AAD-48
 - Results pending for 37 holes, totaling 6,370 metres:
 - Visible gold reported in nine of the pending holes from the first phase of drilling
 - 8,000 metre second phase initiated on October 27

Corporate

- Closed \$20 million financing led by \$15 million strategic investment from Eric Sprott on August 11, 2020:
 - Proceeds will be used to advance exploration of the Khundii Gold District and development of the Bayan Khundii Gold Project, and for working capital and general corporate purposes
- Announced conversion of US\$5 million convertible loan held by the EBRD on October 9, 2020:
 - EBRD, one of the largest foreign investors in Mongolia, now holds a significant equity interest
- Executed a mandate letter with EDC for the Bayan Khundii Project Finance:
 - Contemplates a senior secured debt facility of up to US\$55 million, subject to the satisfactory completion of due diligence and documentation
- Recorded a net loss of \$3,871,340 for the three months ended September 30, 2020, compared to a net loss of \$638,379 for the comparative 2019 period:
 - Exploration and Evaluation expenditures, including capitalized costs of \$3,547,221 in Q3 2020 exceeded expenditures of \$1,745,752 for Q3 2019 largely due to increased exploration work as the Company launched a 18,000-metre drill program in August 2020
 - Corporate and administrative expenses, excluding non-cash, share-based compensation and depreciation were \$422,166 for the three months ended September 30, 2020 versus \$216,372 in the prior year quarter due to project finance consultant fees and higher administrative services salary costs as a result of the timing of annual performance bonuses.
 - Non-cash, fair value adjustments of \$2,030,963 and accrued interest expense of \$498,035 in the current quarter relate to the EBRD convertible loan

Strategy and Outlook

Erdene is focused on two strategic priorities – advancing the Bayan Khundii Gold Project to production and expanding precious and base metal resources in the Khundii Gold District through exploration and acquisition.

In February 2019, Erdene filed a positive PEA study for its Bayan Khundii and Altan Nar deposits in the Khundii Gold District. Prepared by RPM Global (“RPM”), this independent study confirmed the high-return, low-capital and low-operating cost potential of the project, that will form the cornerstone development in the emerging Khundii Gold District. The initial development envisioned in the PEA was to focus on a high grade, open-pit mine beginning at the Bayan Khundii Striker Zone, expanding into adjacent zones within Bayan Khundii, prior to incorporating resources from the Altan Nar deposit.

Erdene proceeded immediately to a NI 43-101 PFS for BK and an updated PEA for AN, led by Tetra Tech, and announced results of these studies on October 21, 2019. Incorporating an updated Bayan Khundii resource, an initial Reserve Estimate for BK, and independent quotes for most major cost centers, Tetra Tech confirmed the high-return, low-capital and operating cost potential of the Bayan Khundii Gold Project.

In July 2020, Erdene announced positive results of an independent BFS for the Bayan Khundii Gold Project. The Study envisions a high-grade, open-pit mine, beginning at surface in the southern portion of the Bayan Khundii deposit (Striker and Gold Hill), and expanding northward into adjacent zones at Midfield and Midfield NE. The development incorporates conventional crushing and grinding, leach and a Carbon in Pulp (“CIP”) plant with processing capacity of 1,800 tonnes per day. The Bayan Khundii Gold Project Feasibility Study NI 43-101 Technical Report, dated August 31, 2020, was filed on SEDAR on September 1, 2020.

In June 2020, the Company completed an independent ESIA in accordance with the Performance Requirements of the EBRD. The study was led by Sustainability East Asia LLC, in consortium with Eco Trade LLC and Ramboll Australia Pty Ltd. The EBRD disclosed the ESIA for public comment on June 12, and on August 12, 2020, the disclosure period concluded. Concurrently, the Mongolian statutory DEIA for the Project has been prepared by Eco Trade LLC in accordance with the applicable national standards. Local stakeholder consultations on the DEIA are ongoing and following the consultations, the company will submit its statutory DEIA to the Ministry of Environment and Tourism of Mongolia for approval.

Erdene has obtained many of the key permits required to construct the Bayan Khundii Gold Project over the past year. Erdene received Mining License MV-021444 for its Bayan Khundii resource on August 5, 2019 from the Mineral Resource and Petroleum Authority of Mongolia (“MRPAM”). The Khundii mining license covers 2,309 hectares, including the Bayan Khundii Reserve and the highly prospective Khar Mori, Altan Arrow, Khundii North and Khundii South targets. The mining license is valid for an initial term of 30

years with the ability to extend to 70 years. Erdene maintains an exploration license for the remaining 2,205 hectares of the legacy Bayan Khundii exploration license that were not converted to a mining license as part of its application. On November 1, 2019 MRPAM council approved Erdene's Altan Nar resource registration application and the Company received the Altan Nar mining license on March 5, 2020.

The Company's Statutory Technical and Economic Assessment ("Mongolian Feasibility Study") was approved by the Mineral Resource and Petroleum Authority in early 2020. The Mongolian Ministry of Environment and Tourism approved a water reserve and flow rate to be utilized for the planned processing plant and infrastructure of the Bayan Khundii Gold Project. Additionally, the Project's Land Arrangement Plan and associated land use permissions have been approved by the local government, granting access to the 100-hectare area required to construct the BK open-pit and associated surface infrastructure.

Erdene commenced construction readiness activities for the Bayan Khundii Gold Project in Q3 2020. Detailed design and engineering for the Carbon-in-Pulp ("CIP") Leach processing plant and mine support infrastructure are progressing on schedule, with expected completion in late Q4 2020. The general arrangement for the site has gone through regulatory review, alongside which the detailed drawings for key mine support facilities, including offices, mine dry, security guard house, workshop, warehouse, and permanent camp, have been submitted for approval. The balance of the technical drawings are expected to be submitted by Q1 2021, allowing a rapid construction ramp up beginning in Q2 2021. Upon approval of the drawings as well as the Project's statutory Detailed Environmental Impact Assessment, the Company may apply for permission to commence construction. Concurrently, constructability, value engineering, and HAZOPS review are also underway, and tender and contracting for critical facilities and services has begun.

The Company has engaged HCF International to act as Project Finance advisor, with primary responsibility for securing debt. Erdene executed a project finance mandate letter with EDC on November 4, 2020 for senior secured debt financing of up to US\$55 million. EDC's financing is conditional upon the satisfactory completion of due diligence, which is currently underway and expected to conclude in the second quarter of 2021. Erdene closed a \$20 million equity financing, led by a \$15 million investment by Eric Sprott in August 2020, providing the funds to initiate early construction works at Bayan Khundii and continue exploration in the Khundii Gold District.

In August 2020, Erdene commenced a 18,000 metre drill program at its Khundii Gold District. Utilizing two rigs, the 10,000 metre first phase, completed in early October, consisted of 8,435 metres over 49 holes (including four extension holes) at Bayan Khundii and 1,574 metres over 11 holes at the recently discovered Dark Horse prospect located on the Bayan Khundii Mining license. Results for the first 12 expansion holes (2,016 metres) at the Midfield North and Striker SW Bayan Khundii zones included several high-grade intersections outside the Bayan Khundii economic pit that have the potential to meaningfully add to Bayan Khundii resources. Furthermore, drilling at Dark Horse returned high-grade gold intersections in two holes, and elevated to anomalous gold and/or broad zones anomalous in pathfinder elements (arsenic, molybdenum and antimony) in the remaining nine targets. Results are still pending for approximately 6,370 metres of drilling, including nine holes reporting visible gold.

Erdene launched the second, 8,000-metre phase of the Khundii Gold District program in late October. This drill program will include further resource expansion drilling at Bayan Khundii and Altan Nar, follow up drilling at Dark Horse, and exploratory drilling on our Ulaan license, immediately west of Bayan Khundii.

Erdene continues to evaluate acquisition opportunities throughout the Khundii District. Over the past decade Erdene has developed the largest proprietary geologic database of Southwest Mongolia's mineralization that has led to the identification of more than 20 high-priority targets for acquisition.

Development and Exploration Projects

NI 43-101 Technical Reports – Resources and Reserves

On September 15, 2018, the Company announced resource estimate for the Bayan Khundii and Altan Nar deposits. On October 21, 2019, Erdene announced an updated Bayan Khundii Resource as well as a Bayan Khundii Mineral Reserve, as part of the PFS prepared by Tetra Tech. The reserve announced October 21, 2019 has been superseded by a Mineral Reserve estimate, dated July 1, 2020, prepared by Auralia Mining Consulting. Apart from Zuun Mod, the Company's other targets are early stage and do not contain any mineral resource estimates, as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). With the exception of those deposits already delineated, potential quantities and grades disclosed in this MD&A are conceptual in nature, and there has been insufficient exploration to define a mineral resource estimate for other targets disclosed herein. It is uncertain if further exploration will result in these targets being delineated as a mineral resource. Additional information about our projects is also summarized in our AIF and the respective NI 43-101 Technical Reports and can be viewed under the Company's issuer profile on SEDAR at www.sedar.com.

Khundii Gold District



The Khundii Gold District includes the Company's high-grade, near-surface Bayan Khundii and Altan Nar deposits. The Bayan Khundii ("Rich Valley") gold project is located on Erdene's 100%-owned, 2,309 hectare Khundii mining license. The Khundii mining license includes the Bayan Khundii Mineral Resources reported in "Khundii Gold Project NI 43-101 Technical Report", dated December 4, 2019 and prepared by Tetra Tech, Inc., and an updated Mineral Reserve estimate, dated July 1, 2020, prepared by Auralia Mining Consulting and reported in a press release dated July 20, 2020. In addition, the Khundii mining license hosts Erdene's highly prospective Dark Horse, Altan Arrow, Khundii North and Khundii South targets.

The Bayan Khundii deposit was discovered in Q2 2015, with initial drill results reported in Q4 2015; the first hole returned 7 metres of 27.5 g/t gold at 14 metres depth. Step-out drilling in 2017 indicated that mineralization encountered in the Midfield Zone, (located 200 metres northeast from the initial Striker Zone discovery), extends for at least an additional 280 meters to the northeast under post-mineralization cover. The Midfield and North Midfield Zones have returned some of the highest grades and widest mineralized

intervals at Bayan Khundii. BKD-98 returned 80 metres of 6.0 g/t gold from 42 metres depth, and BKD-231 returned 14 metres of 158 g/t gold, including one metre of 2,200 g/t gold. Drilling has identified three main areas of very high-grade gold mineralization with strong continuity: Striker Zone, where mineralization starts from surface, and Midfield and North Midfield Zones that extend to the northeast under younger, post-mineralization cover. The high-grade gold zones within these three areas can be very wide, with intervals including 112 metres of 5.9 g/t gold (BKD-261, 2019 drilling).

Bayan Khundii is the highest priority project for the Corporation based on its grade, proximity to surface, and favorable metallurgy. The Corporation has completed 46,302 metres of diamond drilling at Bayan Khundii over a series of 300 diamond drill holes and advanced the project through independent studies to the bankable feasibility stage.

In June 2020, the Company completed a 925-metre drill program in near-surface areas of the Midfield SE and Striker SW zones of the Bayan Khundii deposit. This program was designed to test for mineralization in zones otherwise classified as waste or low-grade stockpile material with the potential to add significant value at the earliest stages of mining. Results from this program were extremely positive. Highlights of the program include the intersection of 5.5 metres of 125.9 g/t, including 1 metre of 581.6 g/t gold, in BKD-288, beginning 11.5 metres down hole, 15 metres of 25.6 g/t including 1 metre of 338 g/t gold beginning at 14.9 metres in BKD-274, and BKD-292 intersected 15 metres of 29 g/t gold beginning 0.9 metres from drill collar, including one metre of 353 g/t gold.

Following on the success of the June 2020 drilling, in August 2020, the Company commenced the 10,000 metre first phase of a 18,000 metre exploration program. Utilizing two rigs, the first phase, completed in early October, comprised 8,435 metres over 49 holes (including four extension holes) at Bayan Khundii and 1,574 metres over 11 holes at the recently discovered Dark Horse prospect located on the Bayan Khundii Mining license. Results for the first 12 expansion holes (2,016 metres) at the Midfield North and Striker SW Bayan Khundii zones included several high-grade intersections outside the current BK economic pit that have the potential to meaningfully add to Project reserves. Highlighted intersections include 3.9 g/t gold over 22.4 metres, including 2 metres of 27.5 g/t gold beginning 127 metres down hole (vertical 115m) at BKD-302, 3.9 g/t gold over 12 metres, including 1 metre of 38.9 g/t gold beginning 206 metres down hole (vertical 144m) at BKD-304, 4.0 g/t gold over 10 metres, including 1 metre of 24.5 g/t gold beginning 14 metres down hole at BKD-310, and 44 metres of 1.0 g/t gold, including 1 metre of 16.2 g/t starting 64 metres down hole in BKD-312. Results are still pending for approximately 6,400 metres of drilling at Bayan Khundii.

In early Q4 2019 Erdene discovered the Dark Horse (Khar Mori) prospect area, 3.5 km north of the BK deposit, on a previously under explored portion of the Khundii Mining License. Surface exploration in late 2019, including detailed geologic mapping and geochemical sampling (rock chip and soil) identified multiple samples grading over 5 g/t gold, including an 87.8 g/t gold rock chip sample hosted within comb quartz-adularia veins. In June 2020, the Company trenched new gold zones at Dark Horse, with assays returning 6 metres grading 8.8 g/t gold, including 1 metre of 50.8 g/t gold, and 4 metres of 14 g/t gold, including 1 metre of 45.3 g/t gold. As a large untested prospect, Dark Horse provides significant discovery potential along strike with a well-defined and continuous gold-in-soil anomaly along a NE trending structure for 1.3 kilometres. In addition, there are several isolated but intense gold-in-soil anomalies at or near NE-NW structural intersections.

Initial drilling at the Dark Horse prospect, consisting of 11 holes totaling 1,574 metres, was completed in October 2020. Results from the exploration program were positive, with high-grade gold intersected in two holes: AAD-48 returned 30.6 g/t gold over 1 metre, within a 7-metre zone of highly anomalous gold (up to 0.2 g/t), beginning 27 metres from the surface and AAD-41 intersected 10.8 g/t gold over 1 metre, below trench KMD-03 at a vertical depth of 29 metres, 1.25 kilometres east of AAD-48. All holes intersected elevated to anomalous gold and/or broad zones anomalous in pathfinder elements (arsenic, molybdenum and antimony). Dark Horse remains a high priority target and follow up drilling is planned for Q4 2020.

The 100%-owned Altan Nar ("Golden Sun") deposits are located on the Corporation's 4,669 hectare Altan Nar mining license, 16 kilometres northwest of Bayan Khundii. The AN mining license was received on March 5, 2020 and is valid for an initial 30-year term with provision to renew the license for two additional 20-year terms. The license hosts 18 mineralized (gold, silver, lead, zinc) target areas within a 5.6 by 1.5 kilometre mineralized corridor. Two of the early discoveries, Discovery Zone ("DZ") and Union North ("UN"), host wide zones of high-grade, near-surface mineralization, and are the focus of a Resource Estimate released in Q2 2018.

Altan Nar is an intermediate sulphidation, carbonate-base metal gold ("CBMG") deposit, with similarities to prolific gold deposits such as Barrick Gold's Porgera mine (Papua New Guinea), Rio Tinto's formerly producing Kelian mine (Indonesia), Lundin Gold's Fruta Del Norte deposit (Ecuador), and Continental

Gold's Buritica project (Colombia). CBMG deposits generally occur above porphyry intrusions in arc settings and may extend for more than 500 metres vertically.

Altan Nar received limited exploration over the past two years as the Company's resources were focused on the Bayan Khundii discovery. In late Q4 2019, the Company drilled five holes totaling 667 metres in DZ. Four holes tested the high-grade core area of the Discovery Zone, over a 130-metre strike length, 70 metres of which remains untested by drilling ("Gap Zone"). The fifth hole tested the southern extension of the deposit. Results from the 2019 program, including the intersection of 45.7 g/t gold, 93.4 g/t silver, 1.54% lead and 3.40% zinc over 7 metres beginning at approximately 70 metres vertical depth, within 23 metres grading 17 g/t gold, are amongst the strongest to date. Many of the 2019 high-grade intersections are locally outside or in areas of previously low-grade resource blocks and therefore expand the DZ high-grade core indicating consistency in high-grade mineralization within the identified ore horizon. These results are expected to positively impact the resource at Altan Nar and open the way for further expansion along strike and elsewhere in the district. The program also demonstrated continuity of anomalous gold and base metals along the structural corridor to the south of the DZ, which will be tested further in upcoming programs.

To date, Indicated Mineral Resources have been established for the Discovery Zone and Union North prospects. The remaining 16 targets at Altan Nar appear very prospective and the Company intends to complete further drilling on the license to increase its understanding of the system.

Mineral Resources and Reserves

Erdene announced an updated resource estimate for the Khundii Gold District, dated October 1, 2019, prepared in accordance with NI 43-101 by Tetra Tech. The total Khundii Gold District resource was calculated by adding the resource from both the Bayan Khundii and Altan Nar deposits and calculating the weighted average grades. The Bayan Khundii Mineral Resource estimate, prepared by Tetra Tech, has an effective date of October 1, 2019. RPMGlobal calculated the Mineral Resource estimate for the Altan Nar deposit. For further details on the Altan Nar Mineral Resource estimate, please see the Company's May 10, 2018 news release and RPM's Altan Nar Gold Project 43-101 document dated 21 June 2018.

A summarized sensitivity analysis of the grade and tonnage relationships at various cut-off grades for the Khundii Gold District is shown in the table below¹:

Cut-Off Grade ^(1,2)	Resource Classification	Quantity (Mt)	Grade (Au g/t)	Gold (Koz)
0.4	Measured & Indicated	14.0	1.91	863
	Inferred	4.8	1.91	295
Recommended⁽³⁾	Measured & Indicated	10.1	2.59	839
	Inferred	4.3	2.10	289
1.0	Measured & Indicated	6.5	3.65	762
	Inferred	3.6	2.38	275
1.4	Measured & Indicated	5.2	4.33	727
	Inferred	3.2	2.56	266

(1) Combined resources from Bayan Khundii and Altan Nar.

(2) Cut-off grades for Altan Nar are AuEq2 and for Bayan Khundii are gold only. For the AN resource estimate, Gold Equivalent ("AuEq2") calculations assume metal prices of US \$1,310 per ounce gold, US \$18 per ounce silver, and US \$2,400 per tonne lead and US \$3,100 per tonne zinc.

(3) Tetra Tech recommended cut-off grade for Bayan Khundii is 0.55 g/t gold and RPM recommended cut-off grade for Altan Nar is 0.7 g/t AuEq2 above a pit and 1.4 g/t AuEq2 below the same pit shell.

The updated Bayan Khundii Mineral Resource estimate prepared by Tetra Tech is based on the combination of geological modeling, geostatistics, and conventional block modeling using the Ordinary Kriging method of grade interpolation in Datamine Studio RM™ software. The QAQC sampling protocols and corresponding sample preparation and shipment procedures have been reviewed by Tetra Tech.

The Mineral Resource estimate has been constrained to a conceptual pit shell and is reported at a cut-off grade of 0.55 g/t gold. The assumptions and parameters utilized to establish the cut-off grade and pit shell are reported in notes following the table below and support reasonable prospects for eventual economic extraction. Mineral Resources are inclusive of Mineral Reserves (reported below).

Cut-off Grade ⁽¹⁾	Resource Classification	Quantity (Mt)	Grade (Au g/t)	Gold (Koz)
0.55	Measured	1.4	3.77	171
	Indicated	3.7	2.93	350
	Measured & Indicated	5.1	3.16	521
	Inferred	0.9	3.68	103

- (1) The Statement of Estimates of Mineral Resources has been compiled under the supervision of Mr. Cameron Norton who is a full-time employee of Tetra Tech and a P. Geo. Mr. Norton has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Qualified Person as defined in the CIM Standards of Disclosure.
- (2) All Mineral Resource figures reported in the table above represent estimates based on drilling completed up to April 22, 2019. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
- (3) Mineral Resources are reported on a dry in-situ basis.
- (4) The Mineral Resources is reported at a 0.55 g/t Au cut-off. Cut-off parameters were selected based on Tetra Tech's internal cut-off calculator, which indicated that a break-even cut-off grade of 0.55 g/t Au, assuming an open cut mining method, a gold price of USD \$1,350 per ounce, an open mining cost of USD \$2 per tonne, a processing cost of USD \$16 per tonne milled, a G&A cost of \$5 per tonne, and a gold recovery of 95%.
- (5) The mineral resource estimate has been constrained to a preliminary optimized pit shell which assumed a gold price of USD \$2,000 and the economic potential tested using the above parameters.
- (6) The mineral resource estimate assumes an average density of 2.66 t/m³ for the mineralized domains.
- (7) Mineral Resources referred to above, have not been subject to detailed economic analysis and therefore, have not been demonstrated to have actual economic viability.
- (8) Measured and Indicated mineral resources do not have demonstrated economic viability. Inferred mineral resources have a greater amount of uncertainty as to their existence and potential economic and legal feasibility, do not have demonstrated economic viability, and are exclusive of mineral reserves.

The total Bayan Khundii Mineral Reserve is shown below, as reported in Erdene's press release dated July 20, 2020. The Bayan Khundii July 1, 2020, BFS Mineral Reserve has been estimated by Qualified Person, Mr. Anthony Keers, Director, Auralia Mining Consulting, using the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves to conform to the Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects. The Mineral Reserve is based on the October 1, 2019, Mineral Resource, reported herein. The Mineral Reserve includes both Proven and Probable Mineral Reserves that were converted from Measured and Indicated Mineral Resources. Tonnes and grades were calculated for the mining blocks, and allowances for dilution and mining recovery were applied to estimate the Mineral Reserve Statement. The effective date of the Mineral Reserve statement is July 1, 2020.

	Tonnage (Mt)	Grade (g/t Au)	Contained Au (Koz)
Proven Mineral Reserves	1.2	4.2	166
Probable Mineral Reserves	2.2	3.5	244
Mineral Reserve	3.4	3.7	409

Notes:

- (1) The effective date of the Mineral Reserve estimate is July 1, 2020. The QP for the estimate is Mr. Anthony Keers of Auralia Mining Consulting
- (2) The Mineral Reserve estimates were prepared with reference to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards (2014 CIM Definition Standards) and the 2003 CIM Best Practice Guidelines.
- (3) Reserves estimated assuming open pit mining methods
- (4) Waste to ore cut-offs were determined using a NSR for each block in the model. NSR is calculated using prices and process recoveries for each metal accounting for all off-site losses, transportation, smelting and refining charges.
- (5) Reserves are based on a gold price of \$1400/oz.
- (6) Mineral Reserves were calculated from a diluted "mining" block model which included average dilution of 9% and losses of 1%.

RPMGlobal calculated the Mineral Resource estimate for Altan Nar in May 2018 at a number of gold cut-offs, however, RPM recommends reporting the Altan Nar Mineral Resource at cut-off of 0.7 g/t AuEq2 (see definition for AuEq2 in note 8 below) above a pit and 1.4 g/t AuEq2 below the same pit shell. For further details on the Mineral Resource estimate please see the Company's May 10, 2018 news release.

Cut-off AuEq2 g/t	Resource Classification	Quantity (Mt)	Grade				Contained Metal					
			Au g/t	Ag g/t	Zn g/t	Pb g/t	AuEq2 g/t	Au Koz	Ag Koz	Zn Kt	Pb Kt	AuEq2 Koz
0.7	Indicated	5.0	2.0	14.8	0.6	0.6	2.8	318	2,350	31.6	29.0	453
	Inferred	3.4	1.7	7.9	0.7	0.7	2.5	186	866	23.7	22.3	277

Notes:

- (1) The Mineral Resources have been constrained by topography and a cut-off of 0.7 g/t AuEq2 above a pit and 1.4 g/t AuEq2 below the same pit shell.
- (2) The Mineral Resource Estimate Summary was compiled under the supervision of Mr. Jeremy Clark who is a full-time employee of RPM and a Member of the Australian Institute of Geoscientists. Mr. Clark has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Qualified Person as defined in the CIM Standards of Disclosure.
- (3) All Mineral Resource figures reported in the table above represent estimates as at May 7, 2018. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
- (4) Mineral Resource grades are reported in accordance with the CIM Standards.
- (5) Mineral Resources reported on a dry in-situ basis.
- (6) No dilution or ore loss factors have been applied to the reported Resource Estimate
- (7) No allowances have been made for recovery losses that may occur should mining eventually result.
- (8) For the AN resource estimate Gold Equivalent ("AuEq2") calculations assume metal prices of US \$1,310 per ounce gold, US \$18 per ounce silver, and US \$2,400 per tonne lead and US \$3,100 per tonne zinc.

Economic Studies

On July 20, 2020, Erdene announced the results of an independent Bankable Feasibility Study for Bayan Khundii. The final report, titled "Bayan Khundii Gold Project Feasibility Study, NI 43-101 Technical Report", dated August 31, 2020, was prepared by international and Mongolian firms with significant experience operating in Mongolia. The study incorporates detailed mine design and scheduling, front-end engineering and design for the processing plant and site infrastructure, a hydrogeological assessment, mineral waste facility design, comprehensive capital and operating cost estimation, and an updated economic model.

The BFS envisions a high-grade, open-pit mine beginning at surface in the southern portion of the BK deposit (Striker and Gold Hill), expanding northward into adjacent zones at Midfield and Midfield NE. The Project incorporates conventional crushing and grinding, leach and a Carbon in Pulp ("CIP") plant with processing capacity of 1,800 tonnes per day. The BFS includes 3.4 million mineable tonnes from the BK resource at an average diluted head grade of 3.7 g/t gold, all of which are Proven and Probable Reserves.

Project highlights are presented in the table below (results at US\$1,400/oz gold price, unless noted):

Production Profile		
Average Head Grade Over Life of Mine ¹	g/t gold	3.7
Project Life ²	years	8
Operating Life	years	6
Target Production Rate Per Day ³	tpd	1,800
Average Annual Saleable Gold ⁴	oz	63,500
Peak Annual Saleable Gold ⁴	oz	79,100
Average Gold Recovery Rate Over Life of Mine	%	93%
Strip Ratio	t:t	9.1
Operating Costs		
Life of Mine ("LOM") Average Cash Cost ⁵	US\$/oz	731
LOM Cash Cost plus Sustaining Cost (AISC) ⁵	US\$/oz	733
Pre-Tax Net Present Value		
5% discount rate	US\$M	145
7.5% discount rate	US\$M	126
10% discount rate	US\$M	109
After-Tax Net Present Value		
5% discount rate	US\$M	100
7.5% discount rate	US\$M	86
10% discount rate	US\$M	73
Internal Rate of Return and Payback		
Pre-Tax Internal Rate of Return	%	55%
After-Tax Internal Rate of Return	%	42%
Payback Period Post-Construction (After-Tax) ⁵	years	1.9
Capital Requirements		
Pre-production Capital Cost, including contingency	US\$M	59
LOM Sustaining Capital Cost	US\$M	5

Notes:

- (1) Average diluted head grade of mineralized rock fed to process plant.
- (2) Project life comprising one year pre-production period, approximately nine years operating life and one year mine closure.
- (3) Assumes process plant operates for 8,000 hours per annum to achieve the target production rate of 600 ktpa.
- (4) Reported numbers for saleable gold for Bayan Khundii.
- (5) Operating costs reported in terms of saleable gold ounces includes Royalty and Charges of US\$77/oz.

The following table shows the change in the after-tax NPV and IRR over a range of gold prices and discount rates, demonstrating the impact of higher gold prices and the Project's resiliency to lower prices:

Technical Report Sensitivities – After-Tax Gold Price Sensitivity Analysis – BK BFS

Price Sensitivity Analysis	Units	US\$1,200	US\$1,400	US\$1,600	US\$1,800	US\$2,000
NPV (5% discount rate)	US\$M	43	100	158	216	274
NPV (7.5% discount rate)	US\$M	33	86	138	190	242
NPV (10% discount rate)	US\$M	25	73	120	168	215
IRR	%	22%	42%	60%	77%	93%

The BK BFS is based on an open-pit mining operation targeting 600,000 tonnes per year of feed material for the processing plant. The total mineable mineralized plant feed is 3.4 million tonnes at an average diluted head grade of 3.7 g/t gold and average strip ratio of 9.1:1 (waste tonne: plant feed tonne). Mineralization starts at surface, with the majority of the deposit contained within the top 100 metres. The deposit structure, grades and depth suggest selective open cut mining will be utilized. Mining will use hydraulic excavators in backhoe configuration. Drilled and blasted material will be loaded into haul trucks, with waste rock deposited in an engineered Integrated Waste Facility ("IWF") adjacent to the pit, and ore hauled to a crusher or run-of-mine ("ROM") pad adjacent to the processing plant.

The BK BFS has assumed contract mining based on methodology and costing contained in proposals received from contractors with suitable experience in Mongolia in similar open-pit mining environments. In this scenario the contractor provides the full fleet and personnel to operate the project on a schedule of rates (US\$/tonne material moved) basis. The contractor is proposing a total of 4 x excavators (2 x ore, 2 x waste), 10 x 55t payload trucks, 3 x blasthole drills and a fleet of ancillary and support equipment to deliver the required material movement. The contractor's workforce peaks at approximately 190 personnel to deliver the required schedule of production.

The BK BFS assumes processing of ROM material via a conventional crush and grind circuit and a carbon in pulp plant. Plant design by 360-Global has been based on testing at Blue Coast Research which has established optimal processing parameters, including; grind size of 80% passing 60 microns; design inputs for comminution circuit, low cyanide concentration in leach circuit (0.5 g/litre sodium cyanide); 36 hour retention time; carbon adsorption parameters and detoxification reagent dosages. The process circuit has been designed to maximize water recovery with the most efficient dewatering process (ceramic disc filters) to achieve targeted 15% moisture in tailings, minimize chemical and reagent usage and minimize environmental impact.

The ore-processing plant will be located adjacent to the Bayan Khundii open pit and throughput will target 600,000 ore-tonnes per year, nominally 1,800 tonnes per day. Total mineralized material from BK, processed in the plant over the course of the mine life, is 3.4 million tonnes at an average diluted head grade of 3.7 g/t gold. Using an estimated mill recovery of 93.1%, total recovered gold over the life of the Bayan Khundii deposit is 381,700 ounces.

Operating costs are based on the mining and processing scenarios outlined above and assumes contract mining. Power for operations will be generated through a hybrid diesel and solar generation solution, provided under a power purchase agreement for the duration of the Project. All other activities are assumed to be owner operated. The AISC for Bayan Khundii is estimated at \$733/oz.

Bayan Khundii BFS			
	LOM (US\$M)	US\$/oz	US\$/tonne
Mine Operating Cost	133	350	39
Processing Cost	96	252	28
G&A	13	33	4
Total Site Operating Costs	242	635	71
Royalty and Charges	32	86	10
Sustaining Capital & Closure Costs	5	12	1
All-In Sustaining Cost	279	733	82

Construction costs (Year 0), primarily comprising the process plant and supporting infrastructure, accommodation village, and associated engineering and indirect costs is estimated at US\$46 million. Pre-production costs, including construction readiness, mobile site equipment and pre-strip total \$8M. The capital cost estimate includes a 10% contingency. Sustaining capital of US\$4 million has been included in the mine plan and net mine closure costs are estimated at US\$1 million, including salvage values. Total life of mine capital expenditures for the Bayan Khundii Gold Project are estimated at US\$64 million.

BK BFS (US\$M)	
Process Plant	24
Non-Process Infrastructure	10
Accommodation Village	2
Construction Indirects	6
Engineering & Support	4
Construction Costs	46
Pre-Production Costs	8
Contingency	5
Subtotal Plant and Infrastructure	59
Sustaining Capital	4
Reclamation and Mine Closure	3
Salvage	(2)
Total	64

The Company sees the following opportunities to enhance value at the Khundii Gold District:

- Additional Resources at Bayan Khundii:
 - The Bayan Khundii Resource includes Measured and Indicated resources of 521,000 ounces at an average grade of 3.16 g/t gold, and Inferred Resources of 103,000 ounces at a grade of 3.68 g/t gold which could be added to reserves through both additional drilling and rising gold prices.
 - Recent drilling at the Midfield SE and Striker SW zones intersected exceptionally high grade gold, including one metre of 582 g/t gold within an intersection of 5.5 metres grading 126 g/t gold at Midfield SE, in areas of the resource currently classified as waste or sub-grade material. These areas are expected to provide additional high-grade feed in the early phases of development.
 - Very high gold grades observed in drilling in the Striker West portion of the deposit have the potential to add high-grade resources should closer spaced drilling improve continuity.
 - The reported resource is pit constrained based on multiple parameters including a US\$1,350/oz gold price. Multiple high-grade intersections outside the pit provide expansion targets requiring additional drilling in a rising gold price environment.
 - In August 2020, Erdene commenced a 18,000 metre drill program at its Khundii Gold District. The first phase, completed in early October, featured 49 holes, including four extension holes, at Bayan Khundii totaling 8,435 metres. Results for the first 12 expansion holes (2,016 metres) at the Midfield North and Striker SW Bayan Khundii zones included several high-grade intersections outside the Bayan Khundii economic pit that have the potential to meaningfully add to Project reserves.

- Results are still pending for approximately 6,400 metres of drilling at Bayan Khundii including expansion drilling results for Midfield SE, Striker and West Striker.
- Further drilling is planned for Q4 2020 to confirm the existence of high-grade material within the Bayan Khundii project area.
- Exploration: The Bayan Khundii deposit is situated in a highly prospective region that has received minimal historical exploration. On the Bayan Khundii property, multiple high-grade targets have been established through limited shallow drilling and surface sampling within 4 kilometres of the deposit, including the Khar Mori (Dark Horse) prospect identified in late 2019.
 - Erdene recently trenched new gold zones at Dark Horse, with assays returning 6 metres grading 8.8 g/t gold, including 1 metre of 50.8 g/t gold, and 4 metres of 14 g/t gold, including 1 metre of 45.3 g/t gold. As a large untested prospect, Dark Horse provides significant discovery potential along strike with a well-defined and continuous gold-in-soil anomaly along a NE trending structure for 1.3 kilometres. In addition, there are several isolated but intense gold-in-soil anomalies at or near NE-NW structural intersections.
 - In Q3 the Company completed 11 holes for 1,574 metres, at the Dark Horse prospect. Drilling returned high-grade gold intersections in two holes and elevated to anomalous gold and/or broad zones anomalous in pathfinder elements (arsenic, molybdenum and antimony) in the remaining nine targets. Follow up drilling at Dark Horse will be completed in Q4.
- Recoveries: Although a 93% gold recovery has been utilized for the BFS, testing of a recent master composite sample, representative of the BK ore, with a head grade of 3.6 g/t gold, returned recoveries averaging 95% indicating an opportunity for increased recoveries in the plant.
- Higher Grade Upside: The very high-grade nature of the Bayan Khundii deposit provides upside should continuity of the ultra-high-grade zones (greater than 20 g/t gold) be established during mining.
- Underground Potential: Further underground mining potential has been identified in conceptual studies for Midfield North and Striker West which, if proven economical through further studies, could lead to a further increase in the economic reserve of the Bayan Khundii Project.
- Additional Resources at Altan Nar: Erdene's Altan Nar deposit, located approximately 16km north of Bayan Khundii, has an established Indicated Resource of 5.0 Mt grading 2.0 g/t gold (318,000 ounces of contained gold) and an Inferred Resource of 3.4 Mt grading 1.7 g/t gold (186,000 ounces of contained gold). Approximately 250,000 ounces of the current Altan Nar resource could potentially be processed by the Bayan Khundii Project processing facility at modest incremental capital cost (see "KGP 2019 Technical Report"). A number of development options for Altan Nar are under consideration.

District Scale Exploration

Erdene continues to evaluate opportunities throughout the Edren Terrane, within our licenses and elsewhere in the mineralized belt. This has led to the identification of prospects that are being explored through surface surveys on the Company's six licenses, drilling of selected targets and evaluation of acquisition targets on private and government held ground.

Exploration within the licenses has identified significant gold mineralization. Approximately 70% of regional drill holes have intersected anomalous gold mineralization (defined as >0.1 g/t gold), with three holes intersecting greater than 20 g/t gold over 1 to 2 metre intervals. Regional drilling has been restricted to shallow targets with average drill depths of about 100 metres. Success has been driven by the abundance of untested, near surface geochemical and geophysical targets in a region that has had no previous modern exploration. Recent exploration successes testing shallow targets, and the definition of three deposits, exposed at surface, are testament to the discovery potential of this new district.

South Bayan Khundii Prospect

Located within the boundaries of the Khundii mining license, the South Bayan Khundii target is situated 350 metres south-southwest of the Bayan Khundii gold deposit. Resource expansion drilling completed in early 2019 intersected high-grade gold mineralization (up to 51 g/t gold) within a drill hole (BKD-266) outside the currently defined Bayan Khundii resource boundary, at a depth of 264 metres. Follow-up exploration, south of this new discovery, indicated the altered host unit could be traced by geophysics over 500 metres to the south under cover and appeared to be coming closer to surface. Subsequent drilling in Q3 2019, (BKD-268) intersected a 100-metre thick sequence of the same altered volcanic tuff which hosts the Bayan Khundii deposit beginning at 100 metres depth. Multiple 1 metre intervals of anomalous gold (>0.1 g/t) were intersected within the altered unit with up to 1 metre of 2.45 g/t gold. This discovery opens up a large area south of the deposit for additional exploration.

Khar Mori (Dark Horse) Gold Prospect Area (New Discovery)

Surface exploration in early Q4 2019 focused on a previously under explored portion of the Khundii Mining License now defined as the Dark Horse (Khar Mori) prospect area. Located 3.5 kilometres north of the BK deposit, geochemical rock-chip samples returned up to 32.9 g/t gold. Follow-up surface exploration in late Q4 2019, including detailed geologic mapping and geochemical sampling (rock chip and soil) returned multiple gold in soil anomalies and chip samples grading over 5 g/t gold, including an 87.8 g/t gold chip sample hosted within comb quartz-adularia veins. The Q4 2019 program expanded the Khar Mori prospect area to an approximately 1.5 by 2 kilometre zone comprised of multiple early stage gold exploration targets.

Exploration in Q2 2020 consisted of detailed mapping, higher density soil and rock chip sampling and a series of three trenches (KMT-01 to KMT-03) totaling 180 metres. Trench results exhibited high-grade gold mineralization related to steeply dipping epithermal style comb-quartz stockwork zones, returning 6 metres of 8.8 g/t gold including 1 metre of 50.8 g/t gold (KMT-01) and 4 metres grading 14 g/t gold including 1m of 45.3 g/t gold (KMT-03).

Erdene completed the maiden drill program at Dark Horse in Q3 2020, drilling 11 holes totaling 1,574 metres. Results were very positive, with two holes intersecting near surface, high-grade gold, including AAD 48, which returned 30.6 g/t gold over 1 metre, within a 7-metre zone of highly anomalous gold (up to 0.2 g/t), beginning 27 metres from the surface and AAD-41 intersected 10.8 g/t gold over 1 metre, below trench KMD-03 at a vertical depth of 29 metres, 1.25 kilometres east of AAD-48. Follow up drilling is planned for Q4 2020 at this highly prospective target.

Altan Arrow Gold Target

The Altan Arrow target is located 4.0 kilometres north of the Bayan Khundii gold deposit, along a gold bearing structure in the central portion of the Khundii mining license. Drilling has concentrated in an area along and south of the main structure, where several high-grade zones have been intersected, including 39 g/t gold over 1 metre and 24 g/t gold and 70 g/t gold over 2 metres. Overall, 77% of the 21 holes (2,605 metres) drilled at Altan Arrow have intersected anomalous gold.

Drill testing of the main mineralized structure indicates a broad corridor of anomalous gold over a 1.2 kilometre trend (open along strike) and up to 400 metres south of the main structure in what is interpreted as secondary structural splays. In addition, drill testing of these structural splays, south of the main zone, returned multiple intersects at deeper levels than typically tested (approximately 100 metres vertical depth) with gold grades ranging from 0.2 to 2.6 g/t with anomalous silver, molybdenum, lead, zinc and antimony (AAD-25). Exploration results suggest gold mineralization within the district is controlled by a structure associated with zones of major dilatancy and structural intersections. Such zones commonly have associated alteration events that are magnetite destructive, resulting in zones of low magnetic response. In advance of future drilling the Corporation will complete a comprehensive geophysical interpretation of the Altan Arrow prospect, including high resolution magnetics, IP dipole-dipole and gravity datasets.

Khundii North Gold Target

The Khundii North target is located 4 kilometres northeast of the Bayan Khundii gold deposit, on the Khundii mining license, and was initially drill tested in 2018. The area was identified through surface exploration in late 2017, when sampling of quartz vein material returned high grade gold mineralization of up to 22 g/t gold from a structurally controlled quartz vein stockwork and breccia zone traced over a 1,500 metre strike length. Six holes, totaling 970 metres and averaging 93 metres vertical depth have now tested the stockwork-breccia body, comprised of three collars in the south and two in the north, separated by approximately 500 metres. Although the northern holes returned only minor levels of anomalous gold, the southern holes intersected wide zones of intense multi-phase epithermal quartz stockwork and breccia at depth within an altered monzonite. These stockwork zones are continuous, with up to 35-metre widths (AAD-29) and have associated anomalous gold, locally up to 2.1 g/t over one metre intervals (AAD-30) and locally anomalous copper (>500ppm). In Q3 2019, a single 253 metre drill hole (AAD-38) was completed to test the Khundii North quartz breccia body at depth. Assay results from the drill hole returned modest but anomalous gold values of up to 0.25 g/t gold over 2 metres. Gold anomalism appears to be associated within intervals of quartz stockwork veins intersected throughout the drill hole.

Ulaan Copper-Gold Porphyry Target

On August 30, 2017, the Corporation acquired a 51% interest in the 1,780-hectare Ulaan exploration license ("Ulaan Property"), immediately west of its high-grade Bayan Khundii deposit. The exploration license is in its sixth 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. Having invested more than US\$600,000 in the Ulaan property since its acquisition, Erdene has the right to acquire

the remaining 49% of the property for fair market value within the next year. Erdene can extend this option by spending a minimum of US\$100,000 per annum, going forward.

Ulaan is a porphyry copper prospect primarily based on the broad (5km by 4km) zone of phyllic (quartz-sericite-pyrite) alteration at surface, with characteristics thought to be related to a porphyry intrusion at depth. Rock chip and stream sediment geochemical sampling identified anomalous concentrations of gold, copper and molybdenum in the surrounding area, and recently completed geophysical surveys have produced a number of follow-up targets.

Three wide spaced holes were drilled in 2018, totaling 1,050 metres over a 1.3 kilometre area in the central portion of the license. These holes intersected volcanic to sub-volcanic rocks exhibiting propylitic to phyllic quartz-sericite-pyrite ("QSP") alteration with varying concentrations of pyrite and locally low-level copper mineralization (100 to 300 ppm over 60 metres).

A 700-metre, three-hole drilling program was completed in 2019 to test the alteration system at depth (to 650 metres), by extending a previous drill hole, and to investigate two shallower moderate IP chargeability targets (to 200 metres). The extension hole showed continuity at depth of the phyllic style alteration and ended within elevated copper, averaging 130 ppm over 22 metres. The entire second hole exhibited sericite alteration and pyrite mineralization with localized zones of tourmaline alteration and quartz veining within an andesite host, however no anomalous geochemistry was encountered. The final hole intersected a broad zone of intense tourmaline-silica-sericite alteration which hosts localized gold bearing quartz-tourmaline breccia and breccia veins from 140 to 202 metres (end of hole). Anomalous gold bearing intervals include: 2 metres of 1.3 g/t gold, 4 metres of 0.29 g/t gold, 2 metres of 0.5 g/t gold and 2 metres of 0.23 g/t gold or 40 metres of 0.15 g/t gold average grade. Anomalous copper, exceeding 400 ppm, was also intersected within the anomalous zone. The Erdene technical team is reviewing these results along with associated geology, geochemistry and geophysics to establish the basis for future drill testing on the Ulaan license.

Zuun Mod Molybdenum Project

The Zuun Mod Molybdenum Project is a porphyry molybdenum-copper deposit located in southwest Mongolia on the Company's Khuvyn Khar license. This project is approximately 950 kilometres southwest of Ulaanbaatar and 215 kilometres from railhead on the Mongolia-China border at Ceke. The property consists of a mining license totaling 6,041 hectares. The mining license is registered in the name of Anian Resources LLC, 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 returns royalty ("NSR Royalty") of 1.5%, subject to a buy-down provision.

In Q2 2011, the Corporation released a NI 43-101 compliant resource estimate for Zuun Mod containing a Measured and Indicated Resource of 218 million tonnes ("Mt") at an average grade of 0.057% molybdenum, and 0.069% copper at a cut-off grade ("COG") of 0.04% molybdenum. This equates to 273.5 million pounds ("M lbs") of contained molybdenum metal and 330.7 M lbs of contained copper metal. In addition, there is a 168 Mt Inferred Resource at an average grade of 0.052% molybdenum and 0.065% copper, equating to a further 191.8 M lbs of contained molybdenum metal and 240.5 M lbs of contained copper metal.

The Zuun Mod molybdenum-copper deposit has significant potential for development provided the molybdenum price improves. Market demand for molybdenum has recently improved, with the price of molybdenum oxide ending 2019 at approximately US\$11.00 per pound from approximately US\$7.25 per pound in 2017. The Corporation will continue to evaluate its options in light of technological and market factors. Discovery of additional copper mineralization at Khuvyn Khar could provide synergies for the advancement of the Zuun Mod molybdenum deposits.

Further details on the Zuun Mod resource can be found in the "Technical Report Zuun Mod Porphyry Molybdenum-Copper Project, South-Western Mongolia, National Instrument 43-101 Independent Technical Report" dated June 2011, filed on SEDAR.

Khuvyn Khar Copper-Silver Project

The Khuvyn Khar copper-silver project is located on the Zuun Mod property, approximately 2.2 kilometres north of the Zuun Mod molybdenum-copper porphyry deposit on the Company's Khuvyn Khar license. Exploration work at Khuvyn Khar has included geological mapping, vein density mapping, geochemical sampling, geophysical surveys, and wide spaced drilling. Previous drilling intersected 34 metres of 1.3% copper and 9.24 g/t silver from 308 to 342 metres (ZMD-121). The Project has a very large copper mineralized zone trending over 900 metres with multiple zones in three drill holes returning assays in excess of 0.2% copper over significant widths (12 to 42 metres).

Acquisitions

Mongolia's Ministry of Mining and Heavy Industry periodically issues areas for exploration. Erdene has established the largest proprietary geologic database of Southwest Mongolia with a priority list of acquisition targets. The Company will participate in the tendering process as its priority targets are opened for tender. The Company has also been evaluating privately held licenses for acquisition.

Discussion of Operations

Three months ended September 30, 2020 and 2019

The tables below detail exploration and evaluation expenditures for the three months ended September 30, 2020 and 2019. The projects within the Khundii Gold District were the focus of the Corporation's efforts during these periods.

Quarter ended September 30, 2020	Khundii Gold District	Zuun Mod & Ulaan	General E&E	Total
E&E expenditures				
Exploration and field support	\$ 2,023,921	\$ 25,829	\$ 28,890	\$ 2,078,640
Mining studies and permitting	629,024	702	4,568	634,294
Share-based compensation	-	-	494,500	494,500
Mongolian office costs	-	-	135,458	135,458
Stakeholder relations	107,094	-	-	107,094
Travel and other	-	-	97,235	97,235
Total E&E expenditures	2,760,039	26,531	760,651	3,547,221
Capitalized E&E expenditures	(2,760,039)	-	-	(2,760,039)
Expensed E&E costs 2020	\$ -	\$ 26,531	\$ 760,651	\$ 787,182
E&E assets, July 1, 2020	\$ 23,067,278	\$ 1,781,248	\$ -	\$ 24,848,526
Additions	2,760,039	-	-	2,760,039
Effect of movements in exchange rates	(428,766)	(43,593)	-	(472,359)
E&E assets, September 30, 2020	\$ 25,398,551	\$ 1,737,655	\$ -	\$ 27,136,206

Quarter ended September 30, 2019	Khundii Gold District	Zuun Mod & Ulaan	General E&E	Total
E&E expenditures				
Mining studies and permitting	\$ 707,299	\$ 1,586	\$ 7,014	\$ 715,899
Exploration and field support	611,582	34,072	28,334	673,988
Share-based compensation	-	-	132,008	132,008
Travel and other	64,082	19	44,910	109,011
Mongolian office costs	-	-	58,161	58,161
Stakeholder relations	55,194	-	1,491	56,685
Total E&E expenditures	1,438,157	35,677	271,918	1,745,752
Capitalized E&E expenditures	(1,438,157)	-	-	(1,438,157)
Expensed E&E costs 2019	\$ -	\$ 35,677	\$ 271,918	\$ 307,595
E&E assets, July 1, 2019	\$ 16,882,477	\$ 1,759,819	\$ -	\$ 18,642,296
Additions (includes NSR Royalty repurchase)	1,438,157	-	-	1,438,157
Effect of movements in exchange rates	85,255	12,730	-	97,985
E&E assets, September 30, 2019	\$ 18,405,889	\$ 1,772,549	\$ -	\$ 20,178,438

Exploration and evaluation expenditures, including capitalized expenditures, totaled \$3,547,221 for the three months ended September 30, 2020, compared to \$1,745,752 for the three months ended September 30, 2019.

Exploration and field support expenses of \$2,078,640 in the third quarter of 2020 were well ahead of the comparative prior year period due to the 10,000 metre drill program launched in Q3 2020, compared to 1,100 metres drilled in Q3 2019.

Mining studies and permitting costs of \$634,294 for the three months ended September 30, 2020 were \$81,605 lower than expenditures for the comparative prior year period as consultant spend in support of the Detailed Engineering & Design and Construction Readiness activities and the finalization of the Bayan Khundii Feasibility Study was exceeded by efforts in support of the Khundii Gold Project Pre-Feasibility Study in the prior year.

Share-based compensation costs of \$494,500 for the three months ended September 30, 2020 were \$362,492 higher than for the three months ended September 30, 2019 due to the timing of an options grant to employees, as well as an increase in the trading price of the Company's shares.

Mongolian office costs of \$135,458 for the three months ended September 30, 2020 were \$77,297 higher than the three months ended September 30, 2019 due to increased staffing in advance of mine development, and the timing of staff performance bonus payments.

Stakeholder relations costs were \$50,409 higher in the current year quarter due to increased community outreach in advance of development of the Bayan Khundii Gold Project.

Travel and other costs were \$11,776 lower the comparative prior year quarter due to travel restrictions associated with COVID-19.

Erdene began capitalizing exploration costs for its Khundii District gold projects on January 1, 2015, with the receipt of the initial resource estimate for the Khundii Gold District's Altan Nar deposit. For the three months ended September 30, 2020 and 2019, Erdene has capitalized all exploration costs associated with this Project.

	For the three months ended September 30,		
	2020	2019	Change
Administrative services	\$ 179,446	\$ 82,640	\$ 96,806
Depreciation and amortization	9,139	2,163	6,976
Directors fees and expenses	1,180	52,267	(51,087)
Investor relations and marketing	59,959	22,305	37,654
Office and sundry	21,662	29,659	(7,997)
Professional fees	138,412	(21,483)	159,895
Regulatory compliance	19,986	29,462	(9,476)
Share-based compensation	438,571	123,768	314,803
Travel and accommodations	1,521	21,522	(20,001)
	\$ 869,876	\$ 342,303	\$ 527,573

Corporate and administrative expenses totaled \$869,876 for the three months ended September 30, 2020, compared to \$342,303 for the three months ended September 30, 2019.

Administrative services expenditures of \$179,446 for the three months ended September 30, 2020 were \$96,806 higher than the prior year due to the timing of management and staff bonuses, as these expenses were incurred in the second quarter of the prior year.

Director's fees and expenses totaled \$1,180 for quarter ended September 30, 2020 as Director fees were paid in Deferred Share Units starting in Q2 2020.

Investor relations and marketing expenses for the period ending September 30, 2020 increased by \$37,654 compared to the prior year quarter due to the engagement of an external investor relations consultant.

Professional fees for the quarter ended September 30, 2020 were \$159,895 higher than the prior year comparative period as the corporation engaged a Project Finance advisor in the quarter for the Bayan Khundii Gold Project and incurred other corporate advisory fees in advance of fund raising. Additionally, the prior year quarter results included an adjustment relating to professional fees that were accrued in 2018, but not incurred.

Non-cash share-based compensation expenses for the three months ended September 30, 2020 were \$314,803 higher than the prior year quarter, as the current year period included a grant of options to officers and employees of the corporation as part of the annual performance management process, and as noted above, directors elected to receive their compensation in deferred share units, starting in Q2 2020.

Travel and accommodations expenses for the current year quarter were \$20,001 less than the previous year quarter as current year travel has been suspended due to COVID.

Depreciation and amortization, Office and sundry, and Regulatory compliance expenditures for the period ended September 30, 2020 were not material or significantly different from those incurred in the prior year comparative period.

Nine months ended September 30, 2020 and 2019

The tables below detail exploration and evaluation expenditures for the nine months ended September 30, 2020 and 2019.

Period ended September 30, 2020	Khundii Gold District	Zuun Mod & Ulaan	General E&E	Total
E&E expenditures				
Exploration and field support	\$ 3,013,335	\$ 137,364	\$ 81,601	\$ 3,232,300
Mining studies and permitting	2,753,107	9,541	7,233	2,769,881
Share-based compensation	-	-	515,398	515,398
Mongolian office costs	-	-	302,891	302,891
Stakeholder relations	145,055	92	4,827	149,974
Travel and other	33,028	1,117	91,064	125,209
Total E&E expenditures	5,944,525	148,114	1,003,014	7,095,653
Capitalized E&E expenditures	(5,944,525)	(52,705)	-	(5,997,230)
Expensed E&E costs 2020	\$ -	\$ 95,409	\$ 1,003,014	\$ 1,098,423

E&E assets, January 1, 2020	\$ 19,767,941	\$ 1,715,576	\$ -	\$ 21,483,517
Additions	5,944,525	52,705	-	5,997,230
Effect of movements in exchange rates	(313,915)	(30,626)	-	(344,541)
E&E assets, September 30, 2020	\$ 25,398,551	\$ 1,737,655	\$ -	\$ 27,136,206

Period ended September 30, 2019	Khundii Gold District	Zuun Mod & Ulaan	General E&E	Total
E&E expenditures				
Exploration and field support	\$ 1,644,844	\$ 151,581	\$ 83,664	\$ 1,880,089
Mining studies and permitting	1,768,338	3,104	20,358	1,791,800
Travel and other	171,431	19	100,464	271,914
Mongolian office costs	-	-	212,047	212,047
Share-based compensation	-	-	225,785	225,785
Stakeholder relations	109,508	733	2,419	112,660
Total E&E expenditures	3,694,121	155,437	644,737	4,494,295
Capitalized E&E expenditures	(3,694,121)	(68,993)	-	(3,763,114)
Expensed E&E costs 2019	\$ -	\$ 86,444	\$ 644,737	\$ 731,181

E&E assets, January 1, 2019	\$ 13,930,310	\$ 1,757,038	\$ -	\$ 15,687,348
Additions (includes NSR Royalty repurchase)	4,894,121	68,993	-	4,963,114
Effect of movements in exchange rates	(418,542)	(53,482)	-	(472,024)
E&E assets, September 30, 2019	\$ 18,405,889	\$ 1,772,549	\$ -	\$ 20,178,438

For the nine months ended September 30,

	2020	2019	Change
Administrative services	\$ 360,339	\$ 286,763	\$ 73,576
Depreciation and amortization	27,716	6,228	21,488
Directors fees and expenses	45,763	117,276	(71,513)
Investor relations and marketing	146,358	77,621	68,737
Office and sundry	62,067	91,782	(29,715)
Professional fees	246,269	56,403	189,866
Regulatory compliance	84,373	100,267	(15,894)
Share-based compensation	615,360	407,951	207,409
Travel and accommodations	7,688	42,256	(34,568)
	\$ 1,595,933	\$ 1,186,547	\$ 409,386

Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2020				Fiscal 2019		Fiscal 2018	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	Sep	Jun	Mar	Dec	Sep	Jun	Mar	Dec
Net loss	\$3,871	\$6,678	\$1,042	\$773	\$638	\$755	\$517	\$773
Basic loss per share	\$0.02	\$0.03	\$0.01	\$0.01	\$0.00	\$0.01	\$0.00	\$0.01
Total assets	\$44,918	\$27,155	\$27,826	\$26,973	\$20,942	\$19,365	\$19,632	\$17,709

For the three months ended September 30, 2020, the Corporation recognized a net loss of \$3,871,340 compared to a net loss of \$638,379 for the same period in 2019. The increase in the net loss in the current period compared to prior periods is primarily attributable to fair value adjustments and interest expenses associated with the convertible loan entered in Q4 2019.

The Corporation's expenditures vary from quarter to quarter, largely due to the timing of its Mongolian exploration and evaluation programs, as well as the incurrence of technical and economic study expenditures relating to its development of the Bayan Khundii Gold Project. 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

At the date of this MD&A, the Corporation had approximately \$15.3 million in working capital.

On August 11, 2020, the Corporation closed a non-brokered private placement equity financing for gross proceeds of \$19,999,998. The private placement consisted of the sale of 33,333,333 Subscription Receipts at a price of \$0.45 per Subscription Receipt, to 2176423 Ontario Ltd., an entity controlled by Mr. Eric Sprott, and the concurrent sale of 11,111,108 Units at a price of \$0.45 per Unit. Each Unit consisted of one common share and one Warrant. Warrants are exercisable by the holder into one common share of the Corporation within two years of the closing date at a price of \$0.60 per Common Share. The Subscription Receipts were converted to Units on August 11, 2020, following the receipt of approvals from shareholders holding more than 50% of the Common Shares by written consent in accordance with the requirements of the TSX and the European Bank for Reconstruction and Development. Erdene paid finder's fees in the aggregate of \$918,725 and issued 400,611 finder's warrants in connection with the private placement. In addition, the Corporation paid \$145,241 in share issue costs on the private placement, resulting in net proceeds of \$18,936,032.

Funds raised have been used to advance the Corporation's projects in Mongolia and to meet administrative costs in support of those programs (see Development and Exploration Projects and Discussion of Operations).

With the receipt of the proceeds from the \$20 million financing that closed on August 11, 2020, management estimates that current working capital is sufficient to fund the Corporation's planned exploration and administrative expenditures through the end of 2021. The ability of the Corporation to continue with its exploration and development programs beyond this point is contingent upon securing additional funds

through project finance debt facilities, asset sales, formation of alliances, option, and/or joint venture agreements, equity financing and/or expenditure reductions. The Company executed a mandate letter with EDC on November 4, 2020 for up to US\$55 million of senior secured debt, subject to the successful completion of due diligence and other customary closing conditions. These proceeds of such a financing, as well as funds currently on hand are forecast to provide the majority of the funds required for the development of the Bayan Khundii Gold Project. The timing and availability of additional debt and equity financing will be determined largely by market conditions.

The Corporation has minimal sources of income. It is therefore difficult to identify any meaningful trends or develop an analysis from the Corporation's cash flows. The Corporation is dependent primarily on the issuance of share capital and debt to finance its exploration and development programs.

Other than as discussed herein, the Corporation is not aware of any trends, demands, commitments, events or uncertainties that may result in the Corporation's liquidity or capital resources materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Corporation's liquidity and capital resources will be substantially determined by the success or failure of the Corporation's Mongolian exploration and development programs and its ability to obtain sufficient financing.

Outstanding Share Data

Authorized

An unlimited number of common shares with no par value.

Issued and Outstanding Share Capital

	November 6, 2020	December 31, 2019
Common shares issued and outstanding	267,885,433	191,068,490
DSU's outstanding	4,909,588	4,636,850
Warrants outstanding	75,097,796	30,252,744
Options outstanding	14,155,000	12,305,000
Total instruments outstanding at end of period	362,047,817	238,263,084

Contractual Obligations

The following table summarizes the Corporation's contractual obligations at September 30, 2020:

	Total	Less than one year	1 - 3 years	4 - 5 years	More than 5 years
Office leases	\$ 136,245	\$ 34,522	\$ 69,601	\$ 32,122	\$ -
Accounts payable and accrued liabilities	1,039,836	1,039,836	-	-	-
	\$ 1,176,081	\$ 1,074,358	\$ 69,601	\$ 32,122	\$ -

Other Financing Arrangements and Commitments

European Bank of Reconstruction and Development

On October 11, 2019, Erdene executed a US\$5 million (C\$6.6 million) Convertible Loan ("Loan") with the European Bank for Reconstruction and Development. The Loan was funded by way of an initial advance of US\$2.5 million on November 4, 2019 and a second advance of US\$2.5 million on November 25, 2019. The Loan carries an interest rate of 10% per annum, which may be capitalized at the Corporation's option, and will mature 36 months after the date of the Loan Agreement. The Loan can be prepaid following the earliest of 24 months from the date of the initial advance, delivery of a NI 43-101 Bankable Feasibility Study, or a change of control of Erdene, subject to a 25% premium. The Loan is convertible in whole or in part at the election of the EBRD into common shares of the Corporation at a conversion price (in respect of the principal amount drawn down under the Loan) of C\$0.20 per share, subject to a conversion premium of 10%, 20% or 30%, respectively, if EBRD exercises its conversion option prior to or on the first, second, or third anniversary, respectively, of the date of the Loan Agreement. Any capitalized interest on the date of the conversion will be payable, at EBRD's option, in cash or shares of the Corporation at the prevailing

market price of the common shares of the Corporation (5 day Volume Weighted Average Price). The Loan is secured by a pledge over the shares of Erdene's Mongolian subsidiary that holds the Project.

On October 9, 2020, the EBRD exercised its conversion option in respect of the entire principal amount of the Convertible Loan, receiving 30,043,290 common shares of the Company. Additionally, the Company paid interest of US\$457,639 to the Bank accrued to the date of extinguishment of the Convertible Loan.

Sandstorm Gold Ltd. Royalty Agreement

Sandstorm Gold Ltd. ("Sandstorm") holds a 1% net smelter returns royalty ("NSR Royalty") on Erdene's Altan Nar and Khundii licenses. Sandstorm has been given a right of first refusal on future stream or royalty financings related to the Altan Nar and Khundii licenses.

Other

In 2020, minimum exploration expenditures of USD\$10 per hectare are required on the Corporation's Khundii license (USD\$22,060).

The Corporation was required to spend a total of USD\$600,000 by August 30, 2020 to have the right to purchase any (or all) of the remaining 49% of Leader Exploration LLC (Ulaan license), which the Corporation had fulfilled at December 31, 2019. The Corporation can extend the option period indefinitely by incurring an additional USD\$100,000 per year on exploration work. If Erdene fails to incur the minimum expenditures, its 51% ownership interest will revert to Leader Exploration LLC.

Gallant Minerals Limited is entitled to a 1.5% NSR Royalty on the Zuun Mod License, subject to a buy-down provision. There are no minimum exploration work commitments for the Zuun Mod mining license.

On March 31, 2020, the Corporation entered into a Term Credit Facility Agreement ("Credit Facility") for an aggregate principal amount of up to US\$250,000. The Credit Facility is available to the Corporation, as and when required, until the earlier of March 31, 2023, and the date the Corporation completes an alternative financing. The Credit Facility terminated upon the completion of a non-brokered private placement on August 11, 2020.

Off-Balance Sheet Arrangements

As at September 30, 2020, the Corporation had no 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 the carrying amount exceeds the 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.

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 and directors 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. The Corporation charged a total of \$1,130,758 of non-cash share-based compensation to the statement of comprehensive loss for the nine months ended September 30, 2020 (2019 - \$633,736).

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.

No changes have been made to the Corporation's critical accounting estimates in the past two years.

Financial Instruments and Other Risks

Financial Instruments

The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes levels to classify the inputs to valuation techniques used to measure fair value.

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs are unobservable (supported by little or no market activity).

Fair Value

During the nine months ended September 30, 2020 and year ended December 31, 2019, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The following table provides the disclosures of the fair value of financial assets and liabilities and the level in the hierarchy.

	September 30, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets and liabilities measured at fair value:						
Cash and cash equivalents	\$ 17,207,815	\$ -	\$ -	\$ 5,106,863	\$ -	\$ -
Receivables	-	132,942	-	-	70,361	-
Conversion option on the convertible loan	-	(9,426,817)	-	-	(1,927,151)	-

Other Risks

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. More information on risks is available in the Corporation's Annual Information Form available on SEDAR at www.sedar.com.

Credit Risk

The Corporation manages credit risk by holding the majority of its cash and cash equivalents with high quality financial institutions in Canada, where management believes the risk of loss to be low. At September 30, 2020, \$92,002 or 1% of the balance of cash was held in banks outside Canada (December 31, 2019 - \$60,511 or 1%).

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.

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.

Interest rate risk

As of September 30, 2020, the Corporation's convertible loans and credit facility carry a fixed interest rate of 10% and hence, they were not subject to interest rate risk fluctuations.

Foreign Currency Risk

The functional currency of the Corporation is the Canadian dollar, and the functional currency of the Corporation's subsidiaries is the Mongolian tugrik. Additionally, the Corporation incurs expenses and has received financing in US dollars. Consequently, fluctuations of the Canadian dollar in relation to other currencies impacts the fair value of financial assets, liabilities and operating results. Financial assets and liabilities subject to currency translation risk primarily include US dollar denominated cash, accounts payable and accrued liabilities, as well as Mongolian tugrik denominated cash, accounts payable and accrued liabilities. The Corporation maintains Canadian and US dollar bank accounts in Canada.

The Corporation was also exposed to foreign exchange risk on its US dollar denominated Convertible Loan. At maturity, the US\$5 million principal amount of the Convertible Loan, as well as any capitalized interest was due in full. Accordingly, the Corporation is subject to risks associated with fluctuations in the Canadian/US dollar exchange rate that may make the Convertible Loan more costly to repay.

The Corporation's exposure to US dollar currency risk was \$15,279,637 as at September 30, 2020 (December 31, 2019 – \$1,561,424). A 10% change in the US dollar exchange rate would affect net loss and comprehensive loss and deficit by approximately \$1,528,000 (December 31, 2019 - \$156,100).

The Corporation's exposure to Mongolian Tugrik currency risk was \$490,109 as at September 30, 2020 (December 31, 2019 – \$55,661). A 10% change in the Mongolian Tugrik would affect net loss and comprehensive loss and deficit by approximately \$49,000 (December 31, 2019 - \$5,600).

Price Risk

The Corporation's financial instruments are not exposed to direct price risk other than that associated with commodity price fluctuations impacting the mineral exploration and mining industries as the Corporation has no significant revenues.

Disclosure Controls and Internal Controls over Financial Reporting

Erdene has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in instrument 52-109. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of Erdene's disclosure controls and procedures as of September 30, 2020 and have concluded that such procedures are adequate and effective to provide reasonable assurance that material information relating to Erdene and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

The Management of Erdene, with the participation of the CEO and CFO (collectively "Management"), is responsible for establishing and maintaining adequate internal controls over financial reporting. Erdene's

internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with IFRS.

Management evaluated the design and effectiveness of Erdene's internal controls over financial reporting as of September 30, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report "Internal Control – Integrated Framework (2013)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion.

Based on management's evaluation, the CEO and the CFO have concluded that as of September 30, 2020, Erdene's internal controls over financial reporting were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

However, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Person

Peter Dalton, P.Geo. (Nova Scotia) 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, Blue Coast Research Ltd in Parksville British Columbia, Canada, 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, field and laboratory splits, and blanks.

The disclosure in this MD&A of scientific or technical information about mineral projects on the Corporation's properties has been reviewed and approved by Peter Dalton, P. Geo, who is not independent of the Corporation.

The information in this MD&A that relates to the financial models for the Bayan Khundii Feasibility Study is based on information compiled and reviewed by Kenny Li, CFA, who is an employee of ROMA Group Ltd. The information in this MD&A that relates to the capital and operating cost estimation for the Bayan Khundii Feasibility Study is based on information compiled and reviewed by Julien Lawrence, who is a FAusIMM and the Director of O2 Mining Ltd. The information in this MD&A that relates to the process design and recovery methods for the Bayan Khundii Feasibility Study is based on information compiled and reviewed by Jeffrey Jardine, who is a FAusIMM. and is engaged through O2 Mining Ltd. The information in this MD&A that relates to the Bayan Khundii resource estimate is based on information compiled and reviewed by Mr. Cam Norton, who is a P.Geo, and is an employee of Tetra Tech Inc. The information in this MD&A that relates to the Bayan Khundii reserve estimate is based on information compiled and reviewed by Mr. Anthony Keers, who is an MAusIMM (CP Mining) and a Director, Auralia Mining Consulting. Each of Mr. Li, Mr. Lawrence, Mr. Jardine, Mr. Norton and Mr. Keers has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they have undertaken to qualify as a Qualified Person, as that term is defined by National Instrument 43-101. Each of Mr. Li, Mr. Lawrence, Mr. Jardine, Mr. Norton and Mr. Keers is not aware of any potential for a conflict of interest in relation to this work with Erdene.

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.