



ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Canadian dollars)
(Unaudited)

Prepared by Management – See Notice to Reader

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice to this effect. These unaudited condensed interim consolidated financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed interim consolidated statements of financial position of Erdene Resource Development Corporation as at June 30, 2013 and December 31, 2012 and the unaudited condensed interim consolidated statements of loss, comprehensive loss and cash flows for the three and six months ended June 30, 2013 and 2012. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the June 30, 2013 and 2012 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Financial Position

(Canadian dollars)

(Unaudited)

Note	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash	\$ 881,695	\$ 1,502,889
Trade and other receivables	118,978	181,477
Prepaid expenses	31,262	39,103
	1,031,935	1,723,469
Non-current assets:		
Exploration and evaluation assets	11,771,853	11,472,724
Property, plant and equipment	103,717	118,766
	11,875,570	11,591,490
TOTAL ASSETS	\$ 12,907,505	\$ 13,314,959
LIABILITIES & EQUITY		
Current liabilities:		
Trade and other payables	\$ 260,176	\$ 628,252
Current portion of obligations under finance leases	4,091	3,924
	264,267	632,176
Non-current liabilities:		
Obligations under finance leases	4,835	6,923
	4,835	6,923
TOTAL LIABILITIES	\$ 269,102	\$ 639,099
EQUITY		
Shareholders' equity:		
Share capital	8 \$ 76,963,010	\$ 75,975,162
Contributed surplus	10,786,025	10,631,949
Accumulated other comprehensive income (loss)	(172,788)	(426,531)
Deficit	(74,937,844)	(73,504,720)
TOTAL EQUITY	\$ 12,638,403	\$ 12,675,860
TOTAL LIABILITIES AND EQUITY	\$ 12,907,505	\$ 13,314,959

Going concern (Note 2)

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Loss

(Canadian dollars)

(Unaudited)

	Note	For the three months ended		For the six months ended	
		2013	June 30, 2012	2013	June 30, 2012
Continuing Operations					
Exploration expenses		480,324	836,048	822,125	1,361,275
Corporate and administration		284,433	439,712	487,406	952,756
Loss of windup of subsidiary	5	-	-	137,357	-
Foreign exchange (gain)/loss		(3,875)	2,360	(9,339)	8,033
Loss from operating activities		(760,882)	(1,278,120)	(1,437,549)	(2,322,064)
Finance income		2,969	79,227	5,636	87,740
Finance expense		(200)	(574)	(1,211)	(574)
Net finance income		2,769	78,653	4,425	87,166
Net loss from continuing operations		(758,113)	(1,199,467)	(1,433,124)	(2,234,898)
Income from discontinued operations	7	-	220,592	-	130,005
Net loss		\$ (758,113)	\$ (978,875)	\$ (1,433,124)	\$ (2,104,893)
Net loss attributable to:					
Equity holders of the Corporation		(758,113)	(895,992)	(1,433,124)	(1,977,728)
Non-controlling interest		-	(82,883)	-	(127,165)
		\$ (758,113)	\$ (978,875)	\$ (1,433,124)	\$ (2,104,893)
Basic and diluted loss attributable to equity holders					
		\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.04)
Basic and diluted loss per share:					
Continuing operations		\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.04)
Discontinued operations		-	-	-	-
Basic and diluted loss per share		\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.04)
Basic and diluted weighted average number of shares outstanding					
		57,576,508	47,901,451	55,691,376	47,901,451

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Loss

(Canadian dollars)

(Unaudited)

	For the three months ended		For the six months ended	
	2013	June 30, 2012	2013	June 30, 2012
Net loss	\$ (758,113)	\$ (978,875)	\$ (1,433,124)	\$ (2,104,893)
Other comprehensive income				
Items which may subsequently be recycled through profit or loss				
Foreign currency translation difference arising on translation of foreign subsidiaries	59,915	(55,837)	116,386	259,157
Other comprehensive income	59,915	(55,837)	116,386	259,157
Total comprehensive loss	\$ (698,198)	\$ (1,034,712)	\$ (1,316,738)	\$ (1,845,736)
Total comprehensive loss attributable to:				
Equity holders of the Corporation	(698,198)	(977,405)	(1,316,738)	(1,717,047)
Non-controlling interest	-	(57,307)	-	(128,689)
	\$ (698,198)	\$ (1,034,712)	\$ (1,316,738)	\$ (1,845,736)

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity

(Canadian dollars)

(Unaudited)

Attributable to equity holders of the Corporation

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Non-controlling interests	Total equity
Balance at January 1, 2012	\$ 75,186,822	\$ 10,500,956	\$ (360,078)	\$ (42,874,792)	\$ (2,068,902)	\$ 40,384,006
Total comprehensive loss for the period:						
Net loss	-	-	-	(1,977,728)	(127,165)	(2,104,893)
Other comprehensive income	-	-	260,681	-	(1,524)	259,157
Change in share subscription receivable	7,367	-	-	-	-	7,367
Share-based payments	-	34,416	-	-	-	34,416
Total transactions with owners	7,367	34,416	-	-	-	41,783
Balance at June 30, 2012	\$ 75,194,189	\$ 10,535,372	\$ (99,397)	\$ (44,852,520)	\$ (2,197,591)	\$ 38,580,053
Balance at January 1, 2013	\$ 75,975,162	\$ 10,631,949	\$ (426,531)	\$ (73,504,720)	\$ -	\$ 12,675,860
Total comprehensive loss for the period:						
Net loss	-	-	-	(1,433,124)	-	(1,433,124)
Other comprehensive income	-	-	116,386	-	-	116,386
Private placement net of share issue costs (note 8)	981,057	-	-	-	-	981,057
Change in share subscription receivable	6,791	-	-	-	-	6,791
Share-based payments	-	154,076	-	-	-	154,076
Total transactions with owners	987,848	154,076	-	-	-	1,141,924
Recognition of cumulative translation adjustment in net loss upon windup of subsidiary (note 5)	-	-	137,357	-	-	137,357
Balance at June 30, 2013	\$ 76,963,010	\$ 10,786,025	\$ (172,788)	\$ (74,937,844)	\$ -	\$ 12,638,403

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

(Canadian dollars)

(Unaudited)

		For the six months ended June 30,	
	Note	2013	2012
Cash flows from operating activities:			
Net loss		\$ (1,433,124)	\$ (2,104,893)
Item not involving cash:			
Depreciation and amortization		15,827	19,553
Stock-based compensation		154,076	34,416
Loss on disposal of exploration and evaluation assets		10,343	-
Loss on windup of subsidiary	5	137,357	-
Net finance income		(4,425)	(71,944)
Foreign exchange (gain)/loss		(9,510)	4,663
Gain on sale of resource property interests		-	(376,266)
Loss on disposal of property, plant and equipment		-	57,811
Change in non-cash working capital		(299,234)	(446,020)
Cash flows from operating activities		(1,428,690)	(2,882,680)
Cash flows from financing activities:			
Issue of common share for cash, net of issue costs	8	981,057	-
Proceeds on repayment of share subscription receivable		6,000	6,000
Repayment of obligations under capital lease		(1,921)	(4,162)
Interest paid		(420)	(15,955)
Cash flows from financing activities		984,716	(14,117)
Cash flows from investing activities:			
Expenditures on exploration and evaluation assets		(193,061)	(210,836)
Proceeds on sale of resource property interests		-	3,489,293
Proceeds on sale of property, plant and equipment		-	492,099
Recovery of expenditures on exploration and evaluation assets		-	328,775
Expenditures on property, plant and equipment		-	(27,015)
Increase in restricted cash		-	(55,355)
Interest received		5,636	89,266
Cash flows from investing activities		(187,425)	4,106,227
Effect of exchange rate change on cash		10,205	(4,663)
Decrease in cash		(621,194)	1,204,767
Cash, beginning of period		1,502,889	4,104,350
Cash, end of period		\$ 881,695	\$ 5,309,117

Cash flows from discontinued operations (Note 7)

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June, 2013 and 2012

1. Nature of operations and continuance of operations

Erdene Resource Development Corporation (the "Corporation") is a Corporation domiciled in Canada. The address of the Corporation's registered office is 99 Wyse Road, Suite 1480, Dartmouth, Nova Scotia, B3A 4S5. The condensed interim consolidated financial statements of the Corporation as at and for the three months ended June 30, 2013 and 2012 comprise the Corporation and its subsidiaries. The principal business of the Corporation is the exploration and development of mineral deposits. The Corporation is primarily focused on the discovery of significant base and precious metal deposits in Mongolia.

2. Going concern

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

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

The Corporation experienced significant losses and negative cash flows from operations in 2013 and 2012. The Corporation had working capital of \$767,668 at June 30, 2013 compared to \$1,091,293 at December 31, 2012, representing a \$323,625 decrease, and has a deficit. Management estimates current working capital is sufficient to fund the Corporation's budgeted expenditures until approximately the fourth quarter of 2013. The ability of the Corporation to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business and continue with, or expand upon its exploration programs is contingent upon securing equity financing, entering joint venture agreements and/or monetizing assets. The timing and availability of additional financing will be determined largely by market conditions and the results of the Corporation's ongoing exploration programs. There is no certainty that the Corporation will be able to raise funds as they are required in the future.

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June, 2013 and 2012

3. Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34"). They do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Corporation's 2012 annual consolidated financial statements which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB")

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

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 12, 2013.

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

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

- Amendment to IAS 1 Presentation of Financial Statements

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

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

- IFRS 13 Fair Value Measurement

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

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

- IFRS 12 Disclosures of Interest in Other Entities

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June, 2013 and 2012

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

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

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

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

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

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

5. Windup of subsidiary

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

6. Fair Value

Cash, consisting of bank balances, shown in the consolidated statement of financial position as at June 30, 2013 and December 31, 2012 are measured at fair value on a recurring basis using level 1 inputs. The fair value of the financial assets and liabilities at June 30, 2013 and December 31, 2012, using level 2 and 3 inputs, was nil. During the periods ended June 30, 2013 and December 31, 2012, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

7. Discontinued operations

During the year-ended December 31, 2012, the Corporation sold its real estate and associated royalty interest in the Granite Hill property. As a result, the cash flows and results of operations have been presented as discontinued operations for the three and six months ended June 30, 2012. Also, during the year-ended December 31, 2012, the Corporation completed the Plan of Arrangement as discussed in Note 6

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June, 2013 and 2012

7. Discontinued operations (continued)

to the audited consolidated financial statements for the year ended December 31, 2012; which resulted in the transfer of the Donkin cash generating unit ("CGU") to APM in exchange for shares of APM and the distribution of all the shares of APM to Erdene's shareholders. As a result, the cash flows and results from operations of the Donkin CGU and APM have been presented as discontinued operations at June 30, 2012.

	For the three months ended June 30, 2012	For the six months ended June 30, 2012
Results of discontinued operations		
Revenue	\$ 263,923	\$ 421,727
Cost of sales	232,567	388,325
	31,356	33,402
Exploration expenses	90	4,871
Corporate and administration	96,052	175,925
Gain on sale of assets	(292,014)	(292,014)
Foreign exchange loss (gain)	(923)	(607)
Loss from operating activities	228,151	145,227
Finance income	75	159
Finance expense	(7,634)	(15,381)
	(7,559)	(15,222)
Income from discontinued operations	\$ 220,592	\$ 130,005

	Continuing operations	Discontinued operations	Total
For the three months ended June 30, 2012			
Net loss attributable to:			
Equity holders of the Corporation	\$ (1,199,467)	\$ 303,475	\$ (895,992)
Non-controlling interest	-	(82,883)	(82,883)
	\$ (1,199,467)	\$ 220,592	\$ (978,875)

	Continuing operations	Discontinued operations	Total
For the six months ended June 30, 2012			
Net loss attributable to:			
Equity holders of the Corporation	\$ (2,234,898)	\$ 257,170	\$ (1,977,728)
Non-controlling interest	-	(127,165)	(127,165)
	\$ (2,234,898)	\$ 130,005	\$ (2,104,893)

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June, 2013 and 2012

7. Discontinued operations (continued)

Cash flows (used in) provided by discontinued operation	For the six months ended June 30, 2012	
Net cash used in operating activities	\$	(58,788)
Net cash provided by financing activities		286,611
Net cash provided by investing activities		328,775
Net cash provided by discontinued operations	\$	556,598

8. Share Capital

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

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

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