



**ERDENE RESOURCE
DEVELOPMENT CORPORATION**

**Notice of Annual and Special Meeting of Shareholders
and
Management Information Circular**

Meeting Date: Thursday, June 27, 2013 at 5:30 p.m.

Purdy's Wharf Tower II
1969 Upper Water Street, Suite 1300
Halifax, Nova Scotia

May 23, 2013

ERDENE RESOURCE DEVELOPMENT CORPORATION
Metropolitan Place
99 Wyse Road, Suite 1480
Dartmouth NS B3A 4S5

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT:

The annual and special meeting ("**Meeting**") of the shareholders ("**Shareholders**") of Erdene Resource Development Corporation ("**Corporation**") will be held at Purdy's Wharf Tower II, 1969 Upper Water Street, Suite 1300, Halifax, Nova Scotia, on Thursday, June 27, 2013 at 5:30 p.m. (Atlantic Time) for the following purposes:

- (a) to receive the financial statements of the Corporation for the year ended December 31, 2012, together with the report of the auditor thereon, copies of which were mailed to Shareholders;
- (b) to elect directors of the Corporation for the forthcoming year;
- (c) to appoint the auditor of the Corporation for the forthcoming year and to authorize the directors to fix the auditor's remuneration;
- (d) to approve the unallocated options issuable under the Corporation's incentive stock option plan;
- (e) to consider and, if deemed advisable, to pass an ordinary resolution ratifying and confirming an amendment to By-Law No. 1 of the Corporation to add an advance notice requirement for the nomination of directors by shareholders in certain circumstances, as more particularly described in the accompanying management information circular ("**Circular**"); and
- (f) to transact such further and other business as may properly come before the Meeting or any adjournment thereof.

Details of the matters proposed to be put before the Meeting are set forth in the Circular accompanying and forming part of this notice of meeting ("**Notice of Meeting**").

Only Shareholders of record as of the close of business on May 23, 2013 are entitled to receive notice of the Meeting and, except as noted in the attached Circular, to vote at the Meeting.

To assure your representation at the Meeting as a **Registered Shareholder**, please complete, sign, date and return the enclosed proxy, whether or not you plan to personally attend. Sending your proxy will not prevent you from voting in person at the Meeting. All proxies completed by Registered Shareholders must be received by the Corporation's transfer agent, **Computershare Investor Services Inc.**, not later than **Tuesday, June 25, 2013 at 5:30 p.m.** (Atlantic Time). A Registered Shareholder must return the completed proxy to Computershare Investor Services Inc., as follows:

- (a) by **mail** in the enclosed envelope;
- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

Non-Registered Shareholders whose shares are registered in the name of an intermediary should carefully follow voting instructions provided by the intermediary. A more detailed description on returning proxies by Non-Registered Shareholders can be found on page 2 of the attached Circular.

If you receive more than one proxy or voting instruction form, as the case may be, for the Meeting, it is because your shares are registered in more than one name. To ensure that all of your shares are voted, you must sign and return all proxies and voting instruction forms that you receive.

DATED at Dartmouth, in the Halifax Regional Municipality, Nova Scotia, this 23 day of May, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Peter C. Akerley
President and Chief Executive Officer

ERDENE RESOURCE DEVELOPMENT CORPORATION

MANAGEMENT INFORMATION CIRCULAR

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ERDENE RESOURCE DEVELOPMENT CORPORATION
MANAGEMENT INFORMATION CIRCULAR
(As at May 23, 2013, except as indicated)

INFORMATION REGARDING ORGANIZATION AND CONDUCT OF MEETING

THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY OR ON BEHALF OF THE MANAGEMENT OF ERDENE RESOURCE DEVELOPMENT CORPORATION ("Corporation") for use at the annual and special meeting of shareholders of the Corporation ("**Shareholders**") to be held at Purdy's Wharf Tower II, 1969 Upper Water Street, Suite 1300, Halifax, Nova Scotia, on Thursday, June 27, 2013 at 5:30 p.m. (Atlantic Time), or at any adjournment thereof ("**Meeting**"), for the purposes set forth in the accompanying notice of meeting ("**Notice of Meeting**").

Solicitation of Proxies

Solicitation of proxies will be primarily by mail, but may also be by telephone or other means of communication by the directors, officers, employees or agents of the Corporation at nominal cost. All costs of solicitation will be paid by the Corporation. The Corporation will also pay the fees and costs of intermediaries for their services in transmitting proxy-related material in accordance with National Instrument 54-101, *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**").

Appointment and Revocation of Proxies

General

Shareholders may be "**Registered Shareholders**" or "**Non-Registered Shareholders**". If common shares of the Corporation ("**Common Shares**") are registered in the name of an intermediary and not registered in the Shareholder's name, they are said to be owned by a "**Non-Registered Shareholder**". An intermediary is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates. The instructions provided below set forth the different procedures for voting Common Shares at the Meeting to be followed by Registered Shareholders and Non-Registered Shareholders.

The persons named in the enclosed instrument appointing proxy are officers and directors of the Corporation. **Each Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for him at the Meeting other than the persons designated in the enclosed form of proxy.** Shareholders who have given a proxy also have the right to revoke it insofar as it has not been exercised. The right to appoint an alternate proxyholder and the right to revoke a proxy may be exercised by following the procedures set out below under "*Registered Shareholders*" or "*Non-Registered Shareholders*", as applicable.

If any Shareholder receives more than one proxy or voting instruction form, it is because that Shareholder's shares are registered in more than one form. In such cases, Shareholders should sign and submit all proxies or voting instruction forms received by them in accordance with the instructions provided.

Registered Shareholders

Registered Shareholders have two methods by which they can vote their Common Shares at the Meeting; namely in person or by proxy. To assure representation at the Meeting, Registered Shareholders are encouraged to return the proxy included with this management information circular ("**Circular**"). Sending in a proxy will not prevent a Registered Shareholder from voting in person at the Meeting. The vote will be taken and counted at the Meeting. Registered Shareholders who do not plan to attend the Meeting or do not wish to vote in person can vote by proxy.

Proxies must be received by the Corporation's transfer agent, **Computershare Investor Services Inc.**, not later than **Tuesday, June 25, 2013 at 5:30 p.m. (Atlantic Time)**. A Registered Shareholder must return the completed proxy to Computershare Investor Services Inc., as follows:

- (a) by **mail** in the enclosed envelope; or

- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

To exercise the right to appoint a person or company to attend and act for a Registered Shareholder at the Meeting, such Shareholder must strike out the names of the persons designated on the enclosed instrument appointing a proxy and insert the name of the alternate appointee in the blank space provided for that purpose.

To exercise the right to revoke a proxy, in addition to any other manner permitted by law, a Shareholder who has given a proxy may revoke it by instrument in writing, executed by the Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited: (i) at the registered office of the Corporation, 1300-1969 Upper Water Street, Purdy's Tower II, PO Box 730, Halifax, Nova Scotia B3J 2V1, Attention: D. Suzan Frazer, at any time up to and including the last business day preceding the Meeting at which the proxy is to be used, or at any adjournment thereof, or (ii) with the chairman of the Meeting on the date of the Meeting, or at any adjournment thereof, and upon either of such deposits the proxy is revoked.

Non-Registered Shareholders

Non-Registered Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Corporation are referred to as "**NOBOs**". Non-Registered Shareholders who have objected to their intermediary disclosing the ownership information about themselves to the Corporation are referred to as "**OBOs**".

In accordance with the requirements of NI 54-101, the Corporation is sending the Notice of Meeting, this Circular, a voting instruction form ("**VIF**") or a form of proxy, as applicable (collectively, the "**Meeting Materials**") directly to the NOBOs and, indirectly, through intermediaries to the OBOs. The Corporation will also pay the fees and costs of intermediaries for their services in delivering Meeting Materials to OBOs in accordance with NI 54-101.

Meeting Materials Received by OBOs from Intermediaries

The Corporation has distributed copies of the Meeting Materials to intermediaries for distribution to OBOs. Intermediaries are required to deliver these materials to all OBOs of the Corporation who have not waived their right to receive these materials, and to seek instructions as to how to vote Common Shares. Often, intermediaries will use a service company (such as Broadridge Financial Solutions, Inc.) to forward the Meeting Materials to OBOs.

OBOs who receive Meeting Materials will typically be given the ability to provide voting instructions in one of two ways:

- (a) Usually, an OBO will be given a VIF which must be completed and signed by the OBO in accordance with the instructions provided by the intermediary. In this case, the mechanisms described above for Registered Shareholders cannot be used and the instructions provided by the intermediary must be followed.
- (b) Occasionally, however, an OBO may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Common Shares owned by the OBO but is otherwise not completed. This form of proxy does not need to be signed by the OBO but must be completed by the OBO and returned to Computershare Investor Services Inc. ("**Computershare**") in the manner described above for Registered Shareholders.

The purpose of these procedures is to allow OBOs to direct the proxy voting of the Common Shares that they own but that are not registered in their name. Should an OBO who receives either a form of proxy or a VIF wish to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), the OBO should strike out the persons named in the form of proxy as the proxy holder and insert the OBOs (or such other person's) name in the blank space provided or, in the case of a VIF, follow the corresponding instructions provided by the intermediary. **In either case, OBOs who received Meeting Materials from their intermediary should carefully follow the instructions provided by the intermediary.**

To exercise the right to revoke a proxy, an OBO who has completed a proxy (or a VIF, as applicable) should carefully follow the instructions provided by the intermediary.

Proxies returned by intermediaries as "non-votes" because the intermediary has not received instructions from the OBO with respect to the voting of certain shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Common Shares represented by such "non-votes" will, however, be counted in determining whether there is a quorum.

Meeting Materials Received by NOBOs from the Corporation

As permitted under NI 54-101, the Corporation has used a NOBO list to send the Meeting Materials directly to the NOBOs whose names appear on that list. If you are a NOBO and the Corporation's transfer agent, Computershare, has sent these materials directly to you, your name and address and information about your holdings of Common Shares have been obtained from the intermediary holding such shares on your behalf in accordance with applicable securities regulatory requirements.

As a result, any NOBO of the Corporation can expect to receive a scannable VIF from Computershare. Please complete and return the VIF to Computershare in the envelope provided. In addition, telephone voting and internet voting are available, as further described in the VIF. Instructions in respect of the procedure for telephone and internet voting can be found in the VIF. Computershare will tabulate the results of the VIFs received from the Corporation's NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs received by Computershare.

By choosing to send these materials to you directly, the Corporation (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. The intermediary holding Common Shares on your behalf has appointed you as the proxyholder of such shares, and therefore you can provide your voting instructions by completing the proxy included with this Circular in the same way as a Registered Shareholder. Please refer to the information under the heading "*Registered Shareholders*" for a description of the procedure to return a proxy, your right to appoint another person or company to attend the meeting, and your right to revoke the proxy.

Although a Non-Registered Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker, a Non-Registered Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. Non-Registered Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the Registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

Notice-and-Access

The Corporation is not sending the Meeting Materials to Registered Shareholders or Non-Registered Shareholders using notice-and-access delivery procedures defined under NI 54-101 and National Instrument 51-102, *Continuous Disclosure Obligations*.

Exercise of Proxies

Where a choice is specified, the Common Shares represented by proxy will be voted for, withheld from voting or voted against, as directed, on any poll or ballot that may be called. **Where no choice is specified, the proxy will confer discretionary authority and will be voted in favour of all matters referred to on the form of proxy. The proxy also confers discretionary authority to vote for, withhold from voting, or vote against amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting.**

Management has no present knowledge of any amendments or variations to matters identified in the Notice of Meeting or any business that will be presented at the Meeting other than that referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the

enclosed instrument appointing proxy to vote in accordance with the recommendations of management of the Corporation.

Voting Shares

The authorized capital of the Corporation consists of an unlimited number of Common Shares, of which 58,785,299 are issued and outstanding as of the date hereof.

The board of directors of the Corporation ("**Board of Directors**" or "**Board**") has fixed the record date for the Meeting as the close of business on May 23, 2013 ("**Record Date**"). Only Shareholders as of the close of business on the Record Date will be entitled to vote at the Meeting. Shareholders entitled to vote shall have one vote each on a show of hands and one vote per Common Share on a poll.

Two or more persons present in person representing at least 5% of the Common Shares entitled to be voted at the Meeting will constitute a quorum at the Meeting.

Principal Shareholders

As of the date hereof, to the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all outstanding Common Shares of the Corporation.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Corporation since January 1, 2012 nor any proposed nominee for election as a director, nor any associate of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities of the Corporation or otherwise, in matters to be acted upon at the Meeting other than (i) the election of directors; and (ii) as directors and officers they are eligible to receive grants of options under the Plan.

BUSINESS TO BE TRANSACTED AT THE MEETING

Financial Statements

The financial statements of the Corporation, the auditor's report thereon and management's discussion and analysis for the financial year ended December 31, 2012 will be presented to the Shareholders at the Meeting.

Election of Directors

The Articles of Incorporation of the Corporation provide that the size of the Board of Directors must consist of not less than three directors and not more than ten directors to be elected annually. The Corporation's by-laws provide that the size of the Board of Directors is to be determined by the Board of Directors. The Board is presently comprised of seven directors; however, the Board has determined that, in the forthcoming year, the business of the Corporation may be properly conducted by a Board of Directors consisting of five directors and has reduced the size of the Board to five, effective at the close of the Meeting.

Each of the persons named in the list which follows is currently a director of the Corporation and all are, in the opinion of management, well qualified to direct the Corporation's activities for the ensuing year. They have all confirmed their willingness to serve as directors, if elected. The term of office of each director elected will be until the next annual meeting of the Shareholders or until the position is otherwise vacated.

Unless the proxy specifically instructs the proxyholder to withhold such vote, Common Shares represented by the proxies hereby solicited shall be voted for the election of the nominees whose names are set forth below. Management does not contemplate that any of these proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by the properly executed proxies given in favour of nominees of management named in the enclosed form of proxy may be voted for another nominee at such proxyholder's discretion.

Name, Province and Country of Residence	Principal Occupation ⁽¹⁾	Director Since	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed ⁽⁷⁾
Peter C. Akerley ⁽⁵⁾⁽⁶⁾ Nova Scotia, Canada	President and Chief Executive Officer of the Corporation	February 25, 2003	President, Chief Executive Officer and Director, and Co-Managing Director of a Subsidiary of the Corporation	298,075
William B. Burton ⁽²⁾⁽³⁾⁽⁶⁾ Ontario, Canada	Retired; director of four public companies	February 25, 2003	Director	75,500
John P. Byrne ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	President, Petroleum Corporation of Canada Exploration Ltd. (an oil production company) and Petroleum Corporation of Canada Limited (an investment holding company)	August 25, 2004	Director	1,017,250
J.C. (Chris) Cowan ⁽⁵⁾⁽⁶⁾ Ontario, Canada	Vice-President Asia of the Corporation	February 25, 2003	Vice-President Asia, Director and a Managing Director of the Corporation's Mongolian Subsidiaries	319,750
Philip L. Webster ⁽⁴⁾ Quebec, Canada	President, Imperial Windsor Group Inc. (an investment holding company)	June 14, 2006	Director	850,000

Notes:

- (1) See biographical summaries below for descriptions of the occupations of the above noted individuals within the past five years and for prior periods.
- (2) Member of the Audit Committee. David Carnell is also presently a member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Corporate Governance and Disclosure Policy Committee.
- (5) Member of the Pre-Clearance Committee.
- (6) Member of the Technical Committee.
- (7) The information as to security holdings was provided by the nominees as of May 22, 2013.

Peter C. Akerley - Mr. Akerley has over 25 years of experience in mineral exploration, corporate financing, project development and management of publicly listed resource companies. He has been the Corporation's President and Chief Executive Officer since March 2003. Mr. Akerley is a geologist who has worked extensively in foreign jurisdictions throughout his career, predominately in North and South America and Asia, with a focus on Mongolia over the past 15 years. Mr. Akerley has a BSc (1988) from Saint Mary's University in Halifax, specializing in geology. He is also chairman of Morien Resources Corp. and a director of Temex Resources Corporation, both listed on the TSX-V.

William B. Burton – Mr. Burton is the president of Bedford Resources Management Inc., which he founded in 1990 to provide geological consulting and public company management to the natural resource industry. Mr. Burton graduated with an Honours Bachelor of Sciences (BSc) in Geology from Dalhousie University in Halifax in 1973. He was a founder and is currently a director of Adex Mining Inc. (TSX-V) which is developing the polymetallic Mount Pleasant mine in New Brunswick. He is also a director of Red Moon Potash Inc. (TSX-V), a junior exploration company focused on potash/salt exploration in western Newfoundland and CWN Mining Acquisition Corporation (TSX-V), a capital pool company. He has held executive positions in various publicly traded companies in Canada involved in mineral exploration and development around the globe. With 40 years experience in the minerals sector, Mr. Burton has both hands on experience as a geologist and as an executive. From 1996 to 1998 he was the Vice-President of Exploration of International Pursuit evaluating gold properties in Asia, including Mongolia and was President of Mongolian Goldfields Corporation from 1996 to 1997. Most recently, as President, CEO and founder of MagIndustries Corp., he has lead the completion of feasibility studies to

develop a solution potash mine operation after many years of exploration and development of the extensive carnallite deposits in the Republic of Congo. Mr. Burton is a member of the Institute of Corporate Directors and completed the Audit Committee Effectiveness course in December 2012

John P. Byrne – Mr. Byrne has more than 30 years of investment banking and corporate finance experience. He is President of Petroleum Corporation of Canada Exploration Limited ("**Petrex**"), an oil and gas exploration and development company, and has held that position since 1976. Petrex helped establish and finance Enerplus Energy Services Limited for which Mr. Byrne served as Vice-Chairman (1986-2000). He was a director of FW Omnimedia (2000-2004). He also served in senior executive roles with Levesque Beaubien Geoffrion Inc. (now National Bank Financial), A.E. Ames & Company Ltd./Dominion Securities Ames Ltd. and The First Boston Corporation. Mr. Byrne graduated from McGill University with a BA and from the University of Toronto Law School with a LLB. He is also a Chartered Financial Analyst. Mr. Byrne is also a director of Morien Resources Corp., a TSX-V listed company.

J.C. (Chris) Cowan - Mr. Cowan, MSc (Geology), P. Eng. (Ontario), is a minerals consultant providing services to exploration and mining companies world-wide since 1990. Prior to that, he spent 28 years with Falconbridge Limited in a variety of senior management and board positions. Mr. Cowan has also been responsible for technical direction of Falconbridge's world-wide exploration as well as activities exploration manager in Southeast Asia and Chief Geologist for Sudbury Operations. Mr. Cowan is a Managing Director of Erdene Mongol XXK and Anian Resources XXX, wholly-owned subsidiaries of the Corporation. Mr. Cowan has served as a director for a number of publicly listed companies, including Unigold Inc. (2003-2006) and Preston Resources Inc. (1997-2001). Mr. Cowan was appointed Vice-President Asia of the Corporation in June 2006.

Philip L. Webster – Mr. Webster's principal occupation since 1998 has been as President of Imperial Windsor Group Inc., a private investment holding company. He is presently a director of Morien Resources Corp. (TSX-V) and is a former director of Western Financial Group Inc. (TSX) and Detroit Marine Terminals. He is also a director of many private companies, including, Imperial Windsor Group Inc., Kinmont Canada Inc., and Autoparc Stanley Inc. He is a Trustee of the R. Howard Webster Foundation, the Zellers Family Foundation and the Constance Lethbridge Foundation. He is a Trustee and former Chairman of Stanstead College and President of its Red and White Educational Foundation. He has an A.B. (Hon.) degree from Princeton University and a Master of Architecture from the Graduate School of Design at Harvard University.

Majority Voting Policy

Effective April 18, 2013, the Corporation adopted a majority voting policy (the "**Policy**"). The Policy requires that any nominee for director who receives a greater number of votes "withheld" than "for" his or her election shall promptly tender his or her resignation to the chair of the Board of Directors following the meeting. This Policy applies only to uncontested elections, meaning elections where the number of nominees for director is equal to the number of directors to be elected.

The Corporate Governance and Disclosure Policy Committee shall consider the offer of resignation in accordance with the Policy and recommend to the Board whether or not to accept it. The Board expects to accept any resignation pursuant to the Policy except in situations where extenuating circumstances would warrant the applicable director to continue to serve on the Board. The Board shall act on the Committee's recommendation within 90 days of the applicable meeting of Shareholders and announce its decision via news release. If a resignation is accepted, the Board may: (i) leave any resulting vacancy unfilled until the next annual general meeting of Shareholders; (ii) appoint a new director to fill the vacancy created by the resignation; or (iii) call a special meeting of Shareholders at which a management slate to fill the vacant position or positions will be presented.

A copy of the Policy is attached to this Circular as Schedule A.

Corporate Cease Trade Orders and Bankruptcies

No proposed director of the Corporation is, or within ten years prior to the date of this Circular has been, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in

effect for a period of more than 30 consecutive days, that was issued while such person was acting in the capacity as director, chief executive officer or chief financial officer; or

- (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days, that was issued after such person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director of the Corporation:

- (i) is, as at the date of this Circular, or within ten years prior to the date of this Circular has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (ii) has, within ten years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties and Sanctions

No proposed director of the Corporation has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Appointment of Auditor

KPMG LLP, Chartered Accountants, has been the auditor of the Corporation since its incorporation. Management recommends the re-appointment of KPMG LLP. At the Meeting, Shareholders will be asked to vote for the appointment of KPMG LLP as auditor of the Corporation until the next annual meeting of the Shareholders, at a remuneration to be fixed by the Board.

It is intended that all proxies received will be voted in favour of the appointment of KPMG LLP as auditor of the Corporation, unless a proxy contains instructions to withhold the same from voting. Greater than 50% of the votes of Shareholders present in person or by proxy are required to approve the appointment of KPMG LLP as auditor of the Corporation.

Approval of Unallocated Options under the Corporation's Incentive Stock Option Plan

Introduction

At the annual and special meeting of Shareholders held on May 10, 2007, the Shareholders adopted a 10% "rolling" stock option plan (the "**Plan**"). The Plan replaced the stock option plan approved by Shareholders on November 18, 2003 and re-affirmed on June 24, 2004 and June 25, 2005, as required by the policies of the TSX Venture Exchange, the stock exchange upon which the Corporation's Common Shares were listed at the time. Shareholders approved all unallocated options issuable under the Plan at the annual and special meeting held on May 20, 2010, as required by the rules of the Toronto Stock Exchange ("**TSX**") and the Plan was subsequently amended by the Board on December 16, 2010 to deal with employer tax withholding and remittance requirements for stock option benefits. The purpose of the Plan is to attract and retain directors, officers, employees and service providers to the Corporation and to motivate them to advance the interests of the Corporation by affording them with the opportunity to acquire an equity interest in the Corporation through options.

Pursuant to a plan of arrangement ("**Arrangement**") under the provisions of the *Canada Business Corporations Act*, Erdene's interest in the Donkin Coal Project was transferred to Morien Resources Corp. ("**Morien**"), a company formed through the amalgamation of Erdene Resources Inc. ("**ERI**") and Advanced Primary Minerals Corporation ("**APM**"). The Arrangement was approved at a special meeting of shareholders held on October 26, 2012 and became effective on November 9, 2012. In connection with Arrangement, each of the options outstanding under the Plan immediately prior to completion of the Arrangement were exchanged for one-half of one option to acquire shares of Morien and one-half of one new option of the Corporation. The aggregate exercise price of the replacement options following completion of the Arrangement was equal to the options of the Corporation they replaced, and the exercise price was allocated among the options of Morien and the new options of the Corporation based on the volume weighted average trading prices of the shares of the Corporation and Morien following the closing of the Arrangement. In addition, the expiry term for certain options was modified for certain options based on the optionholders ongoing involvement with the Corporation.

The rules of the TSX provide that all unallocated options issuable under a "rolling" stock option plan must be approved by Shareholders every three years after institution of the stock option plan. The Corporation is seeking approval by the Shareholders of all unallocated options in accordance with the rules and policies of the TSX. Options previously granted pursuant to the Plan will continue unaffected by the result of the Shareholders' vote in respect of unallocated options. Furthermore, all previously granted options will not be available for re-allocation if they are cancelled prior to their respective exercise dates in the event the unallocated options are not approved by the Shareholders at the Meeting.

The Corporation has not granted any options under the Plan since May 20, 2013 and does not intend to grant any options under the Plan prior to receiving Shareholder approval of all unallocated options issuable under the Plan at the Meeting.

The following information is intended as a summary of the Plan, and is qualified in its entirety by reference to the Plan in the form attached as Appendix A to the Corporation's management information circular dated April 9, 2007, as subsequently amended by the Board as described above.

"Rolling" Maximum Reserve

The Plan provides that the number of Common Shares reserved for issuance upon the exercise of options is a rolling maximum number that shall not be greater than 10% of the outstanding Common Shares at any point in time.

Other Terms

The Plan authorizes the Board (or a Committee of the Board, if so authorized by the Board) to grant options to acquire Common Shares in favour of "**Eligible Persons**". Eligible Persons are directors, officers, employees, consultants, management company employees or any other service providers of the Corporation or its affiliates.

The aggregate number of Common Shares issued to insiders of the Corporation within any one year period under the Plan, together with any other security based compensation arrangement cannot exceed 10% of the outstanding Common Shares. In addition, the aggregate number of Common Shares issuable to insiders of the Corporation at any time under the Plan together with any other security based compensation arrangement cannot exceed 10% of the outstanding Common Shares.

The date of grant, the number of Common Shares, the vesting period and any other terms and conditions of options granted pursuant to the Plan are determined by the Board, subject to the express provisions of the Plan.

Unless otherwise specified by the Board at the time an option is granted under the Plan:

- (a) the exercise price of the option will be the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the date of the grant;
- (b) the term of the option will be 10 years from the date of the grant (which is the maximum allowable term under the Plan), unless the expiry of the term falls during a black-out (or within ten days from the end of blackout) from trading in the securities of the Corporation imposed on certain persons including the optionee pursuant to any policies of the Corporation, and where such black-

out applies, the expiry of the term of the option shall automatically be extended to 10 business days following the end of the black-out;

- (c) the option will vest immediately upon grant; and
- (d) if before the expiry of the option, the optionee ceases to be an Eligible Person for any reason other than termination by the Corporation for cause, the option will terminate within ninety days of the date the optionee ceases to be an Eligible Person; provided however, in the event of the death of the optionee, the option continues to be exercisable for a period up to twelve months from the date of such event. If the optionee ceases to be an Eligible Person by reason of termination by the Corporation for cause, the option will terminate immediately upon the optionee ceasing to be an Eligible Person.

In the event an offer is made for the Common Shares which would result in the offeror exercising control of the Corporation within the meaning of applicable securities laws, any options then outstanding may be exercised so as to allow the optionee to tender the Common Shares received upon such an exercise to the offer; provided however, if the offer is not completed or the Common Shares tendered to the offeror are not taken up and paid for by the offeror, then such Common Shares must be returned to the Corporation by the optionee and the terms of the option applicable prior to the offer will again apply to the options.

The options are non-assignable and non-transferable and there is no ability under the Plan to transform an option granted under the Plan into a stock appreciation right.

The Board may, in its discretion, but subject to applicable law, authorize the Corporation to make loans to Eligible Persons to assist them in exercising their options. The terms and conditions of such loans are determined by the Board, and must include interest at prevailing market rates, a term not in excess of one year, and security in favour of the Corporation represented by that number of Common Shares received on exercise which equals the loaned amount divided by the market price of the Common Shares on the date of such exercise, or equivalent security, which security may be granted on a non-recourse basis.

The Plan contains a formal amendment procedure which sets forth a list of amendments that can be made to the Plan by the Board without requiring the approval of Shareholders unless specifically required by the TSX. These amendments include, without limitation:

- (a) altering, extending or accelerating option vesting terms and conditions;
- (b) amending the termination provisions of an option;
- (c) accelerating the expiry date of an option;
- (d) determining adjustments pursuant to the provisions of the Plan concerning corporate changes;
- (e) amending the definitions contained in the Plan;
- (f) amending or modifying the mechanics of exercising options;
- (g) adding, amending or removing any provisions for financial assistance provided by the Corporation to purchase Common Shares under the Plan;
- (h) amending provisions relating to the administration of the Plan;
- (i) making "housekeeping" amendments, such as those necessary to cure errors or ambiguities contained in the Plan;
- (j) effecting amendments necessary to comply with the provisions of applicable laws; and
- (k) suspending or terminating the Plan.

The Plan specifically provides that the following amendments, among others, require shareholder approval:

- (a) increasing the number of Common Shares issuable under the Plan, except by operation of the "rolling" maximum reserve;
- (b) amending the Plan, which amendment could result in the aggregate number of Common Shares issued to insiders within any one-year period or issuable to insiders at any time under the Plan, together with any other security based compensation arrangement, exceeding 10% of the issued and outstanding Common Shares;
- (c) extending the period of time during which options may be exercised;
- (d) reducing the option price;
- (e) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Plan by insiders;
- (f) amending the formal amendment procedures; and
- (g) making any amendments required to be approved by the Shareholders under applicable law.

Existing Stock Options and Shares Reserved

As of the date hereof:

- (a) the total number of Common Shares issued upon exercise of options granted under the Plan is 1,117,500 (adjusted to give effect to the Arrangement) which represents 2.08% of the outstanding Common Shares as of the date of this Circular; and
- (b) the total number of Common Shares which remain reserved for issuance pursuant to currently outstanding options is 2,361,500 (4.02% of the issued and outstanding Common Shares as of the date of this Circular) and pursuant to options available to be granted is 3,517,029 (5.98% of the issued and outstanding Common Shares as of the date of this Circular), which represents in aggregate, 10% of the outstanding Common Shares as of the date of this Circular.

The Corporation's Deferred Stock Unit Plan impacts the number of options that the Corporation may issue pursuant to the Plan. For example, the maximum number of Common Shares issuable to insiders (as that term is defined by the TSX) pursuant to the Deferred Stock Unit Plan, together with any Common Shares issuable pursuant to any other security based compensation arrangement of the Corporation, may not exceed 10% of the total issued and outstanding Common Shares at any time. See "*Securities Authorized for Issuance Under Equity Compensation Plans – Deferred Stock Unit Plan – Maximum Number of Shares Issued and Outstanding Under DSU's*".

Unallocated Options Approval Resolution

Shareholders will be asked to consider, and if deemed advisable, to approve a resolution approving all unallocated options issuable under the Plan. A copy of the proposed form of the resolution is set forth in Schedule B to this Circular.

Shareholders will be asked to approve the unallocated options issuable pursuant to the Plan every three years in accordance with the rules and policies of the TSX. Therefore, the Shareholders will be asked for such approval at the annual and special meeting of the shareholders of the Corporation to be held in 2016.

The Board recommends that the Shareholders approve all unallocated options issuable under the Plan until June 27, 2016.

It is intended that all proxies received will be voted in favour of the resolution to approve the unallocated options under the Plan, unless a proxy contains instructions to vote against the resolution. Greater than 50% of the votes cast by Shareholders present in person or by proxy is required to approve the unallocated options under the Plan.

Amendment to By-Law No. 1

The Board of Directors adopted an amendment to By-Law No. 1 of the Corporation (the "**By-Law Amendment**") effective April 18, 2013. The following information is intended as a summary of the By-Law Amendment, a copy of which is attached as Appendix 1 to Schedule C to this Circular.

The By-Law Amendment provides for advance notice to the Corporation of nominations for election to the Board of Directors in circumstances where nominations of persons for election to the Board of Directors are made by Shareholders, other than (i) pursuant to a requisition to call a meeting of Shareholders made pursuant to the provisions of the *Canada Business Corporations Act* (the "**BCA**"); or (ii) a shareholder proposal made pursuant to the provisions of the *BCA*.

Among other things, the By-Law Amendment fixes a deadline by which holders of record of Common Shares must submit director nominations to the Corporation prior to any annual or special meeting of Shareholders and sets forth the information that a Shareholder must include in the notice to the Corporation for the notice to be in proper written form.

In the case of an annual meeting of Shareholders, notice to the Corporation must be made not less than 30 days and not more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement.

In the case of a special meeting of Shareholders (which is not also an annual meeting), notice to the Corporation must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

In addition to any other applicable requirements, for a nomination to be made by a Shareholder, the nominating Shareholder must have given timely notice to the Corporation in proper written form in accordance with the provisions of the By-Law Amendment.

The By-Law Amendment provides Shareholders, directors and management of the Corporation a clear framework for the nomination of directors, including the timeframe and required form and content for nominee submissions. The purpose of the By-Law Amendment is to treat all Shareholders fairly by ensuring that all Shareholders, including those participating in a meeting by proxy rather than in person, receive adequate notice of the nominations to be considered at a meeting and can thereby exercise their voting rights in an informed manner. In addition, the By-Law Amendment should assist in facilitating an orderly and efficient meeting process.

Approval of By-Law Amendment

Shareholders will be asked to consider, and if deemed advisable, to approve an ordinary resolution ratifying and confirming the By-Law Amendment. A copy of the proposed form of the resolution is set forth in Schedule C to this Circular.

The Board recommends that the Shareholders approve the resolution to ratify and confirm the By-Law Amendment.

It is intended that all proxies received will be voted in favour of the resolution to ratify and confirm the By-Law Amendment, unless a proxy contains instructions to vote against the resolution. Greater than 50% of the votes cast by Shareholders present in person or by proxy is required to ratify and confirm the By-Law Amendment.

EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

Named Executive Officers

Applicable securities regulations require that the Corporation give details of the compensation paid to the Corporation's "named executive officers" who are defined as follows:

- (a) the chief executive officer;
- (b) the chief financial officer;
- (c) each of the three most highly compensated executive officers, or the three mostly highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose compensation was, individually, more than \$150,000 for that financial year; and
- (d) any individual who would be a named executive officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

As at December 31, 2012, the end of the most recently completed financial year of the Corporation, the Corporation had three named executive officers, namely, the President and Chief Executive Officer ("**CEO**"), the Chief Financial Officer and Vice-President Business Strategy ("**CFO**"), the Vice-President Asia, the Director of Finance and the Director of Operations, Mongolia (collectively, the "**Named Executives**").

Role of Compensation Committee

The compensation committee of the Corporation ("**Compensation Committee**") has been assigned the responsibility of reviewing the remuneration package for the CEO and for senior executives and to recommend changes, if any, to the Board. In making its recommendations, the Compensation Committee considers each individual's performance and remuneration and incentives paid to senior executives of comparable companies. The Compensation Committee also seeks the views of the CEO when reviewing compensation for other executive officers because of his day-to-day involvement with these officers. It is also the responsibility of the Compensation Committee to review any proposals concerning the Plan or any other equity compensation plans including grant proposals for approval by the Board.

The Compensation Committee currently consists of John P. Byrne and William B. Burton (Chair), both of whom qualifies as an independent director within the meaning of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*. Both members of the Compensation Committee has more than 35 years of experience in their respective field and, during that time, each has been closely involved with implementing and reviewing compensation policies at their respective organizations. Each of John P. Byrne and William B. Burton have held senior roles with public and/or private companies directly related to the mining industry.

Currency

All references to "\$" or "dollars" set forth in this Circular are in Canadian dollars, except where otherwise indicated.

Objectives of the Compensation Program

The general objectives of the Corporation's compensation strategy are to:

- (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long term shareholder value;
- (b) align management's interests with the long term interests of shareholders;

- (c) provide a compensation package that is commensurate with other comparable mineral exploration companies to enable the Corporation to attract and retain talent; and
- (d) ensure that the total compensation package is designed in a manner that takes into account the Corporation's present stage of development and its available financial resources. The Corporation's compensation packages have been designed to provide a blend of non-cash stock option component in a reasonable salary and benefits component based on industry comparable with companies at similar levels of development. In addition, extraordinary efforts which enhance shareholder value are rewarded with cash bonuses.

Salaries for the CEO, CFO and the Vice-President Asia are determined by evaluating the responsibilities inherent in the position held, and the individual's experience and past performance, as well as by reference to the competitive marketplace for management talent at other mining companies. Following the end of each year, the Compensation Committee reviews actual performance for the Corporation and the employee for such year, including the quality and measured progress of the Corporation's exploration projects, raising of capital, corporate alliances and similar achievements.

The Corporation does not currently have a policy which provides that Named Executives or directors of the Corporation are not permitted to purchase financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executives or director. However, none of the Named Executives or directors of the Corporation have purchased these types of financial instruments.

Overview of Elements of Compensation

The Corporation's executive compensation program is comprised of five components: (i) base salary; (ii) a stock option plan; (iii) a deferred stock unit plan; (iv) a bonus plan; (v) perquisites; and (vi) benefits. The elements of compensation are described in detail below.

Component of Total Direct Compensation	Type of Compensation	Element	Form	Performance Period
FIXED	Annual	Base Salary	Cash	1 year
VARIABLE	Annual	Short-term Incentive	Annual cash bonus	1 year
	Longer-term	Long-term Incentive	Stock Options	1 year (or more)
	Longer-term	Long-term Incentive	Deferred Stock Units	1 year (or more)
	Annual or Longer-Term	Benefits	Corporate benefits plan`	1 year (or more)
	Annual	Perquisites	Cash	1 year

Base Salary

Salaries of the Named Executives are based on a comparison with competitive positions, taking into account the size and sector, as well as the level of activity, of the group. Individual circumstances are also taken into consideration including the scope and geographic location of the Named Executive's position, the Named Executive's relevant competencies or experience and retention risk. The financial performance of the Corporation is also a factor as is the individual performance of the Named Executive. The base salary for each of the CEO, the CFO and the Vice-President Asia is reviewed by the Compensation Committee each year in consultation with the CEO. Base salaries may be adjusted as appropriate, based on any change in the Named Executive's role within the Corporation, performance of the Named Executive, performance of the Corporation or general change in market salary levels. Employees of the Corporation may also elect to receive all or a portion of their salary in the form of deferred stock units (see the discussion below under "*Share-based Awards (Deferred Stock Units)*").

In 2011, management conducted a survey of a peer group comprised of Brigus Gold Corp., Entree Gold Inc., Merrex Gold Inc., Khan Resources Inc., Moly Mines Limited, Temex Resources Corp., Eurasian Minerals Inc. and East Asia Minerals Corporation. The Compensation Committee reviewed actual 2010 salaries reported in 2011 in determining the 2012 total executive compensation for the CEO, the CFO and the Vice-President Asia. Although backward-looking peer benchmarking is, and will continue to be, a determining factor in total compensation, other factors such as market conditions and availability of financing are also taken into consideration. Therefore, there were no increases in executive compensation in 2012.

Performance Bonus

The Corporation does not have an annual incentive program. However, annually, the Compensation Committee considers whether it is appropriate and in the best interest of the Corporation to award a discretionary cash bonus to any of the Named Executives. A cash bonus may be awarded to reward extraordinary performance that has led to increased value for shareholders through property acquisitions or divestitures, the formation of new strategic or joint venture relationships and/or capital raising efforts. Demonstrations of extraordinary personal commitment to the Corporation's interests, the community and the industry may also be rewarded through a cash bonus.

In 2010, the Corporation paid a bonus of \$25,000 to the CEO, and \$15,000 to each of the CFO and the Vice-President Asia for their extraordinary efforts in 2009, of which \$9,000 was reimbursed by APM. In 2011, the Corporation paid a bonus of \$50,000 to the CEO and a bonus of \$25,000 to each of the CFO and the Vice-President Asia for their extraordinary efforts in 2010. No bonuses were paid to Named Executives in 2012. See note 5 to the table under the heading "*Executive Compensation – Summary Compensation Table*".

Option-based Awards

The strategic use of incentive stock options is a cornerstone of the Corporation's compensation plan. The purpose of the Plan is to advance the interests of the Corporation and its affiliates by encouraging the directors, officers, employees, and consultants of the Corporation to acquire Common Shares, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation, rewarding significant performance achievements and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of their affairs. The Plan continues to be an important tool for attracting, motivating and retaining qualified employees, which is critical to the Corporation's success. For more information on the Plan, see "*Securities Authorized for Issuance under Equity Compensation Plans – Incentive Stock Option Plan*".

All grants of stock options to the Named Executives are reviewed and approved by the Compensation Committee and the Board of Directors. The process is initiated by management recommending a grant of option-based awards to the Compensation Committee. The Compensation Committee reviews these recommendations and, if they are approved, recommends them to the Board of Directors. In evaluating option grants to the Named Executives, the Compensation Committee and the Board of Directors evaluate a number of factors including, but not limited to: (i) the number of options already held by such Named Executive; (ii) a fair balance between the number of options held by the Named Executive concerned and the other executives of the Corporation, in light of their responsibilities and objectives; and (iii) the value of the options as a component in the Named Executive's overall compensation package. Three of the Named Executives are directors of the Corporation and each director declares his interest in any resolution involving the grant of options to him and refrains from voting thereon.

Share-based Awards (Deferred Stock Units)

In 2012, the Corporation implemented a deferred stock unit plan ("**DSU Plan**"), which permits directors and employees to elect to receive all or a portion of their annual compensation, in increments of 10%, in the form of deferred stock units ("**DSUs**"). In addition, the Compensation Committee has the authority to make discretionary awards of DSUs pursuant to the DSU Plan. In December 2012, each of the three Named Executives and five other employees of the Corporation elected to take 10% of their salary in 2013 in the form of DSUs. As of the date of this Circular, no discretionary awards of DSUs have been made. It is expected that any such awards will be made on a basis consistent with the process for grants of stock options under the Plan, as described above under "*Option-based Awards*". For more information on the DSU Plan, see "*Securities Authorized for Issuance under Equity Compensation Plans – Deferred Stock Unit Plan*".

Benefits

The CEO participates in a corporate benefits program including medical, dental and life insurance in line with organizations of a similar size. Effective January 1, 2010, the CFO and the Vice-President Asia, became employees of the Corporation. The CFO now participates in a corporate benefits program and the Vice-President Asia is entitled to do so. The Director of Finance and Director of Operations, Mongolia both participate in a corporate benefits program.

Perquisites

The Corporation provides a limited number of perquisites to its Named Executives which vary by title but do not account for a material portion of the overall compensation of the Named Executives. For example, the Corporation offers paid parking and memberships in industry-related organizations. The Corporation awards these perquisites as tools for attraction, retention and motivation.

Other Factors for Understanding Compensation

On March 2, 2009, Erdene announced the closing of its reverse takeover of APM (formerly known as Beta Minerals Inc.). From the closing of the reverse takeover until the effective date of the Arrangement, Erdene provided APM with certain management, financial, administrative and regulatory services. In return, APM paid Erdene a monthly fee to reimburse Erdene for its cost of these services. During 2010, 2011 and in 2012 until November 8, 2012, the fee was \$18,058 per month and included the services of both the CEO and CFO of APM.

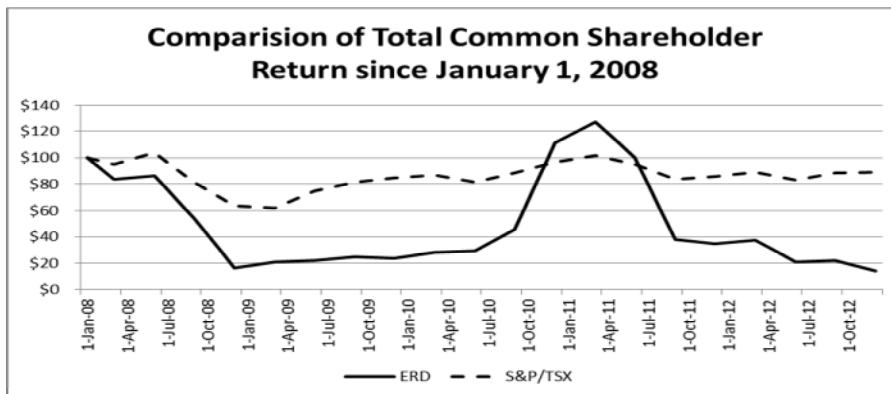
In 2010, 2011 and in 2012 until November 9, 2012, Kenneth W. MacDonald, Vice-President Business Strategy and CFO of Erdene, devoted certain of his time to the business and affairs of APM as its president and chief executive officer as follows:

- (a) in 2012, prior to completion of the Arrangement, approximately 40% of his time, for which APM paid Erdene \$84,000;
- (b) in 2011, approximately 40% of his time, for which APM paid Erdene \$84,000; and
- (c) in 2010, approximately 60% of his time, for which APM paid Erdene \$126,000.

Upon completion of the Arrangement on November 9, 2012, Mr. MacDonald assumed the role of chief financial officer of Morien. In addition, the Corporation entered into a services agreement ("**Services Agreement**") with Morien on completion of the Arrangement pursuant to which, among other things, the Corporation provides management, administration, financial and regulatory updating services for Morien, including the services of Messrs. MacDonald and Akerley, for a monthly fee of \$39,535 for each November and December, 2012 and \$40,904 beginning January 1, 2013. In 2012, during the period following completion of the Arrangement, Mr. MacDonald and Mr. Akerley devoted approximately 50% and 25%, respectively, of their time to the business and affairs of Morien, and \$8,750 and \$5,208 of the aggregate monthly fee paid by Morien to the Corporation during that period for management and administrative salaries is attributable to their services, respectively. In the 2013 financial year, it is anticipated that Mr. Akerley will devote approximately 14% of his time to the affairs of Morien pursuant to the Services Agreement and approximately 11% in his capacity as Chair of the Board of Morien, for which he will be compensated directly by Morien. In the 2013 financial year, it is anticipated that Mr. MacDonald will devote approximately 50% of his time to the affairs of Morien.

Performance Graph

The following line graph depicts the Corporation's cumulative total shareholder return by quarter since January 1, 2008, assuming a \$100 investment in the Common Shares on such date, compared to an equal investment in the S&P/TSX Composite Total Return Index shares.



As noted above, a number of factors and performance elements are taken into account when determining compensation for the Named Executives. Although total cumulative shareholder return is one performance measure that is reviewed, it is not a significant consideration in executive compensation deliberations. As a result, a direct correlation between total cumulative Shareholder return over a given period and executive compensation levels is not anticipated. As a result of the Arrangement outlined above, the Corporation's North American assets were distributed to shareholders via the distribution of Morien shares on November 9, 2012 and the market price of Erdene's shares decreased accordingly.

Assessment of Risks Associated with the Corporation's Compensation Policies and Practices

The Compensation Committee has assessed the Corporation's compensation plans and programs for its executive officers to ensure alignment with the Corporation's business plan and to evaluate the potential risks associated with those plans and programs. The Compensation Committee has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Corporation.

The Compensation Committee considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs which have generally been implemented by or at the direction of the Compensation Committee.

Summary Compensation Table

The following table sets forth information regarding compensation paid to the Named Executives for the financial years ended December 31, 2010, 2011 and 2012.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards ⁽³⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$) ⁽⁶⁾	Total Compensation (\$)
					Annual incentive plans ⁽⁵⁾	Long-term incentive plans			
Peter C. Akerley, President & CEO ⁽¹⁾	2012	250,000	Nil	28,000 ⁽⁵⁾	Nil	Nil	N/A	8,504	286,504
	2011	250,000	Nil	517,000	50,000	Nil	N/A	8,392	825,392
	2010	210,000	Nil	97,344	25,000	Nil	N/A	8,192	340,536
Ken W. MacDonald, Vice-President, Business Strategy & CFO ⁽²⁾	2012	210,000	Nil	21,000 ⁽⁵⁾	Nil	Nil	N/A	6,576	237,576
	2011	210,000	Nil	423,000	25,000	Nil	N/A	6,306	664,306
	2010	200,000	Nil	30,420	15,000	Nil	N/A	5,842	261,262
J.C. (Chris) Cowan, Vice-President (Asia)	2012	210,000	Nil	21,000 ⁽⁵⁾	Nil	Nil	N/A	Nil	231,000
	2011	210,000	Nil	423,000	25,000	Nil	N/A	Nil	658,000
	2010	185,000	Nil	75,036	15,000	Nil	N/A	Nil	275,036

Notes:

- (1) Effective November 1, 2012, the Corporation entered into a services agreement with Morien pursuant to which the Corporation provides Morien with management, administration, financial and regulatory updating services, including the services of Mr. Akerley. See "Other Factors for Understanding Compensation". In November and December of 2012, Mr. Akerley devoted approximately 25% of his time to the affairs of Morien and the Corporation was paid \$10,417 by Morien for such services.
- (2) Pursuant to a management arrangement with APM, prior to completion of the Arrangement, the Corporation provided APM with certain management, financial, administrative and regulatory services, including the services of Mr. MacDonald as president and CEO of APM. In return, APM paid the Corporation a flat monthly fee. In 2012, the monthly fee was \$154,951, \$71,393 of which was attributed to the services of Mr. MacDonald who devoted approximately 40% of his time to the affairs of APM. In 2011, the monthly fee was \$13,555, \$7,000 of which was attributed to the services of Mr. MacDonald who devoted approximately 40% of his time to the affairs of APM. In 2010, the monthly fee was \$18,058, \$10,500 of which was attributed to the services of Mr. MacDonald who devoted approximately 60% of his time to the affairs of APM. Following completion of the Arrangement, the Corporation entered into a services agreement with Morien pursuant to which the Corporation provides Morien with management, administration, financial and regulatory updating services, including the services of Mr. MacDonald. See "Other Factors for Understanding Compensation" above for more information on the services agreement with Morien. In November and December 2012, Mr. MacDonald devoted approximately 50% of his time to the affairs of Morien and the Corporation was paid \$17,500 by Morien for such services.
- (3) This column shows the total compensation value of stock options granted to the Named Executives in 2010, 2011 and 2012. Option based awards are valued using the Black-Scholes method in accordance with the Corporation's accounting policies and using the following assumptions: For 2012: No dividends are to be paid, risk-free interest rate of 1.3%, expected volatility of 97%, and an expected life of 4.5 years. For 2011: No dividends are to be paid, risk-free interest rate of 2.0%, expected volatility of 98%, and an expected life of 4.3 years.

For 2010: No dividends are to be paid, risk-free interest rate of 3.00%, expected volatility of 88%, and an expected life of 5 years. All options granted had an exercise price equal to the market price of a Common Share at the time of the grant. The fair value of the options issued in 2010, on the date granted, was \$0.58 per option. The fair value of the options issued in 2011, on the date granted, was \$0.94 per option. The fair value of the options issued in 2012, on the date granted, was \$0.28 per option. No options were exercised by Named Executives in 2012.

- (4) All options outstanding immediately prior to the Arrangement were exchanged for one-half of one option of Morien and one-half of one new option of the Corporation. The aggregate exercise price of the replacement options was equal to the options of the Corporation they replaced, and the exercise price was allocated based on the volume weighted average trading prices of the shares of the Corporation and Morien following the Arrangement. This resulted in a new exercise price of 41.26% of the original price attributable to one-half of one new option of the Corporation. See "Business to be Transacted at the Meeting – Approval of Unallocated Options under the Corporation's Stock Option Plan" for more information on the Arrangement and its effect on options.
- (5) In May, 2010, Mr. Akerley was paid a cash bonus of \$25,000, and Mr. Cowan and Mr. MacDonald were each paid a cash bonus of \$15,000 for their extraordinary services in 2009. APM reimbursed the Corporation \$9000 of the amount paid to Mr. MacDonald. In April 2011, Mr. Akerley was paid a cash bonus of \$50,000 and Messrs. Cowan and MacDonald were each paid a cash bonus of \$25,000 for their extraordinary services in 2010. The director of finance and director of operations, Mongolia each received a bonus of \$10,000 in each of 2010 and 2011 in recognition of their extraordinary efforts. No bonuses were paid to Named Executives in 2012.
- (6) Includes perquisites, benefits package and, in the case of Mr. Akerley, taxable benefit on loans.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table presents details of all outstanding option-based awards and outstanding share-based awards to Named Executives as at December 31, 2012.

Name	Option-based Awards				Share-based Awards ⁽⁵⁾		
	Number of securities underlying unexercised options (#) ⁽¹⁾	Option exercise price (\$) ⁽¹⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Peter C. Akerley President & CEO	100,000	0.25	27-August-2017	N/A	N/A	N/A	N/A
	120,000	0.48	15-April-2015	N/A			
	100,000	0.25	25-June-2014	N/A			
Ken W. MacDonald Vice-President Business Strategy & CFO	75,000	0.25	27-August-2017	N/A	N/A	N/A	N/A
	37,500	0.48	15-April-2015	N/A			
	100,000	0.25	25-June-2014	N/A			
J.C. (Chris) Cowan, Vice-President (Asia)	75,000	0.25	27-August-2017	N/A	N/A	N/A	N/A
	92,500	0.48	15-April-2015	N/A			
	100,000	0.25	25-June-2014	N/A			

Notes:

- (1) The number of securities underlying unexercised options and the option exercise prices disclosed in the table above reflect the options issued, and the allocation of the exercise prices of those options, on completion of the Arrangement.
- (2) The value of unexercised in-the-money options is the difference between the 2012 year-end closing price on the TSX for Common Shares, which was \$0.175, and the exercise price of the options.
- (3) During the financial year ended December 31, 2010, 100,000 options were exercised by the Named Executives. During the financial year ended December 31, 2011, no options were exercised by Named Executives. During the financial year ended December 31, 2012, no options were exercised by Named Executives. In addition, during the financial year ended December 31, 2012, an aggregate of 725,000 options were relinquished by Named Executives prior to the effective date of the Arrangement.
- (4) No share-based awards were outstanding as at December 31, 2012.

Incentive Plan Awards - Value Vested or Earned During 2012

Name	Option-Based Awards – Value Vested during 2012 (\$)	Share-Based Awards – Value Vested during 2012 (\$)	Non-equity Incentive Plan Compensation – Value earned during 2012 (\$)
Peter C. Akerley President & CEO	Nil ⁽¹⁾	Nil	Nil
Ken W. MacDonald Vice-President Business Strategy & CFO	Nil ⁽¹⁾	Nil	Nil
J.C. (Chris) Cowan, Vice-President (Asia)	Nil ⁽¹⁾	Nil	Nil

Note:

- (1) On August 27, 2012, an aggregate of 500,000 options (250,000 options after giving effect to the Arrangement) were granted to Named Executives and vested immediately, having an exercise price of \$0.30 (\$0.25 after giving effect to the Arrangement). The market price of the Common Shares on August 27, 2012 was \$0.21.

Termination and Change of Control Benefits

The Corporation has not entered into any compensatory plan, contract or arrangement where a Named Executive is entitled to receive compensation in the event of resignation, retirement or any other termination, a change of control of the Corporation or a change in the Named Executive's responsibilities following a change of control, except that under the terms of the employment agreement with Mr. Akerley, Mr. MacDonald and Mr. Cowan:

- (a) if their employment is terminated by the Corporation without cause, they will receive their then current annual base salary and the Corporation shall continue their group insurance benefits, if any, for 6 months after the date of termination;
- (b) in the event of a change of control of the Corporation, each may terminate their respective agreements with the Corporation. If they do so, the Corporation is required to pay their then current annual base salary and continue their group insurance benefits, if any, for 6 months after the date of termination;
- (c) if their employment is terminated by the Corporation as a result of death or disability, they shall receive an amount equal to their then current annual base salary; and
- (d) if their employment is terminated for cause, the Corporation is required to pay each of them their then current salary accrued pursuant to their respective employment agreements.

If Messrs. Akerley, MacDonald and Cowan's employment had been terminated effective December 31, 2012, it is the Corporation's interpretation that the following amounts would have been payable as of the effective date of the termination, in addition to the salary accrued to the termination date:

Total Compensation	Type of Termination				
	<i>Resignation</i>	<i>Termination without Cause</i>	<i>Termination with Cause</i>	<i>Death/Disability</i>	<i>Change of Control</i>
Peter C. Akerley	Nil	\$250,000 ⁽¹⁾	Accrued Current Annual Salary	\$250,000	\$250,000 ⁽¹⁾
Ken W. MacDonald	Nil	\$210,000 ⁽¹⁾	Accrued Current Annual Salary	\$210,000	\$210,000 ⁽¹⁾
J. C. (Chris) Cowan	Nil	\$210,000 ⁽¹⁾	Accrued Current Annual Salary	\$210,000	\$210,000 ⁽¹⁾

Note:

- (1) In the event of termination without cause or upon change of control, the Corporation shall continue Messrs. Akerley, MacDonald and Cowan group insurance benefits, if any, for 6 months after the date of termination; provided that if the Corporation is unable to continue

any such benefits by reason of their termination of employment, the Corporation is not required to pay the Messrs. Akerley, MacDonald and Cowan any amounts in lieu thereof.

Director Compensation

The following table sets forth amounts of compensation provided to members of the Board of Directors other than Named Executives for the financial year ended December 31, 2012:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$) ⁽³⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
William B. Burton	\$15,000 ⁽¹⁾	Nil	14,000	Nil	N/A	Nil	\$29,000
John P. Byrne	19,000 ⁽²⁾	Nil	14,000	Nil	N/A	Nil	\$33,000
David S.B. Carnell	15,000	Nil	14,000	Nil	N/A	Nil	\$29,000
Stuart P. Rath ⁽⁴⁾	14,000	Nil	14,000	Nil	N/A	Nil	\$28,000
Philip L. Webster	15,000	Nil	14,000	Nil	N/A	Nil	\$29,000
John P.A. Budreski ⁽⁵⁾	75,000	Nil	46,500	Nil	Nil	Nil	\$121,500

Notes:

- (1) Director's fees earned in 2012 were paid to Mr. Burton's consulting company, Bedford Resources Management Inc.
- (2) Director's fees earned in 2012 were paid to Mr. Byrne's consulting company, Byrne & Co. Inc.
- (3) All options had a 5 year term and were fully vested at the time of grant. The Corporation values the stock based incentives using the Black-Scholes method using the following assumptions: no dividend yield, risk-free interest of 1.3%, expected volatility of 97% and an expected life of 4.5 years. Options to acquire Common Shares are issued with an exercise price equal to the market price at the date the options are granted. The fair value of the options issued in 2012, on the date granted, was \$0.14 per option. No options were exercised by directors in 2012.
- (4) Mr. Rath ceased to be a director of the Corporation as of November 9, 2012, the effective date of the Arrangement.
- (5) Mr. Budreski was appointed to the Board of Directors effective January 19, 2012 and ceased to be a director on November 9, 2012, the effective date of the Arrangement.

Prior to March 2004, non-management directors of the Corporation did not receive fees or other such compensation in their capacities as directors, other than stock options pursuant to the Corporation's incentive stock option plan. Following the Corporation's initial public offering in March 2004, the Corporation began to pay its non-management directors, who are not executive officers, an honorarium of \$500 per meeting of the Board of Directors or any committee of the Board of Directors. This amount was increased to \$1,000 per meeting effective March, 2008. Directors are not paid a second fee for concurrent meetings. The aggregate amount earned by the directors in 2012 based upon their meeting attendance was \$78,000. Directors are also entitled to be reimbursed for travel and other out-of-pocket expenses incurred for attendance at directors' meetings.

Outstanding Share-Based Awards and Option-Based Awards

The following table presents details of all outstanding option-based awards and outstanding share-based awards to members of the Board of Directors other than Named Executives as at December 31, 2012.

Name	Option-based Awards				Share-based Awards ⁽⁵⁾		
	Number of securities underlying unexercised options (#) ⁽¹⁾	Option exercise price (\$) ⁽¹⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
William B. Burton	50,000	0.25	27-August-2017	N/A	N/A	N/A	N/A
	50,000	0.48	08-Oct-2015	N/A			
	25,000	0.25	25-June-2014	N/A			
John P. Byrne	50,000	0.25	27-August-2017	N/A	N/A	N/A	N/A
	50,000	0.48	08-Oct-2015	N/A			
	25,000	0.25	25-June-2014	N/A			
David S.B. Carnell	50,000	0.25	27-August-2017	N/A	N/A	N/A	N/A
	50,000	0.48	08-Oct-2015	N/A			
	25,000	0.25	25-June-2014	N/A			
Stuart P. Rath ⁽³⁾	50,000	0.25	9-November-2013	N/A	N/A	N/A	N/A
	50,000	0.48	9-November-2013	N/A			
	25,000	0.25	9-November-2013	N/A			
Philip L. Webster	50,000	0.25	27-August-2017	N/A	N/A	N/A	N/A
	50,000	0.48	08-Oct-2015	N/A			
	25,000	0.25	25-June-2014	N/A			
John P.A. Budreski ⁽⁴⁾	75,000	0.25	9-November-2013	N/A	N/A	N/A	N/A
	75,000	0.38	9-November-2013	N/A			

Notes:

- (1) The number of securities underlying unexercised options and the option exercise prices disclosed in the table above reflect the options issued, and the allocation of the exercise prices of those options, following the implementation the Arrangement.
- (2) The value of unexercised in-the-money options is the difference between the 2012 year-end closing price on the TSX for Common Shares, which was \$0.175, and the exercise price of the options.
- (3) Mr. Rath ceased to be a director of the Corporation as of November 9, 2012, the effective date of the Arrangement.
- (4) Mr. Budreski was appointed to the Board of Directors effective January 19, 2012 and ceased to be a director on November 9, 2012, the effective date of the Arrangement
- (5) No share-based awards were outstanding as at December 31, 2012.

Incentive Plan Awards - Value Vested or Earned During 2012

Name	Option-Based Awards – Value Vested during 2012 (\$)	Share-Based Awards – Value Vested during 2012 (\$)	Non-equity Incentive Plan Compensation – Value earned during 2012 (\$)
William B. Burton	Nil ⁽¹⁾	Nil	Nil
John P. Byrne	Nil ⁽¹⁾	Nil	Nil
David S.B. Carnell	Nil ⁽¹⁾	Nil	Nil
Stuart P. Rath ⁽³⁾	Nil ⁽¹⁾	Nil	Nil
Philip L. Webster	Nil ⁽¹⁾	Nil	Nil
John P.A. Budreski ⁽⁴⁾	Nil ⁽²⁾	Nil	Nil

Notes:

- (1) On August 27, 2012, an aggregate of 500,000 options (250,000 options after giving effect to the Arrangement) granted to directors other than Named Executives and Mr. Budreski vested, having an exercise price of \$0.30 (\$0.25 after giving effect to the Arrangement). The market price of the Common Shares on August 27, 2012 was \$0.21.
- (2) On July 5, 2012, 150,000 options (75,000 options after giving effect to the Arrangement) having an exercise price of \$0.30 (\$0.25 after giving effect to the Arrangement) and 150,000 options (75,000 options after giving effect to the Arrangement) having an exercise price of \$0.45 (\$0.38 after giving effect to the Arrangement) granted to Mr. Budreski vested. The market price of the Common Shares on July 5, 2012 was \$0.23.
- (3) Mr. Rath ceased to be a director of the Corporation as of November 9, 2012 upon completion of the Arrangement.
- (4) Mr. Budreski was appointed to the Board of Directors effective January 19, 2012 and ceased to be a director on November 9, 2012 upon completion of the Arrangement.

During the financial year ended December 31, 2012, no options were exercised by members of the Board of Directors. In addition, during the financial year ended December 31, 2012 (prior to the Arrangement), 1,250,000 options were relinquished by members of the Board of Directors.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan

The following table sets out information as of December 31, 2012, the Corporation's most recently completed financial year, with regard to outstanding options exercisable into Common Shares under the Plan and outstanding warrants. As of December 31, 2012 there were no DSUs outstanding under the DSU Plan.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants or rights (a)	Weighted-average exercise price of outstanding options, warrants or rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	2,376,500 ⁽¹⁾	\$0.37	3,002,029 ⁽²⁾
Equity compensation plans not approved by securityholders	2,941,179	\$0.25	Nil
Total	5,317,679	\$0.30	3,002,029

Notes:

- (1) This number reflects the outstanding options under the Plan. As of December 31, 2012, there were no DSUs outstanding under the DSU Plan.
- (2) This number equals 10% of the total issued and outstanding Common Shares of the Corporation on December 31, 2012, which was 53,785,299, less the number of Common Shares reported under column (a) above.
- (3) A private placement of 5,883,848 units was completed on December 21, 2012. Each unit was comprised of one Common Share and one-half of one warrant. Each whole warrant entitles the holder to purchase one Common Share at a price of \$0.25 for a period of 24 months.
- (4) The Corporation is also authorized to issue 2,500,000 deferred stock units. See "Securities Authorized for Issuance Under Equity Compensation Plans – Deferred Stock Unit Plan".

Incentive Stock Option Plan

The Plan is a 10% "rolling" stock option plan in accordance with the rules of the TSX. See "Business to be Transacted at the Meeting – Approval of Unallocated Options under the Corporation's Incentive Stock Option Plan" for more information on the Plan.

Deferred Stock Unit Plan

Introduction

At the special meeting of Shareholders held on October 26, 2012, the Shareholders adopted the DSU Plan. The purpose of the DSU Plan is to assist the Corporation in attracting and retaining talented employees and directors and to promote a greater alignment of interests between the directors, employees and the Shareholders. The DSUs issued under the DSU Plan form part of the Corporation's overall director and employee compensation strategy. Since the value of DSUs increase or decrease with the price of Common Shares, DSUs reflect a philosophy of aligning the interests of directors and employees with those of the Shareholders by tying compensation to share price performance.

The following information is intended as a summary of the DSU Plan, and is qualified in its entirety by reference to the DSU Plan which is available on SEDAR at www.sedar.com.

Administration of Plan

The DSU Plan provides that directors and employees of the Corporation may elect to receive all or a portion of their annual compensation in DSUs. The election, if it is made, must be for a minimum of 10%, or a multiple thereof, of such compensation in DSUs. The number of DSUs received is equal to the amount of compensation elected to be received in DSUs, divided by the volume-weighted average trading price of the Common Shares on the TSX for the 5 trading days immediately prior to the payment date ("**Market Value**"). DSUs awarded under the DSU Plan in lieu of annual compensation will vest immediately.

In addition, the Compensation Committee has the authority to make discretionary awards of DSUs to directors and employees under the DSU Plan. DSUs granted pursuant to discretionary awards will vest in accordance with the vesting schedule determined by the Compensation Committee. Generally, DSUs will vest equally over 3 years, with 25% of the awarded DSUs vesting on the date of the award and an additional 25% vesting on each anniversary until fully vested. The Compensation Committee may at any time shorten the vesting period of any or all DSUs, including upon a change of control.

In the event that a dividend is paid on the Common shares while DSUs are outstanding, each director or employee who has received DSUs will be allocated additional DSUs equal to the total amount of dividends paid on the number of shares which is equal to the number of DSUs received by such director or employee, as the case may be, divided by the Market Value of a Common Share as at the dividend payment date.

Each DSU represents the right of the director or employee to receive, after his or her death, resignation, retirement or other termination, at the option of the Corporation, either (a) a cash payment equal to the Market Value of a Common Share on the date of such termination event, multiplied by the number of DSUs then held, or (b) that number of Common Shares representing the DSUs then held by such director or employee. Under the DSU Plan, the Corporation is authorized to withhold any amounts required to be withheld or deducted under applicable taxation or other laws. If applicable, DSUs will cease vesting on the date of the termination event.

Each participant in the DSU Plan will have a DSU account to record all awards of DSUs and, if applicable, the vesting of DSUs.

Maximum Number of Shares Issued and Outstanding Under DSUs

The maximum number of Common Shares issuable under the DSU Plan is 2,500,000, representing 4.25% of the issued and outstanding Common Shares as of the date of this Circular. Since the date of its inception, no Common Shares have been issued under the DSU Plan. The total number of DSUs outstanding as of the date of this Circular is 211,191, representing 0.36% of the issued and outstanding Common Shares as of the date of this Circular.

The DSU Plan provides that the maximum number of Common Shares issuable to insiders (as that term is defined by the TSX) pursuant to the DSU Plan, together with any Common Shares issuable pursuant to any other security based compensation arrangement of the Corporation, will not exceed 10% of the total issued and outstanding Common Shares at any time. In addition, the maximum number of Common Shares issued to insiders under the DSU Plan, together with any Common Shares issued to insiders pursuant to any other security based compensation

arrangement of the Corporation, within any one year period, will not exceed 10% of the total number of outstanding Common Shares.

Transferability

Neither the DSUs nor any other rights or interests under the DSU Plan may be assigned or transferred by a participant under the DSU Plan except by a legal will or other testamentary dispositions, or according to applicable laws respecting the devolution of estates.

Amendments to the DSU Plan

The DSU Plan provides that the Board of Directors may at any time, and from time to time, and without shareholder approval, amend any provision of the DSU Plan, subject to any regulatory or TSX requirement at the time of such amendment, including, without limitation:

- (a) for the purpose of making minor or technical modifications to any of the provisions of the DSU Plan including amendments of a "clerical" or "housekeeping in nature";
- (b) to correct any ambiguity, defective provision, error or omission in the provisions of the DSU Plan;
- (c) amendments to the termination provisions;
- (d) amendments necessary or advisable because of any change in applicable securities laws;
- (e) amendments regarding the administration of this DSU Plan; and
- (f) any other amendment, fundamental or otherwise, not requiring shareholder approval under applicable laws or the rules of the TSX;

provided however, that:

- (g) no such amendment of the DSU Plan may be made without the consent of each affected participant in the DSU Plan if such amendment would adversely affect the rights of such affected participant(s) under the DSU Plan;
- (h) no amendment shall be made unless it is such that the DSU Plan continuously meets the requirements of paragraph 6801(d) of the Regulations to the *Income Tax Act* (Canada) or any successor provision thereto; and
- (i) shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment:
 - a. to increase the maximum number of DSUs that may be issued under the DSU Plan above 2,500,000; or
 - b. to the amendment provision of the DSU Plan.

In the event of the suspension of the DSU Plan, no further DSUs shall be awarded or credited under the DSU Plan. Any DSUs that remain outstanding in a participant's account at that time shall continue to be dealt with in accordance with the terms of the DSU Plan. The DSU Plan shall terminate when all payments owing pursuant to the DSU Plan have been made and all DSUs have been cancelled in all participants' account.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Except as disclosed below, none of the current or former directors, executive officers or employees of the Corporation, proposed nominee for director, or associates or affiliates of a director or executive officer of the Corporation or proposed nominee for director, have been indebted to the Corporation or its subsidiaries at any time

since the beginning of the last completed financial year of the Corporation, other than "routine indebtedness" as that term is defined in applicable securities legislation.

The following table discloses the aggregate indebtedness outstanding as at May 15, 2013 of all current and former executive officers, directors, employees of the Corporation or any of its subsidiaries or to another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

Aggregate Indebtedness (\$)		
Purpose	To the Corporation or its Subsidiaries	To Another Entity
Share purchases	61,675 ⁽¹⁾	N/A
Other	29,400 ⁽²⁾	N/A

Note:

(1) This represents a loan to Peter Akerley, president and chief executive officer of the Corporation, to exercise 231,000 warrants of the Corporation having an aggregate exercise price of \$98,175 (\$0.425 per warrant), which warrants had an expiry date of January 23, 2008. The loan is non-interest bearing and is payable in full in March, 2014.

(2) This represents a non-interest bearing housing loan to Mr. Akerley, payable 60 days after demand.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the current or proposed directors or executive officers of the Corporation, or associates or affiliates of any of these persons, had any material interest, direct or indirect, in any transaction since January 1, 2012, or in any proposed transaction which, in either case, has materially affected or would materially affect the Corporation or its subsidiaries, except as described in the Corporation's management information circular dated September 25, 2012 in respect of the Arrangement.

CORPORATE GOVERNANCE

The Corporation is required to include disclosure of its corporate governance practices in this Circular in accordance with National Instrument 58-101, *Disclosure of Corporate Governance Practices* ("**Instrument**"). The Instrument has been adopted by the securities commissions or similar regulatory authorities across Canada ("**Canadian Securities Administrators**").

The Board of Directors endorses the efforts of the Canadian Securities Administrators in continuing the evolution of good corporate governance practices. The Board is committed to adhering to the highest standards in all aspects of its activities.

The corporate governance practices described below are subject to change as the Corporation evolves. The Board shall remain sensitive to corporate governance issues and shall continuously seek to set up the necessary measures, control mechanisms and structures to ensure an effective discharge of its responsibilities without creating additional overhead costs and reducing the return on Shareholders' equity.

Board of Directors

The Board of Directors is currently comprised of seven directors, four of whom are "independent" within the meaning of applicable securities legislation. An independent director is defined to be a director who has no direct or indirect relationship with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a member's independent judgement.

The four independent directors are William B. Burton, John P. Byrne, David S.B. Carnell and Philip L. Webster. The remaining three directors are not considered independent for the following reasons:

- (a) Peter C. Akerley is the President and Chief Executive Officer of the Corporation;
- (b) J.C. (Chris) Cowan is the Vice-President Asia and a Managing Director of the Mongolian subsidiaries of the Corporation; and

- (c) Ken W. MacDonald is the Vice-President, Business Strategy and Chief Financial Officer of the Corporation.

Messrs Carnell and MacDonald are not on the slate of nominees for the Board for the forthcoming year.

Peter C. Akerley is the chair of the Board of Directors and, as noted above, Mr. Akerley is not independent. The Corporation has taken steps to ensure that adequate structures and processes are in place to permit the Board of Directors to function independently of management. The Board of Directors meets at least once each calendar quarter and following the annual meeting of Shareholders. Between the scheduled meetings, the Board of Directors meets as required. The frequency of the meetings and the nature of the meeting agendas are dependent on the nature of the business and affairs which the Corporation faces from time to time. The independent directors are given the opportunity to meet separately at the end of each meeting of the Board of Directors, but do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. Having considered the current size of the Board of Directors, the majority of independent directors on the Board of Directors and the experience of the independent directors with other reporting issuers, the Board of Directors believes that separate meetings of the independent directors provide sufficient leadership for the independent directors.

Management also communicates informally with the directors on a regular basis, and solicits advice from members or advisors on matters falling within their special knowledge, experience or expertise. In addition, each of the Audit Committee, the Compensation Committee and the Corporate Governance and Disclosure Policy Committee are comprised only of independent directors.

The following directors of the Corporation are also directors of other reporting issuers:

Director	Name of Other Reporting Issuer
Peter C. Akerley	Temex Resources Corp. (TSX-V) Morien Resources Corp. (TSX-V)
William B. Burton	Adex Mining Inc. (TSX-V) Red Moon Potash Inc. (TSX-V) CWN Mining Acquisition Corporation (TSX-V)
John P. Byrne	Morien Resources Corp. (TSX-V)
Philip L. Webster	Morien Resources Corp. (TSX-V)

There were nine (9) formal Board meetings since January 1, 2012. The attendance record of each director at such meetings is as follows:

Director	Number of Meetings Attended/Number of Board Meetings in the Year When the Individual Was a Director
Peter C. Akerley	9 / 9
John P.A. Budreski ⁽¹⁾	8 / 8
William B. Burton	9 / 9
John P. Byrne	7 / 9
David S.B. Carnell	9/9
J.C. (Chris) Cowan	9 / 9
Ken W. MacDonald	9 / 9
Stuart P. Rath ⁽²⁾	9 / 9
Philip L. Webster	9/9

Notes:

- (1) Mr. Budreski was appointed to the Board of Directors effective January 19, 2012 and ceased to be a director on November 9, 2012, the effective date of the Arrangement.
 (2) Mr. Rath ceased to be a director of the Corporation as of November 9, 2012, the effective date of the Arrangement.

In addition, certain of the decisions of the Board of Directors since January 1, 2012, were passed by way of written consent following informal discussions among the directors and Management.

Board Mandate

The Board of Directors is responsible for the stewardship of the Corporation through the supervision of the business and management of the Corporation. This mandate is accomplished directly and through five committees:

- (a) the Audit Committee
- (b) the Compensation Committee;
- (c) the Pre-Clearance Committee;
- (d) the Corporate Governance and Disclosure Policy Committee; and
- (e) the Technical Committee.

The Board of Directors remains committed to ensuring the long-term viability and profitability of the Corporation, as well as the well-being of its employees and of the communities in which it operates. The strategic planning and business objectives developed by management are submitted to and reviewed by the full Board of Directors, both on a formal annual basis and on an on-going basis through regular interim reports from management. The Board of Directors also works with management to identify principal risks, to select and assess senior management and to review significant operational and financial matters. The Board of Directors reviews and approves the annual audited financial statements, the annual report, the annual budget and changes thereto, management proxy information circulars, material press releases, annual management discussion and analysis, decisions as to material acquisitions not within the budget and the grant of stock options. The Board of Directors does not have a written mandate.

Position Descriptions

The Board of Directors has five committees as noted above. The position descriptions for the chairs of each Board committee are contained in the charters for the committee. The chair of each of the Audit Committee, Compensation Committee and Corporate Governance and Disclosure Policy Committee is required to ensure that the committee meets regularly and performs its duties as set forth in the charter, and reports to the Board of Directors on the activities of the committee. The Pre-Clearance Committee and the Technical Committee meet as required.

The Board of Directors has not developed a written position description for the chairman of the Board of Directors as this position is presently held by the CEO. The Board of Directors has not developed a written position description for the CEO. Given the relatively small size of the Corporation and the length of time Mr. Akerley and the majority of the Board of Directors members have served in such capacities, the Board of Directors believes that Mr. Akerley's role and responsibilities are adequately described in his written employment agreement as supplemented by communications at board meetings and in other communications between the Board of Directors and Mr. Akerley.

Orientation and Continuing Education

Given the size and relative stability of the Board of Directors, there is no formal program for the orientation and education of new recruits to the Board of Directors. The Corporation does, however, ensure that all new directors receive a complete package with background as to the Corporation's business and outlining the securities law obligations and restrictions on members of the Board of Directors and the Corporation, as well as a copy of all of the Corporation's policies.

Continuing education helps Directors keep up to date on changing governance issues and requirements and legislation or regulations in their field of experience. The Board of Directors recognizes the importance of ongoing education for the Board of Directors and the need for each director to take personal responsibility for this process. To facilitate ongoing education, the Board of Directors may from time to time, as required:

- request that directors determine their training and education needs;
- arrange visits to the Corporation's projects or operations;

- arrange funding for the attendance by directors at seminars or conferences of interest and relevant to their position; and
- encourage participation or facilitate presentations by members of management or outside experts on matters of particular importance or emerging significance.

In 2008 and 2009, John P. Byrne (a member of the Audit Committee and the Corporate Governance and Disclosure Policy Committee), with the sponsorship of the Corporation, participated in the Institute of Corporate Directors course at the Rotman School of Business at the University of Toronto and received the ICD.D designation. In December 2012, Mr. Akerley and Mr. Burton participated in the Institute of Corporate Directors Audit Committee Effectiveness course.

Ethical Business Conduct

In March 2006, the Board of Directors adopted a formal Code of Business Conduct and Ethics ("**Code**") and expects each of its directors, officers and employees to adhere to the standards set forth in the Code, which was designed to deter wrongdoing and to promote (i) honest and ethical conduct, (ii) confidentiality of corporate information, (iii) avoidance of conflicts of interest, (iv) protection and proper use of corporate assets, (v) compliance with applicable governmental laws, rules and regulations, (vi) prompt internal reporting to appropriate persons of violations of the Code, (vii) accountability for adherence to the Code, and (viii) the Corporation's culture of honesty and accountability.

The Board of Directors does not intend to monitor compliance with the Code; however, a copy of the Code is provided to each director, officer and employee and such person is required to sign an acknowledgement form under which they agree to adhere to the standards set forth in the Code. A copy of the Code is available on SEDAR at www.sedar.com. The Code specifically addresses, among other things, conflicts of interest, confidentiality, compliance with laws, the reporting of unethical behaviour and the reporting of accounting irregularities. Any submission received by the Audit Committee pursuant to the provisions of the Code must be reviewed by the Audit Committee. The Audit Committee will then determine whether an investigation is appropriate. The Committee and/or management will promptly investigate such submission and record the results in writing. All submissions must be treated confidentially to every extent possible, and the Audit Committee and any outside counsel must not reveal the identity of any person who makes the submission and asks that his or her identity remain confidential. The Code specifically provides that any submission may be made without fear of dismissal, disciplinary action or retaliation of any kind.

The Board of Directors believes that the Corporation's size also facilitates informal review of and discussions with its officers and employees to promote ethical business conduct and to monitor compliance with the Code.

In addition, the Pre-Clearance Committee is responsible for pre-clearing trades in the Corporation's securities by the officers and directors of the Corporation, and members of their families who reside with them, in accordance with the Corporation's Pre-Clearance Policy.

Certain of the Corporation's directors serve as directors or officers of other reporting issuers or have significant shareholdings in other companies. To the extent that such other companies may participate in business ventures in which the Corporation may participate, the directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms and such director will not participate in negotiating and concluding terms of any proposed transaction. In addition, any director or officer who may have an interest in a transaction or agreement with the Corporation is required to disclose such interest and abstain from discussions and voting in respect to same if the interest is material or if required to do so by corporate or securities law.

Nomination of Directors

In the past, the responsibility for proposing new nominees to the Board of Directors and for assessing directors on an ongoing basis was assumed by the full Board of Directors. More recently and in accordance with its mandate, the Corporate Governance and Disclosure Policy Committee has assumed responsibility to review the qualifications of candidates for the Board of Directors and make its recommendation to the Board of Directors regarding the slate of candidates for directors to be nominated for election by Shareholders at the annual general meeting of Shareholders.

As noted above, the Corporate Governance and Disclosure Policy Committee is comprised of only independent directors, namely, John P. Byrne and Philip L. Webster.

Compensation Committee

The mandate of the Compensation Committee is to review the performance, compensation and succession planning of the executive officers of the Corporation and to ensure the proper administration of the Plan. This committee is also responsible to review and recommend all executive benefits plans and executive prerequisites for approval by the Board of Directors. The Compensation Committee generally meets twice a year.

The Compensation Committee presently consists of two directors, Messrs. Burton and Byrne, both of whom are independent as that term is defined in National Instrument 52-110 - *Audit Committees* ("**NI 52-110**").

Audit Committee

Information concerning the Corporation's Audit Committee is provided in the Corporation's annual information form ("**AIF**") for the year ended December 31, 2012, under the section entitled "Audit Committee". A copy of the AIF may be obtained from the Corporation's public disclosure documents found on the SEDAR website at www.sedar.com.

The Audit Committee generally meets four times a year. The Audit Committee presently consists of three directors, Messrs. Byrne, Carnell and Burton, all of whom are independent as that term is defined in NI 52-110.

Pre-Clearance Committee

The Pre-Clearance Committee is responsible for pre-clearing trades in the Corporation's securities by the officers and directors of the Corporation, and members of their families who reside with them, in accordance with the Corporation's Pre-Clearance Policy.

The Pre-Clearance Committee responds to requests for approval to trade. The Pre-Clearance Committee is presently comprised of three directors, Messrs. Akerley, Cowan and MacDonald, all of whom are members of management.

Corporate Governance and Disclosure Policy Committee

The Corporate Governance and Disclosure Policy Committee oversees all regulatory disclosure requirements and the Corporation's disclosure practices, including its Insider Trading Policy. This Committee is responsible to ensure that appropriate systems, processes and controls for disclosure are in place and to review all news releases and core disclosure documents before their release or filing.

The Corporate Governance and Disclosure Policy Committee generally meets once a year. The Corporate Governance and Disclosure Policy Committee presently consists of two directors, Messrs. Byrne and Webster, both of whom are independent as that term is defined in NI 52-110.

Assessments

The Corporate Governance and Disclosure Policy Committee is responsible to oversee the development and implementation of a process for assessing the effectiveness of the Board, its size and composition and its committees. The assessment process is initiated annually by the Corporate Governance and Disclosure Policy Committee, which reports to the full Board, which then deals with any issues raised. In addition, without convening a special meeting for this purpose, the Board and each of the committees of the Board periodically performs an assessment exercise addressing its effectiveness, with input from Management. Also, every director is entitled to bring any matter to the Corporate Governance and Disclosure Policy Committee or to the Board of Directors.

Technical Committee

The Technical Committee assists management in identifying and reviewing any acquisitions, joint ventures or similar opportunities before they are submitted to the Board of Directors.

The Technical Committee presently consists of three directors, Messrs. Akerley, Burton and Cowan. Messrs. Akerley and Cowan are members of management.

Other Board Committees

The Board of Directors may, from time to time, create new committees or establish ad hoc committees to address special business issues.

PROPOSALS BY SHAREHOLDERS

Pursuant to the CBCA, resolutions intended to be presented by Shareholders for action at the next annual meeting must comply with the provisions of the CBCA and be deposited at the Corporation's head office not later than February 22, 2014, in order to be included in the management information circular relating to the next annual meeting.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information is provided in the Corporation's comparative annual financial statements and management discussion & analysis ("**MD&A**") for its most recently completed financial year. To request copies of the Corporation's financial statements and MD&A, Shareholders should contact Megan Jeffries at Erdene Resource Development Corporation, Suite 1480, 99 Wyse Road, Dartmouth, Nova Scotia, B3A 4S5, Telephone (902) 423-6419, Fax (902) 423-6432. The financial statements and MD&A are also available on SEDAR at www.sedar.com.

APPROVAL OF CIRCULAR

The contents and the sending of this Circular have been approved by the Board of Directors.

Dated at Halifax, Nova Scotia, this 23rd day of May, 2013.

(signed) Peter C. Akerley
President and Chief Executive Officer

ERDENE RESOURCE DEVELOPMENT CORP.

MAJORITY VOTING POLICY

The board of directors ("**Board**") of Erdene Resource Development Corp. (the "**Corporation**") believes that each of its members should carry the confidence and support of its shareholders and is committed to upholding high standards in corporate governance.

Forms of proxy for the vote at a shareholders' meeting where directors are to be elected will enable the shareholder to vote in favour of, or to withhold from voting for, each nominee on an individual basis. At the meeting, the chair of the meeting will call for a vote by a ballot and the scrutineer will record, with respect to each nominee the number of shares voted in his or her favour and the number of shares withheld from voting. Prior to receiving the scrutineer's report on the ballot, the chair of the meeting may announce the vote result based on the number of proxies received by the Corporation. At the conclusion of the meeting, the Corporation shall issue a news release providing detailed disclosure of the voting results for the election of directors.

In an uncontested election of directors of the Corporation, each director should be elected by the vote of a majority of the shares represented in person or by proxy at any shareholder's meeting for the election of directors. Accordingly, if any nominee for director receives a greater number of votes "withheld" from his or her election than votes "for" such election, that director shall promptly tender his or her resignation to the chair of the Board following the meeting. In this policy, an "uncontested election" means an election where the number of nominees for director equals the number of directors to be elected.

The Corporation's corporate governance committee (the "**Committee**") shall consider the offer of resignation and recommend to the Board whether or not to accept it. Any director who tenders his or her resignation may not participate in the deliberations of either the Committee or the Board. In its deliberations, the Committee will consider any stated reasons why shareholders "withheld" votes from the election of that director, the length of service and the qualifications of the director, the director's contributions to the Corporation, the effect such resignation may have on the Corporation's ability to comply with any applicable governance rules and policies and the dynamics of the Board, and any other factors that the Committee considers relevant.

The Board shall act on the Committee's recommendation within 90 days following the applicable meeting and announce its decision via news release, after considering the factors considered by the Committee and any other factors that the Board considers relevant. The Board expects to accept the resignation except in situations where extenuating circumstances would warrant the director to continue to serve on the Board. However, if the Board declines to accept the resignation, it should include in the news release the reasons for its decision.

If a resignation is accepted, the Board may, subject to any corporate law restrictions and the Corporation's constating documents, (i) leave any resulting vacancy unfilled until the next annual general meeting, (ii) appoint a new director to fill the vacancy created by the resignation who the Board considers will have the confidence of shareholders or (iii) call a special meeting of shareholders at which there will be presented a management slate to fill the vacant position or positions.

If a director does not tender his or her resignation in accordance with this policy, the Board shall not re-nominate that director at the next election.

Adopted by the Board of Directors of Erdene Resource Development Corp. effective April 18, 2013.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Unallocated Options Resolution

Capitalized terms have the meanings ascribed thereto in the Management Information Circular of Erdene Resource Development Corporation ("**Corporation**") dated May 23, 2013.

WHEREAS the Board adopted on April 9, 2007 the Plan, as amended by the Board on December 16, 2010, which does not have a fixed maximum number of Common Shares issuable;

AND WHEREAS the Shareholders approved the Plan, by a majority of votes cast, on May 10, 2007;

AND WHEREAS the rules of the Toronto Stock Exchange provide that all unallocated options, rights or other entitlements under a security based compensation arrangement which does not have a fixed number of maximum securities issuable, be approved every three (3) years;

AND WHEREAS the Shareholders on May 20, 2010 approved all unallocated options issuable under the Plan until May 20, 2013;

NOW THEREFORE BE IT RESOLVED as an ordinary resolution of the Shareholders of the Corporation that:

1. all unallocated options issuable under the Plan be and are hereby approved;
2. the Corporation have the ability to continue granting options under the Plan until June 27, 2016, which is the date that is three (3) years from the date of the Meeting; and
3. any officer or director of the Corporation is hereby authorized, for and on behalf of the Corporation, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

ERDENE RESOURCE DEVELOPMENT CORPORATION

By-Law Amendment Resolution

Capitalized terms have the meanings ascribed thereto in the Management Information Circular of Erdene Resource Development Corporation ("**Corporation**") dated May 23rd, 2013.

BE IT RESOLVED as an ordinary resolution of the Shareholders of the Corporation that:

1. the amendment to By-Law No. 1 of the Corporation in the form attached as Appendix 1 to this Schedule C is hereby ratified and confirmed; and
2. any officer or director of the Corporation is hereby authorized, for and on behalf of the Corporation, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

ERDENE RESOURCE DEVELOPMENT CORP. ("Corporation")

AMENDMENT TO BY-LAW NO. 1
NOMINATIONS OF DIRECTORS

10A.

- (a) **Nomination Procedures.** Subject to the Act and the Articles of the Corporation, nominee will not be eligible for election as director of the Corporation unless such nomination is made in accordance with the following procedures. Nominations of persons for election to the Board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors:
- (i) by or at the direction of the Board, including pursuant to a notice of meeting;
 - (ii) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of the shareholders made in accordance with the provisions of the Act; or
 - (iii) by any person (a "**Nominating Shareholder**") who:
 - a. at the close of business on the date of the giving of the notice provided for below in this Section 10A and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and
 - b. complies with the notice procedures set forth below in this Section 10A.
- (b) **Timely Notice.** In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the secretary of the Corporation at the head office of the Corporation.
- (c) **Manner of Timely Notice.** A Nominating Shareholder's notice to the secretary of the Corporation must be made:
- (i) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and
 - (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

- (d) **Proper Form of Timely Notice.** To be in proper written form, a Nominating Shareholder's notice to the secretary of the Corporation must set forth:
- (i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director:
 - a. the name, age, business address and residential address of the person;
 - b. the principal occupation or employment of the person;
 - c. the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and

- d. any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and
- (ii) as to the Nominating Shareholder, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information, including a written consent to act, as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

- (e) **Eligibility for Nomination as a Director.** No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 10A; provided, however, that nothing in this Section 10A shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chair of the meeting of shareholders shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is, not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.
- (f) **Terms.** For purposes of this Section 10A:
 - (i) "**public announcement**" shall mean disclosure in a news release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and
 - (ii) "**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.
- (g) **Delivery of Notice.** Notwithstanding any other provision of this by-law, notice given to the secretary of the Corporation pursuant to this Section 10A may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the aforesaid address) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the secretary at the address of the head office of the Corporation; provided that if such delivery or electronic communication is made on a day that is not a business day or later than 5:00 p.m. (Halifax time) on a day that is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.
- (h) **Board Discretion.** Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this Section 10A.

All terms contained in this amendment that are defined in By-law No. 1 of the Corporation, as the same may be amended from time to time, shall, for all purposes hereof, have the meanings given to such terms in By-law No. 1.