ERDENE RESOURCE DEVELOPMENT CORPORATION

Management's Discussion and Analysis
First Quarter - March 31, 2010

This Management Discussion and Analysis of Erdene Resource Development Corporation (the "Company") provides analysis of the Company's financial results for the three months ended March 31, 2010 and 2009 and its financial position as at March 31, 2010 and December 31, 2009. The following discussion and analysis includes financial information relating to the Company and its subsidiaries. The following subsidiaries are wholly owned unless stated otherwise: Erdene Gold International Inc. and Erdene International Exploration Inc., both incorporated under the laws of Barbados; Tamerlane International Limited incorporated under the laws of Bermuda; Advanced Primary Minerals Corporation ("APM") (64%), Erdene Resources Inc., and 6531954 Canada Limited, incorporated under the laws of Canada; Advanced Primary Minerals USA Corp (formerly Erdene Materials Corporation ("EMC")) (64%) and ERD Aggregate Corporation, both incorporated under the laws of Delaware as well as Erdene Mongol XXK and Anian Resources XXK, incorporated under the laws of Mongolia. The consolidated financial statements of the Company have been prepared by management, in Canadian dollars, in accordance with Canadian generally accepted accounting principles. The following information should be read in conjunction with the unaudited consolidated financial statements of the Company for the three months ended March 31, 2010 and 2009, and the audited consolidated financial statements of the Company for the years ended December 31, 2009 and 2008, including all accompanying notes to the consolidated financial statements.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration results, continued availability of capital and financing and general economic, market or business conditions.

This Management Discussion and Analysis ("MD&A") has been prepared in accordance with the provisions of National Instrument 51-102, Section 5 and Form 51-102F1 and has been approved by the Company's Board of Directors.

1.01 Date of MD&A

This MD&A is prepared as of May 13, 2010.

1.02 Nature of Business and Overall Performance

General

The Company is a resource exploration and development company listed on the Toronto Stock Exchange with three core projects, namely the Donkin Coal Project in Nova Scotia, the Zuun Mod Molybdenum Project in Mongolia, and APM's kaolin operation in Georgia, USA. Until a decision is made to proceed with commercial development of the Coal and Molybdenum Projects and until resultant cash flows increase substantially over current, the annual level of expenditures of the Company is dependent primarily on the issuance of share capital to finance its exploration and development programs.

The Company, through its controlled subsidiary APM, operates a new clay processing plant in Dearing, Georgia, USA. APM has a three year business plan with the aim of building a high value added specialty products operation projected to generate positive cash flows in 2011. The ability of APM to execute this business plan is contingent upon APM securing funding of a minimum of US$400,000 in addition to a US$350,000 financing commitment from Erdene in March 2010.

The Company has minimal sources of income other than royalty income from its aggregate properties which are early stage, kaolin clay sales from its startup operations in Georgia, and interest earned on cash and GICs. It is therefore difficult to identify any meaningful trends or develop an analysis from the Company's cash flows.

The Company is well-funded, with working capital to the date of this report of approximately $12.2 million. The Company's long term focus remains the discovery and development of large tonnage, low cost, gold, copper, molybdenum, and coal deposits primarily in Mongolia; and the development of its coal and industrial mineral interests in North America.

Beta Acquisition

On February 27, 2009, the Company concluded a reverse takeover of Beta Minerals Inc. ("Beta") whereby the Company and Deepstep Kaolin Company LLC ("DKC") transferred to Beta all of the outstanding common shares of EMC, and certain debt owing to the Company, in exchange for common shares of Beta, giving the Company a controlling interest in Beta. In conjunction with the closing, Beta changed its name to Advanced Primary Minerals Corporation and on March 6, 2009 began trading on the TSX Venture Exchange ("Exchange") under the symbol APD. The transaction constituted an arms length "Reverse Takeover" under the applicable policies of the Exchange.

Prior to the closing, EMC transferred its non-clay assets to ERD Aggregate Corp., such that at the time of closing EMC held only primary kaolin clay assets located in Georgia, U.S.A. Also prior to closing, DKC transferred all rights to undertake production operations of ceramic products using the Company's clay, for 0.08542 of a share of EMC. On closing, the Company and DKC transferred to Beta all of the issued and outstanding securities of EMC and certain debt owing by EMC to the Company in exchange for the issuance by Beta of 81,000,000 common shares (71,000,000 to the Company and 10,000,000 to DKC). In addition, Beta agreed to issue 36,000,000 additional shares to the Company upon certain permits being obtained to allow production from certain of the clay assets, and if such permits are not obtained by February 27, 2012, the 36,000,000 shares will not be issued. Subsequent to the closing, the Company transferred 2,925,000 of its shares of Beta to Toll Cross Securities Inc. in satisfaction of a success fee payable in connection with the transaction. Upon completion of the Transaction, EMC became a wholly-owned subsidiary of Beta (now Advanced Primary Minerals Corporation ("APMUSA")). EMC subsequently changed its name to Advanced Primary Minerals USA Corp.

To the date of this report, the Company holds 10,857,075 shares, or 64%, of APM.

The following summarizes the Company's significant strategic alliances and agreements:

Donkin Joint Venture

The Donkin Joint Venture ("DJV"), between the Company and Xstrata Coal Pty Limited, was formed to submit a proposal to the Province of Nova Scotia to secure the exclusive right to the Donkin Coal Project; namely, the project to explore, assess, study and, if feasible, develop the Donkin Coal Resource Block into an operating coal mine. On December 14, 2005, the Province of Nova Scotia announced that the DJV was the successful proponent.

On October 15, 2008, the Company and Xstrata Coal Donkin Limited ("XCDL") finalized the terms of a definitive joint venture agreement and a sales agency agreement. Xstrata holds a 75% interest in the joint venture and the Company holds a 25% ownership. The Company's interest in the DJV is held by 6531954 Canada Limited, a wholly owned subsidiary of Erdene Resources Inc., and Xstrata Coal Pty Limited's interest is held by XCDL. Xstrata Coal Donkin Management Limited, a related party to XCDL, is acting as manager for the Donkin Coal Project. If the Donkin Coal Project is approved to proceed to development, the manager will be responsible for mine development, including infrastructure, coal mining and processing, and coal distribution and sales programs.

The DJV began its exploration program and evaluation and scoping study ("Exploration Program") in June 2006 after Xstrata Coal Donkin Management Limited acquired the surface lands relating to the Donkin Coal Resource Block from the Cape Breton Development Corporation ("DEVCO").

Pursuant to the joint venture agreement, the Company funded $10 million in qualifying Canadian Exploration Expenditures ("CEE") during the Exploration Program. The Company is responsible to fund 25% of expenditures above $10 million incurred during the exploration and development program if it is to maintain its 25% interest in the Donkin Coal Project. To March 31, 2010, the Company has advanced a total of $12,837,543 in order to meet its commitment. Upon a positive development decision, the first $10 million of the Company's capital obligations will be funded by XCDL.

On February 11, 2010, the Company announced that after a strategic review, the Donkin Coal Project will focus on export coking coal opportunities. Xstrata Coal Pty Limited indicated it was also looking to obtain expressions of interest from potential strategic partners to invest in the project.

Strategic Alliance with Xstrata Coal Canada Limited

On February 14, 2006 the Company concluded an agreement with Xstrata Coal Canada Limited ("Xstrata") a subsidiary of Xstrata plc (London Stock Exchange: XTA.L; Zurich Stock Exchange: XTA.S), whereby Xstrata was granted a first option to enter into a joint venture and earn a 75% interest in any coal opportunity in Mongolia identified by the Company by funding all work through completion of a feasibility study. Should the Company elect to develop or pursue third party participation in any non-coal projects or properties in Mongolia or elsewhere, Xstrata has a 60 day right to review all supporting project information and, if it wishes to participate in the project, to negotiate the terms of its participation before the Company may dispose of or develop the property itself. As part of the agreement, Xstrata named a nominee to the Company's Board of Directors. The rights granted to Xstrata under the agreement expire if Xstrata does not maintain a 5% equity position in the Company, although parties' rights and obligations for any established joint venture survive. Under the agreement, Xstrata is entitled to participate in all future financings of the Company to allow them to hold up to 9.9% of the common shares of the Company. As of March 31, 2010 Xstrata has maintained their minimum ownership requirements.

1.03 Selected Annual Information

The following information has been extracted from the Company's audited consolidated financial statements.

Expressed in thousands of Canadian dollars except per share amounts.

Fiscal Year Ended December 31	**2009**	**2008**	**2007**
Revenues	$ -	$ -	$ -
Loss for the year	$ 2,177	$ 3,592	$ 6,651
Basic and diluted loss per share	$ 0.02	$ 0.04	$ 0.11
Total assets	$ 58,647	$ 60,497	$ 47,015
Total long-term liabilities	$ 5,895	$ 5,764	$ 4,367
Cash dividends declared	Nil	Nil	Nil

All financial data has been prepared in accordance with Canadian generally accepted accounting principles.

1.04 Results of Operations

Three months ended March 31, 2010 and 2009

The Company had a loss of $857,978 for the three months ended March 31, 2010, compared to income of $681,223 during the same period in 2009. In the prior year, the Company recognized a dilution gain of $878,595 on the disposal of an interest in its subsidiary APMUSA.

Total exploration and operating costs for the period, net of deferred expenditures and partner contributions, amounted to $568,915 compared to $437,595 during the same period in 2009.

The Company charges all exploration costs to operations in the period incurred until such time as it has been determined the property has good potential to contain an economically recoverable resource, in which case subsequent exploration costs and the costs incurred to develop a property will be capitalized. All direct costs related to the acquisition of resource property interests are capitalized as an asset. Total resource property additions for the three months ended March 31, 2010 amounted to $ 2,669 as compared with $10,543 in 2009.

The Company capitalizes exploration and development costs associated with its Zuun Mod molybdenum project and Donkin coal project. For the three months ended March 31, 2010, the Company incurred $81,918 in exploration and support costs directly related to the Zuun Mod project which were capitalized (2009 – $68,423); and incurred $141,867 on the Donkin project

(2009 - $340,000) which were capitalized. The Company wrote off no resource properties in the first three months of 2010 compared to a write off of $16,126 in 2009.

Since the Company charges exploration costs to operations until a property displays good potential for an economically recoverable resource, reported losses vary directly with the extent of the exploration programs conducted. As the Company obtains exploration results from existing resource properties (and those it acquires) that justify and enable further equity financing and continued exploration programs, reported losses will continue and will vary with the extent of exploration activity until such time as economically recoverable resources are identified that warrant development to generate sustainable revenues from operations. Conversely, should exploration results not justify further equity financing or should further equity financing not be available or be insufficient to conduct planned exploration programs, exploration activity would be reduced with exploration funds directed toward projects with highest potential, resulting in lower reported losses. All of the Company's Mongolian properties, with the exception of Zuun Mod effective July 1, 2007, were in the exploration phase, and accordingly, all exploration costs associated with those properties were charged to operations in the respective periods. The funds expended on the Donkin Coal Project and the Zuun Mod Molybdenum Project have been capitalized because, in the opinion of management, the projects have good potential to contain an economically recoverable resource. Further exploration and development costs will continue to be capitalized unless it is determined, at a future date, the resources will not be economically recoverable.

General and administrative expenses amounted to $728,062 for the three months ended March 31, 2010 compared to $459,395 in the same period in 2009. The increase is largely due to $197,895 in non-cash stock based compensation expense in the first three months of 2010 compared to nil in 2009. The remainder of the increase is due to higher investor relations and conference costs, additional administrative and professional fees.

Other income amounted to $294,170 for the three months ended March 31, 2010, compared with $1,524,935 in the same period in 2009. The majority of the decrease is due to an $878,595 dilution gain on the disposal of an interest in its subsidiary APMUSA in the prior year. The Company recognized a gain of $180,598 on the sale of marketable securities in the first quarter of 2010, compared to a gain of $485,929 in the prior year.

1.05 Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2010	Fiscal 2009				Fiscal 2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08	Sep-08	Jun-08
Revenue	$0	$0	$0	$0	$0	$0	$0	$0
Loss	$858	$140	$1,239	$1,479	($681)	$427	$887	$724
Basic and diluted loss per share	$0.01	$0.00	$0.01	$0.01	$0.00	$0.01	$0.01	$0.01
Total Assets	$57,558	$58,647	$58,910	$60,209	$61,965	$60,497	$61,133	$61,870

All financial data has been prepared in accordance with Canadian generally accepted accounting principles

The Company's expenditures vary from quarter to quarter largely depending on the timing of its exploration and development programs. The Company is not aware of any other specific trends which account for fluctuations in financial results from period to period.

1.06 Liquidity and Capital Resources

The Company had working capital at March 31, 2010 of $12,924,067, a decrease of $1,066,335 from the December 31, 2009 working capital position of $13,990,402. Most of the working capital was used in the normal operations of the Company carrying out its exploration programs, general and administrative costs in support of the program, as well as the operation of its kaolin processing plant in Dearing Georgia, USA.

Current working capital is sufficient to fund the Company's budgeted expenditures through 2011. The timing and availability of additional financing will be determined largely by market conditions and the results of the Company's ongoing exploration program and decisions based on results from ongoing studies for the Donkin Coal Project.

During the three months ended March 31, 2010, the Company deferred expenditures totaling $223,785 compared to $408,423 in 2009.

During the three months ended March 31, 2010, the Company spent $26,497 on property, plant and equipment compared to $573,894 during the same period in 2009. The majority of the additions in the first quarter of 2009 were the purchase of kaolin processing equipment and leaseholds for APM's new kaolin processing operation.

Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity or capital resources materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Company's liquidity and capital resources will be substantially determined by the success or failure of the Company's three advanced stage projects being APM's kaolin clay operation, the Zuun Mod Molybdenum Project and the Donkin Coal Project, exploration and development programs on its resource properties and its ability to obtain sufficient equity financing.

1.07 Contractual Obligations

As of March 31, 2010 the Company is committed to the following obligations:

- The Company has entered into an operating lease for office space until August 31, 2014 representing total payments of $204,457 until expiry. The Company has the right to terminate the lease by giving six months notice prior to each annual anniversary date after August 31, 2010.
- The Company leases office equipment at its head office until November 2012 representing total payments of $11,680.
- The Company, through its controlled subsidiary APMUSA, has entered into capital leases for certain assets associated with its kaolin processing operation. At March 31, 2010, total obligations under these leases totaled $389,116.

- The Company, through APMUSA, owns outright or has entered into lease agreements for primary kaolin properties in the United States. The commitment associated with the cancelable lease agreements over the next twelve months is US $30,118. These agreements also provide that APMUSA will pay a royalty based on either the production of finished product or crude tons extracted from the related properties. To date, APMUSA has not any mined clay subject to a royalty.
- Gallant Minerals Limited ("Gallant") is entitled to a net smelter return royalty on certain Mongolian properties ranging from 1% to 1.5%, subject to a buy-down provision.

1.08 Off-Balance Sheet Arrangements

As at March 31, 2010, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risks to the Company.

1.09 Critical Accounting Estimates

Critical accounting estimates used in the preparation of the Company's consolidated financial statements include the Company's estimate of the recoverable value of its resource properties, the value attributed to stock-based compensation and future taxes. These estimates could be significantly affected by factors beyond the Company's control.

The acquisition cost of resource properties are recorded as an asset on the balance sheet under the caption resource property interests until such time as the related property(ies) commence commercial production, at which time it will be depleted against related mine revenue from the property(ies) or when the Company determines the carrying value of a property cannot be recovered, in which case the carrying value will be written off or down to its recoverable value. Since the Company charges all exploration costs to operations when incurred, with the exception of expenditures related to the Donkin coal project and the Zuun Mod molybdenum project, and ultimately to deficit, until potential for an economically recoverable resource has been identified, management feels confident that the recoverable value of its resource properties equals or exceeds its carrying value of $35,345,409 on the Company's balance sheet at March 31, 2010.

Stock-based compensation is calculated using the Black-Scholes model, a recognized option/warrant valuation formula, which is highly dependent on the expected volatility of the market price of the Company's common shares. The Company used an expected volatility rate of 88% in 2010 (77% in 2009). This is an estimate only based on using past share trading data to predict future volatility, and actual volatility may be different from the estimate used in the valuation formula. Stock-based compensation represents a non-cash expense and, as such, has no impact on the Company's financial position or liquidity. The Company has not issued any stock-based compensation in the three months ended March 31, 2010.

The share purchase options issued by APM had an ascribed value of $197,895. APM used an expected volatility rate of 97% in 2010 (80% in 2009).

Future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which those differences are expected to reverse or when unclaimed losses are expected to be utilized. A valuation allowance is provided when it is more likely than not a future tax asset will not be recognized.

1.10 Changes in Accounting Policies

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces section 1851 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the International Financial Reporting Standards IFRS 3 – Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January I, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard lAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards (“IFRS”)

On February 13, 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed the mandatory changeover date to International Financial Reporting Standards (“IFRS”) for Canadian profit-oriented publicly accountable entities. The AcSB requires IFRS compliant financial statements for annual and interim financial statements commencing on or after January 1, 2011. The Company’s first unaudited interim financial statements under IFRS will be for the quarter ended March 31, 2011, with IFRS compliant comparative financial information for the quarter ended March 31, 2010.

The Company is engaged in an assessment and conversion process which includes consultations with the Company’s external auditor and expects to be ready for the conversion to IFRS in advance of the January 1, 2011 deadline. The initial stage of the IFRS conversion project was to train and educate senior finance personnel on IFRS. The Company offered IFRS specific training to senior financial staff and participates in peer group meetings on IFRS readiness organized by an external consulting firm.

The next phase of the Company’s IFRS project was to perform an impact assessment, whereby management reviewed each of the significant areas of difference between Canadian Generally Accepted Accounting Principles (“CGAAP”) and IFRS. To this end, in the fourth quarter of 2009 the Company engaged its external auditor to perform a review of the key areas of financial statement impact with the conversion to IFRS. This report was delivered to the Company in November 2009 and presented to the Company's audit committee.

Initial scoping has identified a number of areas where the Company expects differences:

- IFRS 1 sets out all transitional requirements and exemptions available on first-time adoption of IFRS as well as additional disclosures/reconciliations required. The Company intends to take the available exemption which permits it to not restate prior acquisitions in accordance with IFRS 3.
- Property, Plant and Equipment – The Company will need to analyze and componentize specific assets, which are largely made up of assets purchased for APM's kaolin processing facility. The Company is in the process of reviewing its fixed asset subledger to ensure compliance with IFRS accounting.
- Stock Based Compensation - The timing and recognition of stock based compensation may differ under IFRS depending on the vesting provisions at the grant date. The Company is evaluating software for calculating and tracking stock based payments under IFRS.
- Under IFRS, there is also significantly more disclosure required.

By the second quarter of 2010, the Company intends to evaluate the various elections and exemptions available upon initial adoption of IFRS. The Company will evaluate and document its information systems and data collection methods to ensure it can smoothly transition to IFRS while meeting all financial reporting obligations.

Beginning in May 2010, management will be participating in workshops organized by the Company's external auditor. These are facilitated sessions with small group sizes allowing one on one support.

1.11 Financial Instruments and Other Risks

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, cash - flow-through funds, accounts payable and accrued liabilities. Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks. The fair market value of these financial instruments approximates their carrying values, unless otherwise noted.

In conducting its business, the principal risks and uncertainties faced by the Company relate primarily to exploration results and, to a lesser extent, metal and commodity prices. Exploration for minerals and development of mining operations involves many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Company works in remote locations that lack the benefit of infrastructure and easy access.

At this stage in the Company's development, it relies on equity financing for its long-term working capital and capital requirements to fund its exploration and development programs. Future equity financing could be adversely or positively affected by many factors outside the Company's control such as market or commodity price changes, changes in the value of the Canadian dollar against the US dollar and/or the Mongolian Tugrig, general economic conditions, exploration results or political or economic changes in the jurisdictions in which the Company operates. The Company does not have sufficient funds to put any of its properties into commercial production from its current financial resources. There is no assurance that such financing will be available to the Company when required, or that it will be available on acceptable terms.

1.12 Outstanding Share Data

Issued and Outstanding Share Capital

There has been no change to the issued and outstanding common shares in the three months ended March 31, 2010, or to the date of this report.

Stock Options

In the three months ended March 31, 2010, 1,300,000 options with a weighted average exercise price of $0.99 expired or were cancelled.

On April 15, 2010, 1,030,000 options with an exercise price of $0.58 were granted to certain officers, directors and employees of the Company. On May 1, 2010, 50,000 options with an exercise price of $0.77 expired, leaving a total of 3,804,000 options issued and outstanding to the date of this report.

1.13 Exploration Results

Summary

During the first quarter 2010, Xstrata Coal announced their intent to develop the Donkin Coal Project based on sales into the coking coal market. A pre-feasibility study for the revised Donkin coking coal project is currently underway and expected to be finalized by mid 2010. Work continued to advance the Zuun Mod Molybdenum Project in Mongolia towards a mining license. Documents related to the registration of the Zuun Mod resource have been filed with the Minerals Resource Council, a prerequisite to applying for a mining license. Preparations for the upcoming field season in Mongolia continued throughout the quarter with respect to coal and metals exploration on more than 400,000 hectares of new exploration licenses acquired in recent months.

In Georgia, U.S.A., the Company, through its controlled subsidiary APM, continued to mine and sell primary kaolin products to customers in the ceramics industry. APM continues to build markets for its specialty primary kaolin products with product trials for a number of target customers ongoing and through sales growth within its current customer base.

Also in Georgia, through the acquisition of Ready-Mix USA and Aggregates USA, the operation of the Granite Hill Project came under the control of SPO Partners (“SPO”), a private California based investment company during the first quarter 2010. As a result of the acquisition, Aggregates USA (Sparta), LLC ("AUSA") is now party to the mining lease agreement with the Company in the place of Ready-Mix USA. AUSA has advised the Company that SPO is planning to make the Granite Hill Project one of its top priority new developments.

The following is an overview of the programs carried out on the Company’s principal properties in the first quarter 2010.

Mongolia

Zuun Mod Molybdenum Project

The Zuun Mod Molybdenum Project is a porphyry molybdenum (with copper and rhenium) deposit located in Bayankhongor Province, Mongolia, approximately 950 kilometres southwest of Ulaanbaatar and 215 kilometres from railhead on the Mongolia-China border at Ceke. The railhead is located 20km south of the Nariin Sukhait and Oyuut Tolgoi coal mines. The property consists of a single license totaling 49,538 hectares. The licenses are registered in the name of Anian Resources XXK, a wholly owned subsidiary of the Company. This project was acquired from Gallant Minerals Limited and is subject to a net smelter royalty of 1.5%, subject to a buy-down provision.

The Zuun Mod Molybdenum Project has been under exploration and evaluation since 2002. Subsequent to signing an agreement with Gallant Minerals Limited in March 2005 to acquire the license, the Company carried out extensive exploration that has resulted in establishing Zuun Mod as one of the largest and most advanced pre-development molybdenum projects in the North Asia Region.

In 2007, a phased resource delineation drilling program resulted in the identification of three mineralized zones with potentially economic concentrations of molybdenum, with associated copper and rhenium mineralization, within the 3.5-kilomtre long area referred to as the South Corridor. The Company retained the services of Minarco to carry out an independent resource estimate for the Zuun Mod Molybdenum Project. In May 2008, the Company received the first NI 43-101 compliant resource report for the project from Minarco.

Following the release of the resource estimate, additional drilling was carried out in 2008 at Zuun Mod to test for high-grade mineralization at depth, to explore areas peripheral to the deposit and to better define localized zones of higher grade mineralization, particularly those nearer surface. Thirty-two (32) new holes were completed and eight holes were deepened, totaling 10,785 metres.

The 2008 program was successful in defining localized higher grade zones and enlarging the overall deposit, both vertically and laterally. The deposit was confirmed to extend to depths exceeding 500 metres over a minimum strike length of 1.7 kilometres while locally coming to within 22 metres of surface. Drilling confirmed several continuous intersections exceeding 350 metres of 0.06% Molybdenum ("Mo") and multiple high grade zones exceeding 50 metres of 0.10% Mo.

In the first half of 2009, Minarco carried out work to incorporate the 2008 drilling results into the May 2008 resource estimate with a focus on higher-grade zones. Minarco's updated Zuun Mod molybdenum deposit mineral resource estimate, dated June 2009, has a Measured and Indicated ("M&I") Resource of 98 million metric tonnes ("Mt") at an average grade of 0.062% Mo, at a cut-off grade ("cog") of 0.05% Mo equating to 133.8 million pounds ("Mlbs") of contained Mo metal. In addition, there is a 73 Mt Inferred Resource at an average grade of 0.060% Mo equating to a further 97.1 Mlbs of contained Mo metal.

In late 2008, the Company contracted two Mongolian consulting companies to assist with the application to convert the Zuun Mod exploration license into a mining license. Under the Minerals Law of Mongolia the initial term for a mining license is 30 years with an option for two 20-year extensions. Ecotrade XXK, a Mongolian company, prepared an environmental and social economic baseline study required as part of an application for the mining license. Their final report, for submission to the Ministry of Environment and Tourism, was received in early May 2009. Another Mongolian consulting company, AMC XXK, was commissioned to carry out a detailed topographic survey, a hydro geological study of the Zuun Mod site and a geological report and resource estimate for submission to the Mongolian Mineral Resource Council, a requirement for the granting of a mining license. Work on the geological report and resource estimate has been completed and they were submitted to the Minerals Resource Council following a review by technical experts appointed by the Minerals Resource Council.

Upon registration of the Zuun Mod resource by the Minerals Resource Council, the Company will have all necessary documentation to apply for a mining license for the Zuun Mod project. The Company will be applying for a mining license of approximately 10,000 hectares, a reduction from the current 49,538 hectare exploration license.

Following the release of Minarco's June 2009 Zuun Mod Resource Report additional drilling was carried out at Zuun Mod. The 2009 drill program was designed to evaluate the Zuun Mod deposit at depth. Two previously drilled holes were deepened to a maximum depth of 851.9m. This program was successful in determining that mineralized lithologies extend at depth with similar grades to the main Zuun Mod deposit. Though it is unlikely that the mineralization at depths of 700 to 800m will be economic, it does demonstrate the large size of the Zuun Mod porphyry system and is an indication of the potential for additional discoveries at Zuun Mod.

During the first quarter, the Company contracted Wave Geophysics, LLC to provide a model and interpretation of all geological, geochemical and geophysical data from the Zuun Mod project with a focus on identifying additional exploration targets in the vicinity of the Zuun Mod Mo-Cu deposit. In addition, the Company's independent technical consultants, Minarco-MineConsult of Australia, are now conducting pit optimization and scheduling studies on the Zuun Mod deposit to combine with the previously completed work under a preliminary assessment level study initiated in 2008. Following completion of this work, it is anticipated that the information will be used to create a financial model on which to base decisions regarding the advancement of the project to the pre-feasibility stage.

Regional Coal and Metals Exploration Program

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

In addition, the Company is involved in a comprehensive coal generative program in cooperation with Xstrata Coal Canada Limited ("Xstrata"), evaluating numerous prospective metallurgical and high quality thermal coal deposits throughout Mongolia. All the Company's coal exploration in Mongolia is fully funded by Xstrata (see section 1.02 "Strategic Alliance with Xstrata Coal Canada Limited") and is being carried out in consultation with Xstrata personnel.

Since 2006, the Company has visited over one hundred coal sites throughout Mongolia under the strategic alliance agreement with Xstrata and has compiled an extensive database on coal deposits, occurrences, prospective stratigraphy and sedimentary basins allowing for a prioritization of targets. The Company carried out due diligence work on behalf of the alliance and completed the fieldwork portion of the 2009 exploration program. This work culminated in the identification of several new coal occurrences in highly prospective sedimentary basins.

Preparations for the upcoming field season in Mongolia continued throughout the first quarter principally related to coal and metals exploration on the more than 400,000 hectares of new exploration licenses acquired in recent months.

North American Projects

The Company's North American project portfolio includes a 25% interest in the Donkin Coal Project as well as two notable industrial mineral projects in Georgia, U.S.A. The industrial mineral opportunities include the Company's controlling interest in Advanced Primary Minerals Corporation and its primary kaolin project, and the Granite Hill Aggregate project, being a royalty interest in a granite aggregate quarry development.

Donkin Coal Project

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

In April 2007, the DJV received a National Instrument 43-101 compliant resource report for the Donkin Coal Project from McElroy Bryan Geological Services. The report identified a 227Mt Indicated and 254Mt Inferred high volatile A bituminous coal with approximately 14,000 BTUs, high sulphur, low ash and low moisture.

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

In November 2007, the DJV received an independent Preliminary Assessment Study ("PAS") by Norwest Corporation ("Norwest"). The PAS was a study into the business case for a continuous miner development and longwall ("LW") extraction thermal coal mine at the Donkin Coal Project. The PAS's base case scenario returned a net present value (NPV) for the project of US$194M (or US$49M for the Company's 25% interest) using a coal price of US$52/tonne. Under the PAS, the projected life of the proposed mine is 30-plus years, producing approximately 108 million tonnes of run-of-mine coal. The initial target market for this product was to be domestic and export thermal coal for power generation.

The Norwest PAS should be considered preliminary in nature based on the inclusion of inferred resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Until there is additional information to upgrade the inferred resources to a higher category, there can be no certainty that the preliminary assessment will be realized.

In May, 2008 the DJV announced a commitment to fund a feasibility study of an Evaluation and Development Program (“Program”) for the Donkin Coal Project. The Program, utilizing a continuous miner, was to be an interim step in the development path leading towards establishing a large scale underground longwall mining operation.

During the first quarter, Xstrata Coal indicated that they intend to develop the Donkin Coal Project based on sales into the coking coal market. The revised Donkin Coal Project is expected to utilize four continuous miners added incrementally over the first three year of production. In addition, a coal wash plant will be built on site and it is proposed that coal will be shipped from the mine site using a barge to ship system. These revised plans will require modifications to the Environmental Assessment report including Federal Environmental Assessment approval for the barge-to-ship transport system. Under the revised development plan, the Donkin Coal Project is projected to produce approximately 2.75 million tonnes per annum of washed export grade coking coal at full production, pending the receipt of all approvals.

On April 20, 2010, the Company provided an update on the Donkin Coal Project announcing that a number of key elements of the project have been initiated including civil construction, engineering and pre-feasibility studies, environmental assessment studies and consultation with government officials.

Site development commenced with the awarding of the access road construction contract. Municipal Ready Mix Ltd, located in Sydney, Nova Scotia, is constructing the 2.5-kilometre long road. This work is expected to be completed by mid-July 2010.

Xstrata Coal initiated studies by Sedgeman and GW Engineering/Kellogg Brown & Root Pty Ltd to add a wash plant to the coal handling facility and to prepare prefeasibility level studies on the offshore transportation system. Mining consulting firm, Marston (Missouri), has been engaged to complete a pre-feasibility study of the revised project scope. Marston is an international full-service mine consulting firm headquartered in St. Louis, Missouri with extensive experience in open pit and underground coal mines.

Xstrata Coal has contracted Stantec Inc., a North America based global environmental and engineering firm, to lead the environmental permitting and regulatory compliance process. Stantec provides comprehensive environmental services and testing to the mining industry and has undertaken environmental assessment work for projects in numerous geographic areas under a variety of environmental conditions.

Meetings have been held with both federal and provincial government departments to determine the most efficient and effective procedures to follow to fulfill all regulatory requirements to secure operating permits. The intention is to file all applications within the next 12 months.

The joint-venture currently employs nine people, directly and through contracts, the majority of which are underground mine personnel. In association with recent developments on the Donkin Coal Project, Xstrata Coal will be appointing a Nova Scotia-based Project Manager and an Environment/Community Liaison Officer. These individuals will lead the project team to advance the Donkin coal project into the next phase of development.

Sparta Kaolin Project (Advanced Primary Minerals Corporation)

As a result of an aggressive exploration and acquisition program in the late 1990s, the Company acquired a large high brightness primary kaolin (clay) resource through its U.S. subsidiary, Erdene Materials Corporation ("EMC"). EMC's in-ground, "premium" quality, primary kaolin resource in Georgia has a total NI 43-101 compliant resource of 22.9 million tons (Measured and Indicated).

For the project's initial development stage, EMC partnered with industry leader KaMin LLC (formerly Huber Engineered Materials ("Huber")). Commercial production from the Company's primary kaolin deposits began in 2005 under the product name HuberPrime™, a high quality light-weight coater product, sold by KaMin. KaMin continues to mine from the Company's Lucky Main property and to the end of 2009 has mined over 752,000 tons.

In July 2008, the Company moved forward with its business plan to create a dedicated vehicle for its primary kaolin operations by initiating a reverse takeover of Beta Minerals Inc. ("Beta"), a TSX Venture Exchange-listed company. In February 2009, the reverse takeover of Beta was concluded. Beta changed its name to APM and is listed on the TSX Venture Exchange (TSXV:APD) with the Company as 64% majority shareholder. See section 1.02 for details.

The goal of APM is to be North America's leading specialized kaolin producer. APM's primary kaolin products meet or exceed the quality of comparable foreign imports and domestic sources. APM looks to develop its unique, high quality primary clay deposits to focus on small to moderate-volume opportunities with high-margin specialty products. Proximity to domestic markets and elimination of foreign exchange risk add a strong competitive advantage over comparable foreign imports. Kaolin is used in the manufacture of value-added products for the ceramics, paint, paper, coatings and catalytic industries as well as specialty applications.

In 2009, APM completed construction of a processing and testing facility in Dearing, Georgia, to produce primary kaolin products for the U.S. market. The plant was officially opened in October 2009. At the present time, the plant is processing clay from the Tudor primary kaolin deposit which was permitted for mining in April 2009. APM continues to build markets for its specialty primary kaolin products with product trials for a number of target customers ongoing and through sales growth within its current customer base.

Granite Hill Project

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

During the first quarter, through the acquisition of Ready-Mix USA and Aggregates USA, the operation of the Granite Hill Project came under the control of SPO Partners ("SPO"), a private California based investment company. As a result of the acquisition, Aggregates USA (Sparta), LLC ("AUSA") is now party to the mining lease agreement with the Company in the place of Ready-Mix USA. AUSA has advised the Company that SPO is planning to make the Granite Hill Project one of its top priority new developments. The Granite Hill site clearing and preparation was recently expanded from an area of approximately 19 acres for the pit to approximately 43 acres, which includes the plant, compound, and rail access areas. Site development is underway and the Company has been advised that projections are for mine development to begin by mid 2010 with production commencing late in 2011.

Under the mining lease, the Company has granted an exclusive right to AUSA to mine, process, and sell aggregate from the Granite Hill property. AUSA as operator is responsible for 100% of all capital and operating costs for the project. The sale of all aggregate from the property is subject to an industry competitive royalty payable to the Company.

1.14 Disclose Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company have evaluated whether there were changes to its disclosure controls and procedures during the quarter ended March 31, 2010. Based on this evaluation, the CEO and CFO have concluded that, as of March 31, 2010, the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings), are effective to ensure information required to be disclosed in reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance the Company's disclosure controls and procedures will detect or uncover every situation involving the failure of persons within the Company, and its subsidiaries, to disclose material information otherwise required to be set forth in the Company's periodic reports. Further, projections of any evaluation of effectiveness to future periods are subject to the risk controls may become inadequate because of a change in conditions, or the degree of compliance with the policies and procedures may deteriorate.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of internal controls over financial reporting. Based on this evaluation, the CEO and CFO have concluded that internal controls over financial reporting were effective as of March 31, 2010.

There has been no change in the Company's internal control over financial reporting that occurred during the period ended March 31, 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

1.15 Outlook

The general downturn in commodities prices and general uncertainty in the financial markets through much of 2009 makes predictions of future performance difficult. However, improving commodity prices late in 2009 and into 2010, specifically for coal and molybdenum, have buoyed the outlook for the Company's key projects.

As mentioned earlier, the Company has the working capital necessary to meet its budgeted expenditures through to 2011 and remains optimistic about the potential demonstrated by its three core projects: The Zuun Mod Molybdenum Project, Donkin Coal Project and APM's Kaolin Operation.

Zuun Mod

The Company has submitted a report on the Zuun Mod deposit detailing exploration work completed, the geology of the deposit, mineralization, composition and technical features, hyrdo-geology, mineral resources, mining conditions, environmental reporting and production to the Mongolian Mineral Resource Council for review in connection with the registration of the Zuun Mod Resource. Registering the resource is a prerequisite towards applying for a mining license for the Zuun Mod property. Upon registration of the Zuun Mod resource by the Minerals Resource Council, the Company will have all necessary documentation to apply for a mining license for the Zuun Mod project.

Following receipt of the mining license, the Company will continue working with Minarco-Mineconsult on studies, including a pit optimization and scheduling study, to combine with previously completed preliminary assessment study level work initiated in 2008. It is anticipated that the information will be applied to create a financial model on which to base decisions on advancing the project to the prefeasibility level.

In addition, the Company will be carrying out work on the exploration license adjacent to the Zuun Mod deposit to assess additional targets identified through evaluation programs including a recently completed compilation of geophysical, geological and geochemical data into a 3D modeling program. It is anticipated that this work will culminate in a drilling program to test these new target areas.

Donkin

On February 10, 2010, Xstrata indicated that it intends to develop the Donkin Coal Project based on sales into the coking coal market. The revised Donkin Coal Project is expected to produce approximately 2.75 million tonnes per annum of washed export grade coking coal at full production, pending the receipt of all approvals. Xstrata is also looking to obtain expressions of interest from potential strategic partners to contribute to the project. A pre-feasibility study for the revised Donkin Coal Project is currently underway and expected to be finalized by mid 2010.

Advanced Primary Minerals Kaolin Operation

APM's goal is to become North America's leading specialty primary kaolin producer. Initially, APM is targeting replacement of high value European primary clay imports which is estimated by APM to be approximately 20,000 tons per annum. At the present time, the Dearing plant is processing clay from the Tudor property and is in the process of permitting the remaining primary clay properties in McDuffie County, Georgia on land owned by APM. APM hopes to complete the permitting process by the end of 2010. APM is projecting sales of primary kaolin products to be 9,000 tons in 2010, 21,000 tons in 2011, and 34,000 tons in 2012, and is anticipating positive cash flows in 2011.

1.16 Qualified Person

J. Christopher Cowan, P.Eng., serves as the qualified person under National Instrument 43-101 and supervises all of the Company’s exploration programs. Samples are assayed at SGS Laboratory in Ulaanbaatar, Mongolia or Tianjin China, Central Geological Laboratory in Ulaanbaatar or ALS Chemex in Vancouver, Canada. In addition to internal checks by SGS

Laboratory, Central Geological Laboratory and ALS Chemex, the Company incorporates a QA/QC sample protocol utilizing prepared standards, sample splits and duplicates.

1.17 Other Information

Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.erdene.com.

Interim Consolidated Financial Statements of

ERDENE RESOURCE DEVELOPMENT CORPORATION

First Quarter 2010

Three months ended March 31, 2010 and 2009
(unaudited)

Prepared by Management - See Notice to Reader

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May 13, 2010

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. These interim consolidated financial statements have been prepared by management of the Company. Management have compiled the unaudited interim consolidated balance sheet of Erdene Resource Development Corporation as at March 31, 2010, the audited consolidated balance sheet as at December 31, 2009 and the unaudited interim consolidated statements of operations and deficit, comprehensive income (loss) and accumulated other comprehensive income (loss), and cash flows for the three months ended March 31, 2010 and 2009. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 31, 2010 and 2009 consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

ERDENE RESOURCE DEVELOPMENT CORPORATION
Consolidated Balance Sheets

March 31, 2010 and December 31, 2009

	2010	2009
	(unaudited)	(audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 12,900,151	$ 13,764,186
Marketable securities	–	232,437
Amounts receivable	225,111	403,027
Prepaid expenses	111,374	80,728
	13,236,636	14,480,378
Resource property interests (note 3)	35,345,409	35,119,854
Property, plant and equipment (note 4)	3,962,947	4,033,776
Reclamation bond	12,625	12,625
Goodwill	5,000,000	5,000,000
	$ 57,557,617	$ 58,646,633
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 306,104	$ 483,511
Current portion of obligations under capital leases	6,465	6,465
	312,569	489,976
Obligations under capital leases	382,651	384,018
Future income taxes	5,295,182	5,295,182
Non-controlling interest (note 5)	102,259	215,815
Shareholders' equity:		
Share capital (note 6)	78,307,296	78,307,296
Contributed surplus (note 7)	6,353,117	6,155,222
Deficit	(33,195,457)	(32,337,479)
Accumulated other comprehensive income (loss)	–	136,603
	51,464,956	52,261,642
	$ 57,557,617	$ 58,646,633

See accompanying Notes to the Interim Consolidated Financial Statements.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Operations and Deficit

Three months ended March 31, 2010 and 2009
(unaudited)

	2010	2009
Expenses:		
Exploration and operating expenses, net of recovery	$ 568,915	$ 437,595
General and administrative:		
Administrative services	163,358	141,800
Depreciation	10,183	13,831
Investor relations and communications	81,446	51,121
Office and sundry	63,372	69,923
Professional fees	82,362	71,911
Regulatory compliance	73,754	71,100
Stock based compensation	197,895	–
Travel and accommodations	41,299	35,038
Other	14,393	4,671
	728,062	459,395
Other income (expenses):		
Interest revenue	22,347	78,992
Lab and plant revenue	109,575	–
Gain on the sale of marketable securities	180,598	485,929
Foreign exchange gain (loss)	(12,393)	38,431
Other	(10,246)	42,988
Interest expense	(8,438)	–
Dilution gain on disposal of interest in subsidiary (note 2)	12,727	878,595
	294,170	1,524,935
Income (loss) for the period before non-controlling interest	(1,002,807)	627,945
Non-controlling interest (note 5)	144,829	53,278
Income (loss) for the period	(857,978)	681,223
Deficit, beginning of period	32,337,479	30,160,422
Deficit, end of period	$ 33,195,457	$ 29,479,199
Basic and diluted income (loss) per share (note 8)	$ (0.01)	$ 0.01
Weighted average number of common shares outstanding	89,230,877	89,230,877

See accompanying Notes to the Interim Consolidated Financial Statements.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

Three months ended March 31, 2010 and 2009
(unaudited)

	2010	2009
Income (loss) for the period	$ (857,978)	$ 681,223
Other comprehensive income:		
Unrealized gain on available for sale marketable securities net of tax	–	408,135
Net comprehensive income (loss) of period	$ (857,978)	$ 1,089,358

March 31, 2010 and December 31, 2009
(unaudited)

	2010	2009
Accumulated Other Comprehensive Income		
Balance, beginning of period	$ 136,603	$ (64,318)
Unrealized gain (loss) on available for sale marketable securities	–	136,603
Unrealized (gain) loss on available for sale marketable securities recognized in income during the year.	(136,603)	64,318
Balance, end of period	$ –	$ 136,603

See accompanying Notes to the Interim Consolidated Financial Statements.
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ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Cash Flows

Three months ended March 31, 2010 and 2009
(unaudited)

	2010	2009
Cash provided by (used in):		
Operations:		
Income (loss) for the period	$ (857,978)	$ 681,223
Items not involving cash:		
Depreciation	96,073	44,351
Depletion of resource property interest	899	–
Stock-based compensation	197,895	–
Write down of resource properties	–	16,126
Gain on sale of marketable securities	(180,598)	(485,929)
Loss on disposal of property, plant and equipment	1,253	–
Dilution gain on disposal of interest in subsidiary	–	(879,869)
Non controlling interest	144,829	53,278
Change in non-cash operating working capital	(289,889)	(135,157)
	(887,516)	(705,977)
Financing and Investing:		
Additions to resource property interests	(226,454)	(418,966)
Proceeds on sale of marketable securities	276,432	1,688,701
Purchase of property, plant and equipment	(26,497)	(573,894)
Cash acquired on purchase of Beta Minerals (net of acquisition costs)	–	1,504,277
	23,481	2,200,118
Increase (decrease) in cash and cash equivalents	(864,035)	1,494,141
Cash and cash equivalents, beginning of period	13,764,186	16,195,175
Cash and cash equivalents, end of period	$ 12,900,151	$ 17,689,316
Supplementary cash flow information		
Interest paid	$ 8,438	$ --

See accompanying Notes to the Interim Consolidated Financial Statements.

Nature of operations and going concern:

Erdene Resource Development Corporation (the "Company") was incorporated by Articles of Incorporation dated June 27, 2000, pursuant to the provisions of the Canada Business Corporations Act. The principal business of the Company is the exploration and development of mineral deposits. The Company is principally focused on the discovery of large tonnage, low cost, gold, copper, molybdenum and coal deposits primarily in Mongolia; and the development of its coal and industrial mineral interests in North America. To date the Company has not yet earned any significant operating revenues and is considered to be in the exploration and development stage.

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada using the same accounting policies as those described in note 1 to the Company's audited consolidated financial statements for the year ended December 31, 2009, except as outlined in note 1 below. Generally accepted accounting principles for interim consolidated financial statements do not conform in all respects to the disclosures required for annual consolidated financial statements and, accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements and accompanying notes. In the opinion of management, all adjustments necessary for the fair presentation of results for the periods presented have been reflected in these unaudited interim consolidated financial statements. These adjustments consist only of normal recurring adjustments.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts different from those recorded in these consolidated financial statements.

The ability of the Company to continue as a going concern and the recoverability of amounts shown for resource property interests are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development, and the future profitable production or proceeds from disposition of such properties. These consolidated financial statements do not give effect to adjustments necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. All of these outcomes are uncertain and taken together cast substantial doubt over the ability of the Company to continue as a going concern.

1. Summary of significant accounting policies:

(a) Principles of consolidation:

These consolidated financial statements are presented in Canadian dollars and include the accounts of the Company and its subsidiaries. Inter-company accounts and transactions have been eliminated.

(b) Changes in accounting policies and presentation:

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that public companies will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. The conversion to IFRS will require the Company to change certain accounting policies, systems, internal controls over financial reporting and disclosure controls.

Business Combinations, consolidations and non controlling interest

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 – Business Combinations. The Section applies prospectively to business combinations. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - Consolidated and Separate Financial Statements. The preceding sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

2. Acquisition:

On February 27, 2009, the Company concluded the reverse takeover of Beta Minerals Inc. (“Beta”) whereby the Company and Deepstep Kaolin Company LLC (“DKC”) exchanged all of the outstanding common shares of Erdene Materials Corporation (“EMC”), and certain debt owing by EMC to the Company, for common shares of Beta giving the Company a controlling interest in Beta.

Prior to the closing, EMC transferred its non-clay assets to ERD Aggregate Corp., such that at the time of closing it was only holding the primary kaolin assets located in Georgia, USA, (collectively, “Clay Assets”). Also prior to closing, DKC transferred all rights to undertake production operations of ceramic products using the Company’s clay, for 0.08542 of a share of EMC. On closing, the Company and DKC transferred to Beta all of the issued and outstanding securities of EMC and certain debt owing by EMC to the Company in exchange for the issuance by Beta of 81,000,000 common shares (71,000,000 to the Company and 10,000,000 to DKC). In addition, Beta agreed to issue 36,000,000 additional shares to the Company upon certain permits being obtained to allow production from certain of the clay assets and if such permits are not obtained by February 27, 2012, the 36,000,000 shares will not be issued. Following the closing, the Company has transferred 2,925,000 of its shares of Beta to Toll Cross Securities Inc. in satisfaction of a success fee payable in connection with the Transaction.

Upon completion of the Transaction, EMC became a wholly-owned subsidiary of APM. EMC subsequently changed its name to “Advanced Primary Minerals USA Corporation”.

In August 2009, the Company converted US$398,638 of the debt owed to it by APM for 7,924,529 shares of APM. Effective December 18, 2009, APM consolidated its share capital on the basis of each shareholder receiving one common share for each seven common shares held. As a result the Company now holds 10,850,076 shares, or 64%, of APM.

In accounting for the transaction, Beta was not considered a business for accounting purposes as outlined in EIC Abstract 124. The transaction is considered to be a capital transaction whereby the Company effectively disposed of an interest in a subsidiary in exchange for cash, as follows:

Net assets acquired:		
Cash and cash equivalents	$	1,906,846
Non-cash working capital, net		92,266
Acquisition costs		(404,624)
	$	1,594,488
Accounting for transaction (net of acquisition costs):		
Dilution gain	$	878,595
Non-controlling interest		715,893
	$	1,594,488

3. Resource property interests:

The Company currently defers expenses incurred on its Donkin and Zuun Mod projects.

The Company's mineral exploration licenses in Mongolia are held by its subsidiaries, Erdene Mongol XXK, and Anian Resources XXK. Mineral exploration licenses are valid for a period of three years and, through renewals, can be extended to a maximum of nine years, subject to minimum work requirements. These rights are held in good standing through the payment of an annual license fee. The Company's mineral rights in Georgia are held by APMUSA and in Nova Scotia the Company's interest in the Donkin coal project is held through Erdene Resources Inc.'s wholly owned subsidiary 6531954 Canada Limited. Resource property interests are recorded at the cost of acquisition.

The cost of resource property interests as at March 31, 2010 and December 31, 2009 are as follows:

	January – March 2010	January - December 2009
Balance, beginning of period	$ 35,119,854	$ 34,307,635
Resource Property Additions	2,669	285,264
Depletion of resource properties	(899)	(917)
Deferred exploration expenditures (Donkin)	141,867	834,576
Deferred exploration expenditures (Zuun Mod)	81,918	876,619
Write off of resource properties	–	(1,183,323)
	$ 35,345,409	$ 35,119,854

4. Property, plant and equipment:

			January 1 – March, 2010
	Cost	Accumulated amortization	Net book value
Land	$ 1,894,364	$ –	$ 1,894,364
Building	404,185	256,907	147,278
Equipment, furniture and fixtures	712,283	483,635	228,648
Plant equipment and leaseholds	1,512,093	274,638	1,237,455
Software and computer	178,413	116,567	61,846
Vehicles	40,975	8,281	32,694
	4,746,313	1,140,028	3,606,285
Plant equipment under capital lease	27,867	5,109	22,758
Land under capital lease	70,813	–	70,813
Building under capital lease	295,055	31,964	263,091
	393,735	37,073	356,662
	$ 5,140,048	$ 1,177,101	$ 3,962,947

4. Property, plant and equipment (continued):

	January 1 – December, 2009		
	Cost	Accumulated amortization	Net book value
Land	$ 1,894,364	$ –	$ 1,894,364
Building	404,185	253,131	151,054
Equipment, furniture and fixtures	713,868	473,464	240,404
Plant equipment and leaseholds	1,501,287	209,119	1,292,168
Software and computer	190,246	127,076	63,170
Vehicles	40,975	13,790	27,185
	4,744,925	1,076,580	3,668,345
Plant equipment under capital lease	27,867	3,716	24,151
Land under capital lease	70,813	–	70,813
Building under capital lease	295,055	24,588	270,467
	393,735	28,304	365,431
	$ 5,138,660	$ 1,104,884	$ 4,033,776

5. Non-controlling interest:

The following details the non-controlling interest ("NCI") balance in APM from December 31, 2009 to March 31, 2010:

Non-controlling interest of APM at December 31, 2009	$ 215,815
Change in NCI on issuance of APM shares	31,273
Non-controlling interest share of APM loss 2010	(144,829)
	$ 102,259

The NCI represents the minority shareholder's ownership in APM which is not controlled by the Company. The movement in the NCI reflects its share of APM's net loss since acquisition on February 27, 2009.

6. Share capital:

Stock Options for Erdene

The Company has a rolling 10% incentive stock option plan (the "Plan") under which options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company. Under the Plan, the terms and conditions of each grant of options are determined by the board of directors. If there are no terms specified upon grant, options are assumed to vest immediately on the grant date. The number of common shares subject to options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Company and no one person may receive in excess of 5% of the outstanding common shares of the Company at the time of grant (on a non-diluted basis).

The following table summarizes the continuity of the stock options for 2010 and 2009.

	March 31, 2010		December 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	4,124,000	$0.73	4,725,000	$1.01
Granted	–	–	1,660,000	0.30
Expired	(1,300,000)	0.99	(2,261,000)	1.01
Closing balance	2,824,000	$0.60	4,124,000	$0.73

The following is a summary of the options outstanding and exercisable as of March 31, 2010:

Weighted Average Exercise Price	Year of expiration	Number of options
$ 0.77	2010	50,000
$ 0.92	2011	375,000
$ 1.34	2012	415,000
$ 0.83	2013	324,000
$ 0.30	2014	1,660,000
$ 0.60		2,824,000

Stock Options for APM:

APM has a stock option plan, whereby it can grant options to employees, officers, directors and consultants of APM to acquire up to 10% of the outstanding shares of at the time of grant. The board of directors of APM shall determine the exercise price, term and vesting provisions of options granted. Under APM's stock option plan, the exercise price of each option may not be less than the market price of it's shares at the date of grant less an discount permitted by the

6. Share capital (continued):

Stock Options for APM (continued):

TSX-V. Options granted under the APM plan will have a term not to exceed 5 years so long as APM is classified as a Tier 2 issuer by the TSX-V.

The following is a summary APM options outstanding and exercisable as of March 31, 2010:

Weighted Average Exercise Price	Year of expiration	Number of options
$ 0.87	2012	28,571
$ 0.16	2015	1,670,000
$ 0.17		1,698,571

Stock Based Compensation for Erdene:

As of March 31, 2010 there were 2,824,000 share purchase options outstanding. No options were issued in the three months ended March 31, 2010 (2009 – nil). The Company estimates the fair value of stock based incentives at the date of grant using the Black-Scholes model, recognized on the grant date, with the following assumptions:

	2009	2008
Dividend yield	0%	0%
Risk-free interest rate	3.0%	2.4%
Expected volatility	88%	77%
Expected life	5 years	5 years

Stock Based Compensation for APM:

As of March 31, 2010 there were 1,698,571 share purchase options outstanding. During the three months ended March 31, 2010, 1,670,000 options (2009 – nil) were granted to certain directors, officers, employees and consultants of APM. The fair value of the options on the date granted was $0.1185 per option which represents a total of $197,895 (2009 – nil) expensed as stock-based compensation and recorded as contributed surplus. APM estimates the fair value of stock based incentives at the date of grant using the Black-Scholes model, recognized on the grant date, with the following assumptions:

	2009	2008
Dividend yield	0%	0%
Risk-free interest rate	3.0%	2.75%
Expected volatility	97%	80%
Expected life	5 years	5 years

7. Contributed surplus:

The following summarizes amounts recorded as contributed surplus during the year:

	March 31 2010	December 31 2009
Opening balance	$ 6,155,222	$ 5,877,904
Options exercised	–	–
Options granted in Erdene	–	277,318
Options granted in APM	197,895	–
Closing balance	$ 6,353,117	$ 6,155,222

8. Basic and diluted loss per share:

As the Company incurred losses in the periods reported, the effect of outstanding warrants and options have been excluded from the computation of loss per share as their impact would be anti-dilutive, reducing loss per share.

9. Segmented information:

The Company's executive office is located in Nova Scotia, Canada with resource properties and exploration and development activities in Canada, United States and Mongolia. The following table presents selected financial information by geographic origin (in thousands):

	March 31, 2010				December 31, 2009			
	Canada	USA	Mongolia	Total	Canada	USA	Mongolia	Total
Working capital	12,737	68	119	12,924	13,848	(4)	146	13,990
Property, plant and equipment	53	3,840	70	3,963	55	3,914	65	4,034
Resource properties	18,889	6,521	9,935	35,345	18,747	6,522	9,851	35,210
Total assets	36,941	10,483	10,134	57,558	38,032	10,545	10,070	58,647