



ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2015 and 2014

(Canadian dollars)
(Unaudited)

Prepared by Management – See Notice to Reader

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice to this effect. These unaudited condensed interim consolidated financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed interim consolidated statements of financial position of Erdene Resource Development Corporation as at September 30, 2015 and December 31, 2014 and the unaudited condensed interim consolidated statements comprehensive loss, changes in equity and cash flows for the three and nine months ended September 30, 2015 and 2014. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2015 and 2014 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Financial Position

(Canadian dollars)

(Unaudited)

	Notes	September 30, 2015	December 31, 2014
ASSETS			
Current assets:			
Cash		\$ 369,252	\$ 136,824
Trade and other receivables		49,513	20,674
Prepaid expenses		21,384	15,980
		440,149	173,478
Non-current assets:			
Exploration and evaluation assets		12,015,909	10,676,010
Property, plant and equipment		51,611	62,160
		12,067,520	10,738,170
TOTAL ASSETS		\$ 12,507,669	\$ 10,911,648
LIABILITIES & EQUITY			
Current liabilities:			
Trade and other payables		\$ 170,633	\$ 202,004
Loan due Teck Resources Limited	4	-	107,142
Convertible debenture due Tian Poh Resources	4	252,207	-
Current portion of obligations under finance leases		-	2,657
		422,840	311,803
TOTAL LIABILITIES		\$ 422,840	\$ 311,803
EQUITY			
Shareholders' equity:			
Share capital	5	\$ 81,103,493	\$ 79,290,034
Contributed surplus		11,733,710	11,487,249
Accumulated other comprehensive loss		(739,050)	(1,295,742)
Deficit		(80,013,324)	(78,881,696)
TOTAL EQUITY		\$ 12,084,829	\$ 10,599,845
TOTAL LIABILITIES AND EQUITY		\$ 12,507,669	\$ 10,911,648

Going concern (Note 2)

Subsequent events (Note 6)

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Loss

(Canadian dollars)

(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Continuing Operations				
Exploration expenses	257,821	401,880	658,106	1,266,410
Corporate and administration	139,898	133,811	536,234	624,925
Other (income) / expense	-	-	(59,345)	-
Foreign exchange (gain) / loss	(2,672)	(273)	135	(4,843)
Loss from operating activities	(395,047)	(535,418)	(1,135,130)	(1,886,492)
Finance income	2,035	427	3,576	2,413
Finance expense	(2)	(94)	(74)	(347)
Net finance income	2,033	333	3,502	2,066
Net loss	\$ (393,014)	\$ (535,085)	\$ (1,131,628)	\$ (1,884,426)
Other comprehensive income / (loss):				
Foreign currency translation difference				
arising from translation of foreign subsidiary	366,168	218,919	556,692	(378,373)
Total comprehensive loss	\$ (26,846)	\$ (316,166)	\$ (574,936)	\$ (2,262,799)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.03)
Basic and diluted weighted average number of shares outstanding	97,277,377	75,626,529	89,518,480	72,310,091

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity

(Canadian dollars)

(Unaudited)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance at January 1, 2014	68,621,503	\$ 77,497,474	\$ 11,200,415	\$ (1,011,795)	\$ (76,265,143)	\$ 11,420,951
Total comprehensive loss for the period:						
Net loss	-	-	-	-	(1,884,426)	(1,884,426)
Other comprehensive loss	-	-	-	(378,373)	-	(378,373)
Private placement net of share issue costs	6,284,500	851,448	-	-	-	851,448
Warrants issued under private placement	-	-	149,958	-	-	149,958
Issue of shares from DSU plan	30,609	3,500	(3,500)	-	-	-
Stock options exercised	20,000	3,400	(1,000)	-	-	2,400
Warrants exercised	1,591,144	222,760	(63,646)	-	-	159,114
Share-based compensation	-	-	151,550	-	-	151,550
Total transactions with owners	7,926,253	1,081,108	233,362	-	-	1,314,470
Balance at September 30, 2014	76,547,756	\$ 78,578,582	\$ 11,433,777	\$ (1,390,168)	\$ (78,149,569)	\$ 10,472,622
Balance at January 1, 2015	82,636,233	\$ 79,290,034	\$ 11,487,249	\$ (1,295,742)	\$ (78,881,696)	\$ 10,599,845
Total comprehensive loss for the period:						
Net loss	-	-	-	-	(1,131,628)	(1,131,628)
Other comprehensive income	-	-	-	556,692	-	556,692
Private placements, net of share issue costs (note 5)	13,569,715	1,663,459	-	-	-	1,663,459
Warrants issued under private placement	-	-	121,363	-	-	121,363
Warrants exercised (note 5)	1,071,429	150,000	(42,857)	-	-	107,143
Share-based compensation	-	-	167,955	-	-	167,955
Total transactions with owners	14,641,144	1,813,459	246,461	-	-	2,059,920
Balance at September 30, 2015	97,277,377	\$ 81,103,493	\$ 11,733,710	\$ (739,050)	\$ (80,013,324)	\$ 12,084,829

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

(Canadian dollars)

(Unaudited)

		For the nine months ended September 30,	
	Note	2015	2014
Cash flows from operating activities:			
Net loss		\$ (1,131,628)	\$ (1,884,426)
Item not involving cash:			
Depreciation and amortization		12,445	15,271
Share-based compensation		167,955	151,550
Loss on disposal of property, plant and equipment		-	1,601
Net finance income		3,658	(2,066)
Foreign exchange (gain)/loss		(3,502)	(2,832)
Change in non-cash working capital		(176,419)	161,768
Cash flows from operating activities		(1,127,491)	(1,559,134)
Cash flows from financing activities:			
Issue of common share for cash, net of issue costs		1,784,822	1,001,926
Proceeds from exercise of warrants		107,143	159,114
Proceeds from exercise of stock options		-	2,400
Proceeds from convertible loan	4	252,207	-
Repayment of obligations under capital lease		(2,657)	(3,166)
Interest paid		(74)	(347)
Cash flows from financing activities		2,141,441	1,159,927
Cash flows from investing activities:			
Expenditures on exploration and evaluation assets		(782,912)	(129,977)
Proceeds on sale of property, plant and equipment		-	4,420
Interest received		3,576	2,413
Cash flows from investing activities		(779,336)	(123,144)
Effect of exchange rate change on cash		(2,186)	(3,201)
Increase (Decrease) in cash		232,428	(524,459)
Cash, beginning of period		136,824	569,469
Cash, end of period		\$ 369,252	\$ 45,010

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements (Canadian dollars)

For the three and nine months ended September 30, 2015 and 2014

1. Nature of operations:

Erdene Resource Development Corporation (the "Corporation") is a corporation domiciled in Canada. The address of the Corporation's registered office is 1300-1969 Upper Water Street, Halifax, Nova Scotia, B3J 2V1. The condensed interim consolidated financial statements of the Corporation as at and for the three and nine months ended September 30, 2015 and 2014 comprise the Corporation and its subsidiaries. The principal business of the Corporation is the exploration and development of mineral deposits. The Corporation is primarily focused on the discovery of significant precious and base metal deposits in Mongolia.

2. Going concern:

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

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

The Corporation experienced significant losses and negative cash flows from operations in 2015 and 2014. Excluding the debenture due Tian Poh Resources (see Note 4), the Corporation had working capital of \$269,516 at September 30, 2015 compared to negative working capital of \$31,183 at December 31, 2014, and has a deficit. Subsequent to September 30, 2015, the Corporation closed a private placement and received proceeds on the exercise of warrants totaling approximately \$1.0 million (see subsequent events note 6). Management estimates current working capital is only sufficient to fund the Corporation's planned expenditures until the end of the first quarter of 2016. The ability of the Corporation to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business and continue with, or expand upon its exploration programs is contingent upon securing equity financing, entering joint venture agreements or monetizing assets. The timing and availability of additional financing will be determined largely by market conditions and the results of the Corporation's ongoing exploration programs. There is no certainty that the Corporation will be able to raise funds as they are required in the future.

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements (Canadian dollars)

For the three and nine months ended September 30, 2015 and 2014

3. Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34"). They do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Corporation's 2014 annual consolidated financial statements which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB")

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 3 and 4 of the consolidated financial statements for the year ended December 31, 2014.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 10, 2015.

4. Exploration and evaluation assets

	Zuun Mod Moly/Copper	Altan Nar Gold	Other	Total
Balance, January 1, 2014	\$ 10,760,501	\$ 11,280	\$ 87,994	\$ 10,859,775
Additions	130,888	6,543	5,379	142,810
Disposals	-	-	(45,086)	(45,086)
Effect of movements in exchange rates	(277,375)	(1,109)	(3,005)	(281,489)
Balance, December 31, 2014	\$ 10,614,014	\$ 16,714	\$ 45,282	\$ 10,676,010
Balance, January 1, 2015	\$ 10,614,014	\$ 16,714	\$ 45,282	\$ 10,676,010
Additions	120,776	657,966	4,170	782,912
Effect of movements in exchange rates	547,030	9,277	680	556,987
Balance, September 30, 2015	\$ 11,281,820	\$ 683,957	\$ 50,132	\$ 12,015,909

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

Zuun Mod/Khuvyn Khar

The Zuun Mod property contains a molybdenum-copper resource and consists of two contiguous mining licenses. The property is located in Bayankhongor Province southwest of Ulaanbaatar. Beginning July 1, 2007, the Corporation's Zuun Mod molybdenum project met the Corporation's criteria to begin capitalizing exploration and evaluation costs associated with the project. One mining license was issued in 2011 (consisting of 6,041 hectares) and the second contiguous mining license was issued in the third quarter 2012 (consisting of 358 hectares). The larger license contains substantially all of the reported mineral resources at Zuun Mod. The Mining Licenses are valid for an initial 30-year term with provision to renew the license for two additional 20-year terms.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements (Canadian dollars)

For the three and nine months ended September 30, 2015 and 2014

4. Exploration and evaluation assets (continued)

Agreement with Tian Poh Resources Ltd.

On February 12, 2015, the Corporation granted Tian Poh Resources Ltd. ("Tian Poh") a period of exclusivity to exercise an option to acquire an interest in the Zuun Mod mining license ("Property"). On July 15, 2015, the Corporation granted an extension to the exclusivity period to December 9, 2015. Tian Poh can acquire and retain a 51% interest in the Project for US\$4.8 million in cash and equity in Tian Poh, and by meeting certain work commitments (the "Transaction").

Significant Terms of the Transaction and Extension

Consideration for Exclusivity Period:

1. Non-refundable exclusivity fee of US\$50,000.
2. Receipt of cash of US\$200,000 pursuant to a non-interest bearing debenture ("Debenture") issued by Erdene. If Tian Poh does not exercise its option by December 9, 2015, the principal amount will be converted into common shares of the Corporation at CDN\$0.14/share. If Tian Poh exercises its option, the Debenture will be deemed to be redeemed and the funds applied to the amount due on closing, which is expected to be on or about December 11, 2015 ("Closing").

As consideration for the extension, Tian Poh must complete a minimum 1,000 metres of drilling on Project by October 30, 2015, and in addition Tian Poh has committed to incur an aggregate of USD\$500,000 of exploration work on the Property by June 30, 2016.

Additional Consideration to Acquire and Retain a 51% Interest

In order to acquire a 51% interest in the Project, Tian Poh must deliver on Closing, US\$250,000 of shares and US\$200,000 cash by the deemed redemption of the Debenture. In order to retain its 51% interest, Tian Poh must make further cash payments and issue shares of Tian Poh to Erdene and incur certain work expenditures, as defined in the agreement, as follows:

Cash Payments and Share Issuances

- On the 1st anniversary of the Closing, US\$200,000 cash and US\$500,000 of shares;
- On the 2nd anniversary of the Closing, US\$200,000 cash and US\$500,000 of shares;
- On the 3rd anniversary of the Closing, US\$200,000 cash and US\$750,000 of shares;
- On the 4th anniversary of the Closing, US\$200,000 cash and US\$750,000 of shares; and
- On the 5th anniversary of the Closing, US\$1,000,000 of shares.

Work Expenditures

- US\$1,500,000 within 30 months of Closing or an additional payment of US\$250,000 is due.
- US\$10,000,000 on or before the 6th anniversary of the Closing.

If Tian Poh does not meet these obligations, its interest in the Project will be diluted pro rata to the value of the cash paid, shares issued and expenditures incurred and the Corporation will have the option to buy back Tian Poh's interest in the Project for an amount equal to 50% of Tian Poh's total consideration paid and work expenditures incurred.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements (Canadian dollars)

For the three and nine months ended September 30, 2015 and 2014

4. Exploration and evaluation assets (continued)

Additional Terms

1. Tian Poh will have the right:

- (a) to secure a 70% interest in the Project by incurring work expenditures totalling US\$20,000,000.
- (b) to secure a 90% interest in the Project by incurring work expenditures totalling US\$30,000,000; and
- (c) to increase its interest in the Project to 100% at any time by paying to the Corporation the amount of US\$10,000,000, payable in cash and/or shares of Tian Poh plus 50% of any remaining amount of the 51% earn-in consideration.

2. If Tian Poh exercises its option, Erdene shall be granted a 1% net smelter return royalty ("NSR"), payable after Tian Poh receives a return of the value of its consideration paid and work expenditures made. Once Tian Poh has fulfilled all of its obligations to earn its 51% interest, it shall have the right to reduce Erdene's NSR:

- (i) from 1.0% to 0.5% for consideration of US\$1,500,000 of cash and/or shares of Tian Poh, at any time; and
- (ii) from 0.5% to 0 for consideration of US\$2,000,000 of cash and/or shares of Tian Poh, at any time.

3. Tian Poh is required to maintain the Project licences in good standing.

4. Tian Poh will assume responsibility to pay the existing royalty payable to Gallant Minerals Limited in connection with the Project.

Tskenher Nomin and Khundii

The Corporation has two exploration licenses located in Bayankhongor province in Mongolia covering 9,183 hectares. The 4,669 hectare Tshekher Nomin license includes the Altan Nar gold, silver, lead, zinc prospect. The license renewal date for Tsenkher Nomin is December 2015 and the 4,514 hectare Khundii license is March 2016. Beginning the first quarter of 2015, having received the initial resource estimate for the Altan Nar prospect, the Corporation obtained the confidence to begin capitalizing exploration costs on the property. Prior to 2015, the Corporation only capitalized the license costs associated with property.

Teck Alliance

In April 2013, the Corporation entered into an agreement with Teck Resources Limited ("Teck"), to fund and explore the Corporation's mineral tenements in the Trans Altay region of southwest Mongolia. Teck has the option to acquire additional shares of the Corporation until it has invested at least \$3 million or has acquired 19.9% of the outstanding shares of the Corporation, whichever occurs first. Teck has invested a total of \$2.0 million and currently owns approximately 13.3% of the Corporation. Teck must subscribe to a minimum \$500,000 on each anniversary to maintain its option.

In June 2015, the Corporation secured two new licenses for exploration under the Teck Alliance. Both licenses are located in the Gobi-Altai province. Burgast is 857 hectares and Derst is 695 hectares.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Interim Consolidated Financial Statements (Canadian dollars)

For the three and nine months ended September 30, 2015 and 2014

5. Share Capital

- On April 21, 2015 the Corporation closed a non-brokered private placement financing with the issuance of 2,826,310 shares to Teck Resources Limited at a price of \$0.139 for gross proceeds of \$392,857. In addition to the private placement, Teck was issued 1,071,429 shares on the exercise of warrants with an exercise price of \$0.10 per share, for gross proceeds of \$107,143. Proceeds of the warrants were used to repay a \$107,142 loan to Teck.
- On June 4, 2015 the Corporation closed the first tranche of a non-brokered private placement with the issuance of 8,205,644 units at a price of \$0.14 per unit for gross proceeds of \$1,148,790. On June 12, 2015 the Corporation closed the second and final tranche with the issuance of 2,537,761 units at a price of \$0.14 per unit for gross proceeds of \$355,287. Each unit consists of one common share of the Corporation and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.16 for a six month period from the closing date. The Corporation's advisors, Altus Securities Inc., received a finder's fee of \$65,000 and 464,286 finder's fee warrants in connections with the private placement. Each finder's fee warrant is exercisable for one common share of the Company at \$0.16 per share for a period of 12 months from the closing date.

6. Subsequent events

- On November 9, 2015 the Corporation closed a non-brokered private placement with the issuance of 6,864,327 units at a price of \$0.14 per unit for gross proceeds of \$961,006. Each unit consists of one common share of the Corporation and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.18 for a 12 month period from the closing date. The Corporation's advisors, Altus Securities Inc., received a finder's fee of \$45,502 and 325,014 finder's fee warrants in connections with the private placement. Each finder's fee warrant is exercisable for one common share of the Company at \$0.15 per share for a period of 12 months from the closing date.
- In November 2015, the Corporation received \$91,831 in proceeds on the exercise of 913,301 warrants with an exercise price of \$0.10.



ERDENE RESOURCE DEVELOPMENT CORPORATION

Management's Discussion and Analysis Quarter ended September 30, 2015

This Management Discussion and Analysis ("MD&A"), dated November 10, 2015, relates to the operating results and financial condition of Erdene Resource Development Corporation ("Erdene" or the "Company" or the "Corporation") and should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2014, unaudited condensed interim consolidated financial statements for periods ended September 30, 2015 and 2014 and the notes thereto. The consolidated financial statements of the Corporation have been prepared in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS").

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address reserve potential, exploration drilling, exploitation activities, budgeted financial results and events or developments that the Corporation expects, are forward-looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, 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.

The risk factors identified above are not intended to represent a complete list of the factors which could affect the Corporation. Additional factors are noted under "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2014, a copy of which is available on the Corporation's SEDAR document page at www.sedar.com.

Third Quarter 2015 Highlights

Altan Nar Gold-Polymetallic Project – 100% Erdene

The Corporation completed 738 m of drilling and 224 m of trenching over the Discovery Zone ("DZ") and Union North ("UN") mineral resource areas, and 320 m of drilling to test new targets outside of the current resource boundaries in an effort to expand the current resource and to provide future growth potential at Altan Nar. The Corporation also completed metallurgical testwork on drill core composites from DZ and UN to evaluate processing options. The results of these programs are summarized below:

- Subsequent to the end of the quarter the Corporation announced results from infill and expansion drilling at DZ, including multiple, significant intersections in the near-surface mineralized zone; hole TND-92 returned 9 m of 9.2 g/t gold equivalent ("AuEq") within a 38 m interval of 2.8 g/t AuEq (55 m from surface); and hole TND-90 returned 12 m of 4.8 g/t AuEq within a 53 m interval of 2.0 g/t AuEq (131 m from surface).

- Infill drilling at UN returned multiple, near-surface, high-grade mineralized zones from the central resource area, including hole TND-82 (38 m from surface), which returned 5 m of 10.9 g/t AuEq within a 12 m interval of 5.3 g/t AuEq.
- Trenching at UN significantly expanded the mineralized zone; trench ANT-41, located approximately 200 m east of the current resource boundary, returned 8 m of 4.1 g/t AuEq within a 28 m interval of 2.5 g/t AuEq.
- Results from reconnaissance drilling increased the Corporation's understanding and the potential of these target areas; hole TND-88 at the Riverside target returned 16 m of 0.76 g/t AuEq, 61 m from surface, and hole TND-89 at the Union South target returned multiple 3 m to 4 m wide intersections in the range of 2.15 g/t to 2.64 g/t AuEq.
- Metallurgical testwork on representative drill core composites from DZ North returned 88% gold recovery from cyanidation. The results also indicated that high-grade gold-lead-silver concentrates (229 g/t gold, 62% lead, 1,029 g/t silver) can be produced with reasonable overall recoveries (75% gold, 74% lead, 64% silver) using conventional lead-zinc differential flotation.
- A single cyanidation test was completed on UN drill core composites under similar conditions to those employed for the DZ North testwork, with results indicating a gold recovery of 68%. A single flotation test was also completed, producing a gold recovery from concentrate of 45%.

Bayan Khundii Gold Project – 100% Erdene

- New gold discovery made by Erdene geologists, located 15 km south of the Corporation's Altan Nar project.
- Initial surface sampling program revealed visible gold in multiple locations and returned highly anomalous results from multiple samples (20% over 3 g/t gold, and up to 4,380 g/t gold).
- First pass trenching program identified multiple zones with one area of four separate zones, 10 to 30 m wide, averaging 2.3 to 2.9 g/t gold (including up to 1 m of 55 g/t gold) over a 300 m strike length.
- Subsequent to the end of the quarter the Corporation commenced a maiden drill program at Bayan Khundii to target high-grade extensions of mineralization at depth.

Zuun Mod/Khuvyn Khar Copper - Molybdenum Project

The Corporation amended its option agreement with Tian Poh Resources Limited ("Tian Poh") granting a 6-month extension (to December 9, 2015) for Tian Poh to exercise its option and in consideration for the extension, Tian Poh was required to complete a minimum of 1,000 m of drilling on the property by October 30, 2015. The drilling program was designed to test a large copper porphyry target in the part of the porphyry complex termed the Khuvyn Khar North target that was identified by Erdene during its 2014 exploration program.

Two diamond drill holes, totaling 1,000 m, were completed during August and early September with the drilling, logging, and sampling work being completed by Erdene geological staff. The 2 drill holes included a 450 m hole (ZMD-129) and a 550 m hole (ZMD-130). Assay results for ZMD-130 returned 192 m averaging 0.10% copper with multiple zones up to 6 m wide exceeding 0.2% copper (including up to 2 m of 0.31% copper). The drilling also encountered elevated gold, up to 0.12 g/t Au over 2 m.

Teck Alliance

The Corporation continued to evaluate opportunities through its alliance with Teck Resources Limited ("Teck"), focused on regional exploration for base and precious metal targets. The Corporation completed a regional exploration program on behalf of the alliance during Q3. Erdene executive and officials from Teck met in Mongolia in Q3 to review the Corporation's ongoing regional exploration program. Based on the results from regional exploration to date, the Corporation and Teck have identified several high-priority areas of interest for follow up work.

Financial

At September 30, 2015, the Corporation had working capital of \$269,516. Subsequent to the end of the quarter, the Corporation closed a private placement, and received proceeds on the exercise of warrants, totalling approximately \$1.0 million.

Company Overview and Strategy

Erdene is a resource exploration and development corporation listed on the Toronto Stock Exchange (TSX:ERD) focused on base and precious metals exploration in Mongolia. The Corporation's projects include the Altan Nar Gold-Polymetallic project, the Zuun Mod/Khuvyn Khar Molybdenum-Copper project, as well as other early stage prospects, including the recently-discovered Bayan Khundii Gold project. The Corporation is primarily focused on the development of the Altan Nar Gold-Polymetallic property and the advancement of the new gold discovery at Bayan Khundii.

The 100% owned Altan Nar property hosts a total of 18 mineralized (gold, silver, lead and zinc) target areas that have been identified within a 5.6 by 1.5 km mineralized corridor. Two of the early discoveries, Discovery Zone ("DZ") and Union North ("UN"), are the most advanced targets, hosting wide zones of high-grade, near-surface mineralization, and were the focus of an initial NI 43-101 mineral resource estimate released by the Corporation in Q1 2015, as well as detailed metallurgical processing testwork, infill drilling and trenching completed in Q3 2015. The remaining 16 targets are either undrilled or scout-drilled and are considered by the Corporation to have good potential for hosting additional resources.

Going forward, work at Altan Nar is expected to include additional metallurgical process testwork to optimize the processing method, evaluations of the mining, engineering, transportation, and marketing options, exploration and development related programs, and work required for a mining licence application. Simultaneously, the Corporation plans to evaluate the remaining target areas to assist in defining the highest priority areas for delineation of additional near-surface resources at Altan Nar.

In addition to the Altan Nar project, the Corporation is actively exploring its high-grade gold discovery at Bayan Khundii, located 15 km south of Altan Nar. Subsequent to the end of the quarter the Corporation initiated a geophysical program and maiden drill program at Bayan Khundii to confirm Q3 trench and sampling results at shallow depths.

The Corporation, through its alliance with Teck Resources Limited, will also continue to assess regional opportunities and continue to attempt to acquire new licences in the Alliance's area of interest in southwest Mongolia, particularly now that Mongolia's exploration licencing system has re-opened. Two new licences have been acquired to date.

During the third quarter, the Corporation announced it had amended its option agreement with Tian Poh Resources Limited ("Tian Poh"). Tian Poh has been granted a 6-month extension (to December 9, 2015) to exercise its option to acquire an interest in Erdene's Zuun Mod mining license (the "Property") in southwest Mongolia. As consideration for the extension, Tian Poh was required to complete a minimum of 1,000 m drilling on the Property by October 30, 2015, testing a large, high priority copper-porphyry target.

Alliance with Teck Resources Limited

In April 2013, an alliance was formed by the signing of option and private placement agreements (collectively, "Agreement") with Teck Resources Limited ("Teck") to fund and explore the Corporation's mineral tenements in the Trans Altay region of southwest Mongolia. Under the terms of the Agreement, Teck agreed to subscribe for up to \$3 million of Erdene shares by way of a non-brokered private placement. The initial tranche, which closed on April 22, 2013, resulted in the issuance of five million shares priced at \$0.20 per share for aggregate proceeds of \$1 million. Eighty five percent of the proceeds from the private placement were committed to exploration work.

On November 7, 2013, Teck purchased an additional 2,142,857 shares at \$0.07, for cash consideration of \$150,000 and on April 21, 2014, Teck purchased 2,000,000 shares at \$0.175 for cash consideration of \$350,000.

On April 24, 2015, the Corporation closed a private placement with Teck for \$392,857 at \$0.139 per share and received \$107,143 on the exercise of \$0.10 warrants.

Teck has the option to acquire additional shares of Erdene, until it has invested \$3 million or acquired through subscriptions 19.9% of the outstanding shares of Erdene, whichever occurs first. A minimum of \$500,000 is to be subscribed on each anniversary date of the closing of the initial tranche. To the date of this MD&A, Teck owns 12.4% of the Corporation's issued and outstanding common shares.

Agreement with Tian Poh Resources Limited

On February 12, 2015, the Corporation granted Tian Poh Resources Ltd. ("Tian Poh") a period of exclusivity to exercise an option to acquire an interest in the Zuun Mod mining license ("Property"). On July 15, 2015, the Corporation granted an extension to the exclusivity period to December 9, 2015. Tian Poh can acquire and retain a 51% interest in the Property for US\$4.8 million in cash and equity in Tian Poh, and by meeting certain work commitments (the "Transaction").

Significant Terms of the Transaction and Extension

Consideration for Exclusivity Period:

1. Non-refundable exclusivity fee of US\$50,000.
2. Receipt of cash of US\$200,000 pursuant to a non-interest bearing debenture ("Debenture") issued by Erdene. If Tian Poh does not exercise its option by December 9, 2015, the principal amount will be converted into common shares of the Corporation at CDN\$0.14/share. If Tian Poh exercises its option, the Debenture will be deemed to be redeemed and the funds applied to the amount due on closing, which is expected to be on or about December 11, 2015 ("Closing").

As consideration for the extension, Tian Poh was required to complete a minimum 1,000 metres of drilling on the Project by October 30, 2015, and in addition Tian Poh has committed to incur an aggregate of USD\$500,000 of exploration work on the Property by June 30, 2016.

Additional Consideration to Acquire and Retain a 51% Interest

In order to acquire a 51% interest in the Property, Tian Poh must deliver on Closing, US\$250,000 of shares and US\$200,000 cash by the deemed redemption of the Debenture. In order to retain its 51% interest, Tian Poh must make further cash payments and issue shares of Tian Poh to Erdene and incur certain work expenditures, as defined in the agreement, as follows:

Cash Payments and Share Issuances

- On the 1st anniversary of the Closing, US\$200,000 cash and US\$500,000 of shares;
- On the 2nd anniversary of the Closing, US\$200,000 cash and US\$500,000 of shares;
- On the 3rd anniversary of the Closing, US\$200,000 cash and US\$750,000 of shares;
- On the 4th anniversary of the Closing, US\$200,000 cash and US\$750,000 of shares; and
- On the 5th anniversary of the Closing, US\$1,000,000 of shares.

Work Expenditures

- US\$1,500,000 within 30 months of Closing or an additional payment of US\$250,000 is due.
- US\$10,000,000 on or before the 6th anniversary of the Closing.

Additional Terms

1. Tian Poh will have the right:
 - a) to secure a 70% interest in the Property by incurring work expenditures totaling US\$20,000,000.
 - b) to secure a 90% interest in the Property by incurring work expenditures totaling US\$30,000,000; and
 - c) to increase its interest in the Property to 100% at any time by paying to the Corporation the amount of US\$10,000,000, payable in cash and/or shares of Tian Poh plus 50% of any remaining amount of the 51% earn-in consideration.
2. If Tian Poh exercises its option, Erdene shall be granted a 1% net smelter return royalty ("NSR"), payable after Tian Poh receives a return of the value of its consideration paid and work expenditures made. Once Tian Poh has fulfilled all of its obligations to earn its 51% interest, it shall have the right to reduce Erdene's NSR:
 - (i) from 1.0% to 0.5% for consideration of US\$1,500,000 of cash and/or shares of Tian Poh, at any time; and
 - (ii) from 0.5% to 0 for consideration of US\$2,000,000 of cash and/or shares of Tian Poh, at any time.
3. Tian Poh is required to maintain the Property licences in good standing.
4. Tian Poh will assume responsibility to pay the existing royalty payable to Gallant Minerals Limited in connection with the Property.

If Tian Poh does not meet these obligations, its interest in the Property will be diluted pro rata to the value of the cash paid, shares issued and expenditures incurred and the Corporation will have the option to buy back Tian Poh's interest in the Property for an amount equal to 50% of Tian Poh's total consideration paid and work expenditures incurred.

As part of the extension, Tian Poh completed a 1,000 m drill program in Q3 2015. In addition, Tian Poh committed to incur an aggregate of US\$500,000 of exploration work on the Property

prior to June 30, 2016. The deadline for Tian Poh to decide if it wishes to exercise its option to acquire an interest in Erdene's Zuun Mod-Khuvyn Khar mining license is now December 9, 2015.

Project Summaries

The following is a summary of the exploration programs carried out on the Corporation's properties.

Altan Nar Gold-Polymetallic Project

The Altan Nar ("Golden Sun") project is located on Erdene's Tsenkher Nomin exploration license in southwestern Mongolia. The exploration license is in its sixth year of a maximum 12-year term. The license can be converted to a mining license at any time prior to the end of the twelfth year by meeting the requirements prescribed under the Minerals Law of Mongolia. The 4,669 hectare Tsenkher Nomin license is 100% owned by Erdene and is not subject to any royalty agreements.

The Altan Nar project is located in the Tian Shan Gold Belt, part of the Central Asian Orogeny and host to some of the world's largest gold deposits. Although epithermal gold and porphyry copper deposits are well documented across the border in China and along the westward trend, limited exploration has taken place in southwest Mongolia due to its isolation, geographically and politically, until the early 1990's. Exploration since that time in southeast Mongolia has resulted in the discovery of the world-class Oyu Tolgoi gold-copper deposit containing over 60 million ounces of gold. However, systematic regional exploration in the southwest part of Mongolia has been largely absent with the exception of the work undertaken by Erdene over the past five years which has resulted in the discovery of multiple gold and copper occurrences including the discovery at Altan Nar.

Altan Nar is predominantly an intermediate sulfidation, carbonate base metal gold system, a style of deposit which has close magmatic relationships, often being base metal rich and locally associated with porphyry deposits. This style of gold mineralization represents the most prolific style of gold mineralization in the southeast Asia region and includes the Kelian mine in Indonesia (now closed but formerly operated by Rio Tinto) and Porgera gold mine Papua New Guinea (operated by Barrick Gold Corporation), and elsewhere in the world, Fruta del Norte in Ecuador, (operated by Lundin Gold Inc.), Cripple Creek & Victor Gold Mine in Colorado (operated by AngloGold Ashanti), Rosia Montana in Romania (operated by Rosia Montana Gold Corporation) and in Mexico five of the world's top silver producing mines including Penasquito (operated by Goldcorp Inc.). They are often associated with breccia pipes (diatremes) and can extend vertically for greater than 1 km. The Kelian open pit, for example, is 500 m deep.

Exploration carried out by Erdene over the past three years has established Altan Nar as a significant new epithermal gold-silver-lead-zinc mineralized system. Exploration, specifically the 2013 through 2015 programs, including mapping, geochemical and geophysical survey programs, and a multi-stage scout and resource delineation drilling program, have greatly expanded the areas of known mineralization with 20 targets areas now documented over a 6 km x 10 km area, with the main mineralized, structural trend and primary location of carbonate, gold-silver-base metal mineralization being approximately 5.6 km x 1.5 km, consisting of 18 of the 20 target areas.

The Altan Nar prospect hosts multi-phase epithermal gold-silver-lead-zinc mineralization dominated by an intermediate carbonate, base metal gold phase within Late Paleozoic (Devonian-Carboniferous) andesitic volcanic rocks. Mineralization is associated with comb quartz and chalcedony veins, quartz breccias, sulfide matrix breccia and quartz-poor breccia zones with

associated phyllic alteration zones (quartz-sericite-pyrite), and locally potassic altered zones, all within widespread propylitic (epidote-chlorite-montmorillonite/illite) alteration of host trachy-andesite, andesite and andesite tuff units.

Discovery Zone and Union North

Resource Estimate

During the first quarter of 2015, an independent National Instrument 43-101 technical report ("Altan Nar Report") outlining the initial resource estimate at Altan Nar for the Discovery Zone ("DZ") and Union North ("UN") deposits was completed and is available on SEDAR.

Table 1 below shows the Indicated and Inferred Mineral Resource ("Mineral Resource") estimate for the Discovery Zone and Union North prospects as at February 19, 2015. The Mineral Resource was completed by RungePincocKMinarco ("RPM") in accordance with the recommended guidelines of the CIM Definition Standards references in National Instrument 43-101 ("NI 43-101"). The Mineral Resources are provided at a number of gold equivalent ("AuEq") cut-offs, however RPM suggests reporting the Mineral Resource at a 1.0 g/t AuEq cut-off. The 0.6 g/t AuEq and 1.4 g/t AuEq cut-off grade Mineral Resources are provided for illustrative purposes.

Table 1 - Altan Nar Project –Mineral Resource Estimate Summary as at February 19, 2015

AuEq Cut-off g/t	Classifi- cation	Tonnes Mt	Au g/t	Ag g/t	Zn %	Pb %	AuEq g/t	Au kOz	Ag kOz	Zn Mlbs	Pb Mlbs	AuEq kOz
0.6	Indicated	3.4	1.0	9.4	0.57	0.47	1.7	112	1,014	42.4	34.8	185
0.6	Inferred	3.0	0.8	9.4	0.51	0.35	1.4	83	913	33.9	23.5	139
1.0	Indicated	1.8	1.7	11.1	0.61	0.54	2.5	102	657	24.7	22.1	147
1.0	Inferred	1.5	1.5	10.4	0.54	0.39	2.1	72	498	17.7	12.8	102
1.4	Indicated	1.3	2.3	12.1	0.61	0.58	3.1	92	486	16.8	15.9	124
1.4	Inferred	1.0	2.0	10.8	0.53	0.40	2.6	63	342	11.5	8.6	83

Notes:

1. The Statement of Estimates of Mineral Resources has been compiled under the supervision of Mr. Jeremy Clark who is a full-time employee of RPM and a Member of the Australian Institute of Geoscientists. Mr. Clark has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Qualified Person as defined in the CIM Standards of Disclosure.
2. All Mineral Resources figures reported in the table above represent estimates as at 19th February, 2015. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
3. Mineral Resource grades are reported in accordance with the CIM Standards.
4. Mineral Resources reported on a dry in-situ basis.
5. Totals may differ due to rounding

To assist in reporting the Mineral Resources in a transparent manner, Erdene requested that RPM report a AuEq value in an effort to express the combined value of gold, silver, lead and zinc as a percentage of gold, and is provided for illustrative purposes only. No allowances have been made for recovery losses that may occur should mining eventually result. Calculations use metal prices of US \$1,200/oz gold, US \$18/oz silver, and US \$0.90/lb for lead and zinc.

The Mineral Resource was completed by RPM using ordinary kriging and inverse distance squared interpolation methods. The Mineral Resource is reported using a cut-off grade which is deemed appropriate for the style of mineralization and the current state of the Mineral Resources. Of importance for mine planning, the model accommodates in situ and contact dilution but excludes mining dilution. Block size (25 x 5 x 5 m, sub-blocked to 3.25 x 1.25 x 1.25 m) is similar to the expected small-mining units conventionally used in this type of deposit, and appropriate for an open pit mine.

Exploration Work

Drilling to date at the DZ has identified a minimum strike length of 500 m. Thirty-five, mostly shallow (<150 m vertical extent) drill holes, on 20 m to 100 m spacing along strike, and six trenches across zones of surface mineralization, have demonstrated vertical and lateral continuity of gold, silver, lead and zinc mineralization. Exploration work has identified north-northeast trending, sub-vertical zones of gold and silver mineralization over variable widths (up to 53 m apparent width) averaging in excess of 1 g/t gold, including intervals up to 19 m averaging 5.8 g/t gold (7.8 g/t AuEq) in Discovery Zone North. During the fourth quarter 2014, drilling at Discovery Zone North returned the highest grade intersection to date in hole TND-70, with 30 m of 4.2 g/t gold (5.1 g/t AuEq) including 8 m of 11.4 g/t gold (13.6 g/t AuEq). Subsequent to the end of the quarter the Corporation announced results from infill drilling at DZ; hole TND-92, located in DZ South, returned 9 m of 7.3 g/t gold (9.2 g/t AuEq) within a 38 m interval of 2.0 g/t gold (2.8 g/t AuEq), 55 m from surface; and hole TND-90, also located in DZ South, returned a 53 m interval of 1.4 g/t gold (2.0 g/t AuEq), 131 m from surface.

Within the DZ, gold mineralization is structurally controlled and associated with hydrothermal breccia zones that are steeply dipping to sub-vertical. The DZ remains open along strike to the northeast and at depth. Drilling has tested the mineralization to a vertical depth of 175 m (Discovery Zone South) and to vertical depth of 230 m (Discovery Zone North). The deepest hole on the Altan Nar property (TND-58) at 230 m, intersected 6 m of 4.8 g/t gold, 9.3 g/t silver and 1.4% combined lead and zinc near the bottom of the hole.

At UN, a series of 8 trenches and 15 drill holes, at 50 m to 100 m spacing, have identified mineralization associated with a structural dilation zone on a large northeast-southwest trending structure, that hosts wide, parallel zones of intensely altered and mineralized breccias. Previous drilling (2012) included a single hole (TND-46) at UN that intersected 47 m of 1.3 g/t gold, including 9 m of 4.4 g/t gold (5.4 g/t AuEq). Infill drilling during the third quarter of 2015 returned multiple, near-surface, high-grade mineralized zones from the central resource area, including hole TND-82 (38 m from surface), which returned 5 m of 10.9 g/t AuEq (7.2 g/t Au, 29.8 g/t Ag, 2.64% Pb, 3.62% Zn) within a 12 m interval of 5.3 g/t AuEq (3.6 g/t Au, 14.4 g/t Ag, 1.15% Pb, 1.76% Zn). Trenching in Q3 significantly expanded the deposit's mineralized zone. Trench ANT-41, located approximately 200 m east of the current UN resource boundary, returned 8 m of 4.1 g/t AuEq (3.5 g/t Au, 5.0 g/t Ag, 0.70% Pb, 3.26% Zn) within a 28 m interval of 2.5 g/t AuEq (1.9 g/t Au, 4.3 g/t Ag, 0.78% Pb, 0.35% Zn). The total strike length of UN is now 600 m and remains open to the northeast, south, and at depth.

Outside of the DZ and UN, scout drilling (2011-2012), trenching (2013, Q3 2014) and target drilling (Q2, Q4 2014, and Q3 2015) have been carried out over a 5.0 km portion of the Altan Nar property to test a number of high priority targets. See "*Priority Target Summaries*" below.

Geophysical Survey

The aerial extent of ground geophysical surveys at Altan Nar was expanded in 2014, with 20 line kilometres of induced polarization ("IP") dipole surveys completed along 100 m spaced lines over an area covering the North Bow, South Bow, Riverside, Union North, Union South and Maggie prospect areas. To date, high chargeability anomalism has been an important guide for successful targeting of the gold mineralized zones. A previous IP gradient-array survey identified a series of high chargeability anomalies, up to 190 m wide that are interpreted as representing broad zones of sulphide mineralization. Many of these IP anomalies have corresponding surface geochemical anomalies (in both rock and soil). The morphology of these IP anomalies, coupled

with the geometry of the lineaments evident on satellite imagery, suggests mineralization may be associated with dilation zones. The second quarter 2014 survey results show the presence of multiple, locally intense, chargeability high anomalies, extending from near-surface to depth, often continuing below the IP survey detection limit of approximately 150 m. Anomalies beneath the North Bow/South Bow and Union North, Union South target areas are particularly intense. The majority of these geophysical targets have yet to be drill tested.

Geochemical Soil Survey

In addition to the regional soil survey over the Tsenkher Nomin license area, that had a broad 400 m by 400 m grid spacing and defined the 5.6 by 1.5 km target area, a total of 858 soil samples were collected at 12.5 m intervals along 50 m spaced infill lines over a 1.0 square km area at Altan Nar. The objective of the soil program was to provide greater definition of gold, base-metal and associated alteration-element soil anomalies, which have proven to be very effective in identifying mineralized trends. Approximately 15% of the samples collected (128 samples) returned values greater than 10 ppb gold and are considered to be anomalous based on a regional average of 2.3 ppb gold. One soil sample collected over the Maggie prospect returned a highly anomalous value of 1.04 g/t (1,040 ppb) gold. The new soil data has been compiled and integrated with other geochemical data as well as geophysical and geological data sets and new targets generated (see below).

Geologic Mapping and Prospecting

Based on a better understanding of the surface expression of the mineralized zones, (low relief with thin cover and very limited quartz or iron-oxide rubble) the geotechnical team has refined its mapping techniques, resulting in the discovery of new zones and expansion of the known zones of mineralization. Sampling of quartz rubble material has confirmed these mineralized trends in several new locations. To date, numerous rock chip samples have returned gold values between 1.0 g/t and 41.3 g/t across the 5.6 km by 1.5 km overall target area.

Surface Exploration Results

The characterization of high-grade gold, silver, lead and zinc mineralization in drill holes and trenches has provided an improved understanding of mineralization at Altan Nar and therefore improved targeting utilizing mapping, geochemical and geophysical data. Higher-grade zones are typically associated with broad zones of hydrothermal and sulfide matrix breccia with intense phyllic alteration (quartz-sericite-pyrite) that result in IP chargeability highs and magnetic lows. These zones of alteration are mostly preferentially weathered, resulting in little or no surface expression. Even the remnants of highly resistive quartz breccia zones may be reduced to surface rubble. The combination of detailed surface mapping, geochemical analysis of soil and rock samples, along with IP and magnetic geophysical surveys has resulted in the identification of 20 highly prospective targets within the Altan Nar license, 18 of which are within the Altan Nar main trend. With the exception of the DZ and UN these targets remain relatively un-tested. These target zones have the potential to significantly expand the areas of known gold-polymetallic mineralization at Altan Nar.

Metallurgical Testing

During the third quarter the Corporation completed metallurgical testwork on representative drill core composites from DZ North and Union North. The testwork program was completed by Blue Coast Research Ltd. ("BCR") of Parksville, British Columbia, and was designed to provide a

preliminary metallurgical evaluation of Altan Nar and included cyanidation, flotation, gravity separation, and heavy liquid separation.

Metallurgical testwork at DZ North returned 88% gold recovery from direct cyanidation (ground to 80% passing 75 microns), indicating the gold is free milling and does not contain a significant refractory component. The test was conducted as a standard 48-hour bottle roll at 40% solids, with a cyanide concentration maintained at 1.0 g/L NaCN, while the pH was maintained between 10.5 and 11.0. Dissolved oxygen levels were maintained above 5 mg/L. Both cyanide (0.96 kg/t) and lime (1.51 kg/t) consumptions were moderate, indicating relatively low reagent consumable costs.

The flotation results indicated that high-grade gold-lead-silver concentrates (229 g/t gold, 62% lead, 1,029 g/t silver) could be produced with reasonable overall recoveries (75% gold, 74% lead, 64% silver) using conventional lead-zinc differential flotation.

A single cyanidation test and a single cleaner flotation test were both completed on UN drill core composites under similar conditions to those employed for the DZ North testwork. The results of the cyanidation test indicated a gold recovery of 68%. In the flotation test, the gold associated with the UN sample displayed a higher affinity for recovery to the sulphide concentrate (24% gold recovery), and less of an affinity for recovery to the lead concentrate (45% gold recovery) versus the DZ North material. No optimization work was performed on the UN composite. Additional metallurgical work is planned for Q1 2016.

BCR specializes in flowsheet development, from conceptual through prefeasibility to full feasibility level studies as well as in-plant consulting services supporting the start-up and optimization of production plants. Their metallurgists have significant experience with polymetallic base and precious metal concentrates globally.

Priority Target Summaries

Maggie

Located 1 km north of DZ and 700 m east of UN, the Maggie target is a 500 by 400 m triangular shaped area at the intersection of a major NE structure and bounded to the east by a large granite sill/stock. This target is characterized by a 10 to 40 m wide linear, phyllic alteration zone with gold, silver, lead and zinc mineralization traced for over 300 m on a NE trend through the center of the target. Approximately 50% of the target area is under recent sedimentary cover. Trenching uncovered a well mineralized zone, 38 m wide and hosted by an altered andesite cut by two barren post-mineral dykes (7 m and 2 m wide). Excluding the 9 m of post mineralization dyke, the central mineralized zone returned 17 m of 3.4 g/t gold, 4.9 g/t silver and 1.41% combined lead-zinc. Drilling of this target during the Q2 2014 program returned two narrower zones with mineralization apparently displaced by a post-mineral porphyry dyke. These two zones, 3 m and 5 m wide and located on either side of the dyke, returned greater than 1 g/t gold, and up to 36 g/t silver and 1.5% combined lead and zinc. North and southeast of the trench and drill hole, extensive gold, lead, zinc and locally molybdenum soil anomalism occurs and in the southern most portion, a coincident chargeability high and transitional vertically plunging resistivity feature exists. Two new trenches completed in Q3 tested northeast and southwest of the previous trench and drill hole and established a 120 m strike length that remains open. Results included 8 m of 2 g/t AuEq to the NE and 5 m of 1.2 g/t AuEq to the SW.

North Bow

The North Bow target area is located 550 m to the west of UN. North Bow extends 600 m on a NE trend and adjoins the South Bow prospect to the south. The target is characterized by two or more parallel zones of phyllic-altered volcanics/hydrothermal breccias traced over 400 m and remains open along strike. The target area has been tested by five trenches and two drill holes, one of which was completed in Q3 2015 (TND-86), and have identified broad zones of mineralization. Trenching has returned up to 9 m of 2.1 g/t AuEq (1.3 g/t gold, 6.5 g/t silver, and 1.3% combined lead and zinc), within 16 m of 1.3 g/t AuEq (0.8 g/t gold, 5 g/t silver, and 0.8% combined lead and zinc). Third quarter drilling returned moderately anomalous base metal (0.3% lead, 0.13% zinc) content. Large portions of the target area are under cover. The priority area remaining to be tested is the NE extension from the trenched areas over a strike length of approximately 200 m. A large soil anomaly, up to 200 m wide, is present in this area with high gold, up to 0.2 g/t, and highly anomalous molybdenum (up to 0.7%). Molybdenum has proven to be a good pathfinder element for the highest intensity gold mineralization. In addition, evidence of phyllic alteration and quartz veining in the surface rubble and evidence of a structural flexure support the high priority assigned to this target area. A recently completed induced polarization study displays moderate chargeability and resistivity anomalies coming to surface through low resistivity cover and broadening and intensifying significantly moving north and at depth. A magnetic low anomaly is located on the east side of the target area.

Junction

The Junction target area is located adjacent and to the northeast of the DZ. This 400 m by 400 m area has been largely defined by very intense soil anomalism including gold, lead, zinc and locally molybdenum. It is also characterized by a complex dyke swarm. In the center of the target area multiple quartz veins and vein-rubble areas are evident and, at the southernmost extent, rock samples have returned up to 11.2 g/t gold. However, much of the area is in low relief with recent sedimentary cover. Geophysical surveys indicate a structural break near the center of the target area with a coincident magnetic low, gradient resistivity high and moderate chargeability high. In the western portion of the target, under recent sedimentary cover, the Q2 IP dipole study identified a vertically plunging resistivity low with adjacent high chargeability with lower chargeability at depth, similar in nature to the cupola feature identified at DZ North. Quartz/breccia rubble is present in an area of gold, lead, zinc soil anomalism along the eastern side of the covered drainage area. Trenching in Q3 2014 tested the northeast portion of this target area and intersected a broad zone of base metal mineralization that included 4 m of 3.7% zinc, 1.2% lead, 16 g/t silver, and 0.1 g/t gold, within a 26 m interval of 0.8% zinc and 0.5% lead. This target has not been drill tested.

South Bow

The South Bow target area is a 600 m long target extending south from the North Bow target where the most southerly trench returned 9 m of 1.3 g/t gold, 6.6 g/t silver and 1.32% combined lead-zinc. Continuing south from the trench, the North Bow / South Bow targets are overlain by recent sedimentary cover which buries the most intense chargeability anomaly on the Altan Nar property. One area of minor quartz rubble in the central portion of the South Bow target area is coincident with zinc soil anomalism. Although soil values are very low in this area of thick cover, there are still a few gold, molybdenum and zinc anomalies along the trend of the gradient chargeability high anomaly. Given the intensity of chargeability anomaly and known relationship between high chargeability and areas of mineralization, the subtle geochemical anomaly's poking through cover and evidence of a structural break, the South Bow target is highly ranked.

Trenching will be attempted along the entire trend; however, the depth to bedrock is unknown at this point.

Union South

This target area is characterized by a linear, north-south feature that continues over a strike length of 700 m. The northern boundary of the target area is marked by an east-west drainage that separates Union South from the Union North target. Underlying the main Union South trend are zones of intense geophysical anomalies (dipole chargeability highs) extending to surface that are most pronounced in the north portion of the target area (near the south end of the Union North target) where there is evidence of a structural offset. Gold values up to 15.4 g/t have been returned from rock samples from this area associated with an area of strong phyllic alteration. In the southern portion, drilling has identified multiple, parallel, mineralized zones. Third quarter drilling (TND-89) intersected four of these zones; 4 m of 2.3 g/t AuEq (1.7 g/t gold) from 23 m to 27 m depth; 4 m of 2.6 g/t AuEq (1.8 g/t gold) from 53 m to 57 m depth; 3 m of 2.4 g/t AuEq (1.4 g/t AuEq) from 75 m to 78 m depth; and 3 m of 2.1 g/t AuEq (0.2 g/t gold, 2.7% zinc) from 91 m to 94 m depth. High-grade mineralization was also discovered in trenching (ANT-24) in the southern area with 10 m of 6.0 g/t AuEq (4.5 g/t gold, 8.9 g/t silver and 2.2% lead). However, continuity has not been well established albeit with limited drilling (five holes in south and three in north).

Riverside

This target area is characterized by an 800 m long gradient IP and geochemical anomaly that follows the trend of phyllic alteration, quartz/breccia rubble fields and porphyry dykes which follow the same structural pathway. The northern portion exhibits multiple quartz veins in andesite although much of the target area is covered by recent sediments. Trenching in this area, located approximately 200 m south of Union North, returned 6 m of 3.8 g/t AuEq (3.0 g/t gold). A single hole (TND-51) tested this area of the target and returned anomalous gold and base metals in multiple zones (32 m of 0.3 g/t AuEq). At the southern end of the target, drill hole TND-45 returned 19 m of 1 g/t AuEq (0.5 g/t gold). During Q3, the Corporation drilled a single hole (TND-88) 30 m southeast of TND-45, returning four mineralized zones, including 16 m of 0.8 g/t AuEq (0.5 g/t gold). An induced polarization study completed during Q2 2014 indicates moderate chargeability at depth although increasing in the northern portion of the target area and an intense magnetic low feature in the northern half trending into Union North. Although exploration to date has failed to confirm continuity of higher grade mineralization, the target still ranks in the top eight of the 20 identified to date.

Other Target areas

Of the remaining 12 targets, two are outside the main mineralized trend and are of different styles of mineralization albeit with high grades of copper and gold mineralization over narrow widths. Within the main mineralized trend, a number of other targets are at a low level of understanding and may improve in ranking as additional data is generated; however, all display evidence of gold and base metal mineralization at surface.

Summary

Altan Nar hosts a total of 18 mineralized (gold, silver, lead and zinc) target areas that have been identified within a 5.6 by 1.5 km mineralized corridor. Two of the early discoveries, Discovery Zone ("DZ") and Union North ("UN"), are the most advanced targets, hosting wide zones of high-grade, near-surface mineralization, and were the focus of an initial NI 43-101 resource estimate released in Q1 2015. The Altan Nar resource includes an Indicated Resource of 1.8 million

tonnes ("Mt") averaging 2.5 g/t AuEq (147,000 oz gold) and an Inferred Resource of 1.5 Mt averaging 2.1 g/t AuEq, (102,000 oz gold), at a 1.0 g/t AuEq cut-off. The remaining 16 targets are either undrilled or scout-drilled and are considered by Erdene to have good potential for hosting additional resources.

During Q3 2015, the Corporation completed a drilling and trenching program over the DZ-UN mineral resource areas and reconnaissance drilling in an effort to expand the current resource and to provide future growth potential at Altan Nar. The DZ-UN program achieved the Corporation's objective of increasing confidence in the near-surface mineralized zones, returning multiple, significant intersections. The reconnaissance drilling increased the Corporations confidence in the potential for these target areas, outside of the DZ-UN resource boundaries, to significantly expand the areas of known gold-polymetallic mineralization at Altan Nar.

The Corporation also completed metallurgical testwork on drill core composites from DZ-UN to evaluate processing options for the production of gold-silver doré on site through gravity and leaching, and/or production of gold and silver in lead-zinc concentrates through flotation.

Given the multitude of targets, Altan Nar has now been established as a significant new gold, silver and base metal discovery. Altan Nar's location relative to China, where plant and operating equipment can be accessed and where potential final processing facilities are located, has advantages for moving rapidly to initial production.

Bayan Khundii Gold Project

The Bayan Khundii ("Rich Valley") prospect is located on Erdene's 100%-owned Khundii exploration license in southwest Mongolia, approximately 15 km south of the Company's Altan Nar gold project. In Q2 2015, Erdene geologists conducted an initial exploration program on the southern portion of the licence, where two separate mineralized zones (Main Zone and Northeast Zone) were identified over a 1.4 km strike length that remains open in all directions.

At the Main Zone, a total of 78 rock chip, grab and channel samples were collected, principally from quartz veins from multiple mineralized areas across the Main Zone, a 550 m by 300 m area, with the majority returning highly anomalous values, and over 20% of the samples returning values in excess of 3.0 g/t gold (up to 4,380 g/t gold). The Northeast Zone ("NE Zone"), located 600 m to the northeast of the Main Zone, contains an alteration area measuring 300 m by 300 m, and returned highly anomalous results with up to 4 g/t gold. The two zones are separated by younger, possibly overlying, lithologies and recent sediments.

Following the surface sampling program, a detailed mapping and trenching program was initiated by the Corporation during the third quarter. In total, eleven trenches, totaling 552 m, were completed over the Main Zone. The program was successful in demonstrating wide zones of gold mineralization in the wall rock (30 m of 2.70 g/t gold in trench BKT-01) and confirming the intensity of high-grade mineralization in narrow, high-grade veins (1 m of 55.6 g/t gold in trench BKT-06), as well as demonstrating continuity over a wide area.

The prospect area is characterized by strong pervasive silicification and sericitization that has completely replaced the primary mineralogy on the volcanic host rocks. The mineralized zones host gold-bearing quartz veins that vary in width from less than 1 cm to 1 m. Higher grade mineralization is associated with these quartz veins while mineralization in adjacent host rock varies from 0.1 to 1 g/t gold over wide areas. In the host volcanics, gold mineralization is associated with silica and sericite alteration and fine quartz veinlets. Gold was observed in many

locations as irregular shaped grains, up to 2 mm. Gold grains are often located along vein boundaries or in centerline veinlets.

Subsequent to the end of the quarter, the Corporation commenced (November 8, 2015) a maiden drill program at Bayan Khundii that is expected to consist of 12 to 14 diamond drill holes totaling 600 to 700 m. The program is targeting the Main Zone to confirm trench and sampling results at shallow depths. The Corporation also initiated a magnetic geophysical survey over the larger 1.4 km long Bayan Khundii target area, and gradient array induced polarization and dipole-dipole IP geophysical surveys over portions of the Main Zone.

Zuun Mod Molybdenum Project

The Zuun Mod Molybdenum Project is a porphyry molybdenum-copper deposit located in Bayankhongor Province, Mongolia, approximately 950 km southwest of Ulaanbaatar and 215 km from railhead on the Mongolia-China border at Ceke. The railhead is located 50 km south of the Nariin Sukhait and Ovoot Tolgoi coal mines. The property consists of two contiguous mining licenses totaling 6,399 hectares. The mining licenses are registered in the name of Anian Resources LLC, a wholly owned subsidiary of the Corporation and have an initial term of 30 years. This project was acquired from Gallant Minerals Limited in 2005 and is subject to a net smelter royalty of 1.5%, subject to a buy-down provision.

In early June, 2011, the Corporation released the May 2011 Zuun Mod molybdenum-copper deposit National Instrument 43-101 compliant resource estimate which has a measured and indicated resource of 218 million tonnes ("Mt") at an average grade of 0.057% molybdenum, and 0.069% copper at a cut-off grade ("cog") of 0.04% molybdenum. This equates to 273.5 million pounds ("M lbs") of contained molybdenum metal and 330.7 M lbs of contained copper metal. In addition, there is a 168 Mt Inferred Resource at an average grade of 0.052% molybdenum and 0.065% copper, equating to a further 191.8 M lbs of contained molybdenum metal and 240.5 M lbs of contained copper metal. All of the reported Zuun Mod molybdenum and copper resources lie within the boundaries of the two contiguous mining licenses.

Recent market demand and pricing conditions for molybdenum have been generally depressed with the price of molybdenum oxide at approximately US\$5 per pound in November 2015, down significantly from the US\$40 per pound values reached in 2004 and 2005. Improvement in the molybdenum market is an important factor in the advancement of the Zuun-Mod molybdenum-copper deposit. Subsequent to year-end, the Corporation announced the granting to Tian Poh Resources Limited ("Tian Poh") a period of exclusivity to exercise an option to acquire an interest in the Zuun Mod mining licenses ("Zuun Mod"). Tian Poh can acquire and retain a 51% interest in Zuun Mod for US\$4.8 million in cash and equity in Tian Poh, and by meeting certain work commitments. (See "Agreement with Tian Poh Resources Limited" for further details). If Tian Poh exercises its option and meets milestones to retain its 51% interest in Zuun Mod it will have the right to increase its interest to up to 100% through additional cash and/or equity payments. Erdene will retain a 1% net smelter return royalty, which will be subject to certain buy-down provisions. The exclusivity and option period was originally scheduled to expire on June 9, 2015, however, on July 15, 2015 Erdene announced that Tian Poh was granted a 6-month extension to its deadline for exercising its option. Tian Poh agreed it would complete a 1,000 m drill program by October 30, 2015. In addition, Tian Poh committed to incur an aggregate of US\$500,000 of exploration work on the Property prior to June 30, 2016. The deadline for Tian Poh to decide to exercise its option to acquire an interest in Erdene's Zuun Mod-Khuvyn Khar mining license is now December 9, 2015.

In 2014, while limited work was completed by the Corporation on the Zuun-Mod molybdenum-copper deposit, exploration work was carried out elsewhere on the property, in particular, on the Khuvyn Khar copper prospect, located 2.2 km NW of the main deposit. Discovery of significant copper mineralization at Khuvyn Khar could provide synergies for the advancement of the Zuun Mod molybdenum deposits.

Khuvyn Khar Copper-Silver Project

The Khuvyn Khar copper-silver prospect is located on the Zuun Mod property which covers a large porphyry system. Exploration work at Khuvyn Khar has included geological mapping, vein density mapping, geochemical sampling, geophysical surveys as well as wide spaced drilling. Previous drilling completed by the Corporation to test a geophysical target, intersected 34 m of 1.3% copper and 9.24 g/t silver from 308 m to 342 m (hole ZMD-121). Additional drilling on the Khuvyn Khar prospect has defined a very large copper mineralized zone trending over 900 m with multiple zones in three drill holes in excess of 0.2% copper over significant widths (12 m to 42 m).

In 2013, the Corporation partnered with Teck Resources Limited (See “Alliance with Teck Resources Limited”) to carry out exploration in the Trans Altai region, including additional exploration of the Khuvyn Khar prospect. The 2013 exploration program carried out at Khuvyn Khar included a property-wide gravity survey, an expansion of the mobile-metal-ion (“MMI”) geochemical survey, re-logging of all drill holes and alteration mapping, including spectral analysis of drill core. This program resulted in the identification and prioritization of seven porphyry copper drill targets, three of which are considered high-priority with strong probability of intersecting copper porphyry mineralization at relatively shallow depths.

Khuvyn Khar 2014 Exploration Program

In 2014, work on the Khuvyn Khar project included rock chip sampling, geophysical modeling, detailed vein and alteration mapping of high priority areas and a 1,532 m trenching program designed to identify the geology, alteration and mineralization in area of poor outcrop exposure located within high priority target areas. The data collected from this exploration work has provided further definition and confidence in the modelling of potential mineralization at Khuvyn Khar. The 2014 work program has culminated in the identification of new, partially buried high priority drill target in the north-central Khuvyn Khar area as well as a new target in the western portion of the Khuvyn Khar property. The ongoing exploration program continues to confirm the potential for copper-rich porphyry style mineralization within the Khuvyn Khar target area. This conclusion is supported by high-grade copper-silver mineralization intersected by Erdene in previous drilling (34 m of 1.34% copper and 9.24 g/t silver).

The 2014 exploration program on the Zuun Mod – Khuvyn Khar property met the objectives of the program, namely, to better define high-priority drill targets for follow-up exploration on the Khuvyn Khar copper porphyry target and to complete work on the Zuun Mod molybdenum-copper deposit required to maintain the mining licenses in good standing, including annual license payments, ongoing environmental review requirements and community development work.

Khuvyn Khar 2015 Update

As noted above, on July 15, 2015, the Corporation granted Tian Poh an extension to the exclusivity period to December 9, 2015. As consideration for the extension, Tian Poh was required to complete a minimum of 1,000 metres of drilling on the Project by October 30, 2015.

A two-hole, 1,000 m drill program was completed on the Khuvyn Khar (“KK”) North target area from mid-August to early September 2015. The drilling was overseen by Shane Hibbird, P. Geo,

who acted in the capacity of Tian Poh-contracted Qualified Person (QP). The two drill holes included a 450 m hole (ZMD-129) and a 550 m hole (ZMD-130). Assays were completed at the SGS Laboratory in Ulaanbaatar for two-metre intervals for the entire length of both drillholes with highlights presented in Table 2.

Both drillholes were located in the large Khuvyn Khar North target zone (approximately 1 km x 1.5 km) that was identified by the Corporation. The target area was identified on the basis of several overlapping geological, geophysical and geochemical factors, including: gravity low response, magnetic low response, concentration of quartz veins surrounded by D-vein zones, the presence of copper mineralization at surface, anomalous copper, silver, and gold in soils and rock chips, 2014 trenching results, and IP chargeability response.

Hole ZMD-129 intersected hydrothermal intrusive breccias and several porphyry intrusions in the upper 242 m of the hole, with assays over that length returning an average of 0.08% copper ("Cu"), including an 8 m interval that averaged 0.13% Cu. Trace amounts of molybdenum were noted throughout much of the hole, whereas only trace amounts of chalcopyrite were noted, although the fine grain size of much of the sulphide made confirmation of chalcopyrite difficult. Several faults, up to 11 m wide, were noted throughout the hole, with some copper enrichment (up to 0.1% Cu).

Hole ZMD-130 intersected andesite with cross-cutting porphyry dykes in the top 192 m, with assays for this interval averaging 0.10% Cu, including a 4 m interval averaging 0.25% Cu. The andesite contained abundant sulphide, locally with quartz vein stockwork, some with 'bleached' alteration selvages, and zones of quartz-magnetite-pyrite-epidote veins with associated magnetite alteration. Trace amounts of molybdenum were noted throughout the hole, mostly in quartz-sulphide veins. Only minor chalcopyrite was observed, although the fine grain size of much of the sulphide made confirmation of chalcopyrite difficult. As noted in ZMD-129, some faults in ZMD-130 were enriched in copper (up to 0.1% Cu), suggesting these structures may have acted as conduits for mineralizing fluids. The drilling also encountered elevated gold, up to 0.12g/t.

Table 2. Assay highlights from the 2015 two-hole drill program at the KK North target area.

Drillhole	From (m)	To (m)	Interval (m)	Cu (%)	Mo (ppm)	Au* (ppb)	Ag** (ppm)
ZMD-129	2	244	242	0.08	104	1.4	1
including	4	18	14	0.10	22	18	1
and	36	50	14	0.11	91	0.5	1
and	194	196	2	0.08	584	0.5	1
and	222	234	12	0.12	184	1.0	1
ZMD-130	2	194	192	0.10	45	3.2	1.2
including	46	48	2	0.15	436	5	1
and	112	122	10	0.19	48	0.5	1
and	136	142	6	0.20	59	2	1
and	140	142	2	0.31	77	5	1
and	162	164	2	0.08	28	118	1

*Au values less than the detection limit of 1 ppb were assigned a value of 0.5 ppb for statistical purposes.

**Ag values less than the detection limit of 2 ppb were assigned a value of 1 ppb for statistical purposes.

Outlook

General

Management's long-term focus remains the discovery and development of significant precious and base metal deposits in Mongolia. The Corporation's immediate focus will continue to be the evaluation and potential development of the Altan Nar Gold-Polymetallic and the Bayan Khundii Gold projects.

The Corporation has working capital sufficient to meet its budgeted expenditures until the end of the first quarter of 2016. The ability of the Corporation to continue beyond this point is contingent upon equity financing, entering joint venture agreement(s), asset sales, or a combination thereof.

Altan Nar

With the completion of the initial mineral resource for Altan Nar, the Corporation is now evaluating near-term development options and will advance the project based on the outcome of this work.

Upcoming work at Altan Nar is expected to include additional metallurgical process test work, evaluations of the mining, engineering, transportation, and marketing options, exploration and development related programs, and work required for a mining license application.

Bayan Khundii

Management considers Bayan Khundii to be a significant discovery and, based on the initial high-grade results received from the sampling and trenching programs, has elevated the project to high priority status. Subsequent to the end of the quarter the Corporation commenced a maiden drill program at Bayan Khundii, with results anticipated before year-end.

Zuun Mod/Khuvyn Khar

Management believes that the Zuun Mod molybdenum-copper deposits have significant potential for development if/when the molybdenum price improves. The Corporation will continue to complete evaluations towards optimizing project economics as new information is received in regards to technology and/or additional exploration information. Discovery of additional significant copper mineralization at Khuvyn Khar could provide synergies for the advancement of the Zuun Mod molybdenum deposits.

Should Tian Poh exercise its option to acquire an interest in the Zuun Mod property by the December, 2015 deadline, they are required to make payment of US\$250,000 in equity of Tian Poh and complete US\$1.5 million in work expenditures within the first 30 months, including US\$500,000 prior to June 30th, 2016 or make an additional payment of US\$250,000 to the Corporation and carry out work required to maintain the licenses in good standing. Total work expenditures of US \$10 million are required by Tian Poh on or before the 6th anniversary of the closing in order to retain a 51% interest. It is anticipated that if Tian Poh exercises its option to acquire an interest in the Zuun Mod property they will carry out work in 2015 towards the next stage of development, namely a pre-feasibility study.

Teck Alliance

Regional exploration, designed to identify additional porphyry and porphyry-related mineralization in south-western Mongolia is ongoing and has been designed to be a multi-year program. This program is being funded through the alliance with Teck Resources Limited. The budget for the 2015 exploration program is \$306,000 and has been financed out of proceeds from the April 2015 Teck private placement. The 2014 regional exploration program in south-western Mongolia

identified prospects that have been recommended for acquisition. To date, the Corporation has had two exploration licences granted. The Corporation completed the 2015 regional program during the third quarter. Erdene executive and officials from Teck met in Mongolia in Q3 2015 to review the regional exploration program and acquisition targets. The Mongolian mineral licence staking system re-opened in 2015 after a 5-year hiatus. At the present time, designated areas in the western half of Mongolia are available for staking.

Table 3. Estimated budget for the Q4 2015 through end of Q2 2016 programs is outlined below.

Project		Cost Cdn
Altan Nar	Engineering/Design	\$80,000
	Analytical/Metallurgical	63,000
	Permitting/Environmental	150,000
	Technical Support	122,000
	License/Permits/Community	28,500
	Camp & Support	10,000
	Sub-total	453,500
Bayan Khundii	Drilling Program	160,000
	Analytical	30,000
	Metallurgical Work	15,000
	Geophysics	30,000
	Technical support	68,000
	Transport/Field support	20,000
	Sub-total	323,000
Teck Programs		75,000
Khuvyn Khar		36,000
Mongolian Office		69,000
Wages & Overhead		330,400
Total		\$1,286,900

Selected Annual Financial Information

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

Expressed in thousands of Canadian dollars except per share amounts.

Fiscal Year Ended December 31	2014	2013	2012
Revenues	\$ Nil	\$ Nil	\$ Nil
Loss for the year	\$ 2,617	\$ 2,760	\$ 7,345
Basic and diluted loss per share	\$ 0.04	\$ 0.05	\$ 0.15
Total assets	\$ 10,912	\$ 11,586	\$ 13,315
Total long-term liabilities	\$ Nil	\$ 3	\$ 7
Cash dividends declared	\$ Nil	\$ Nil	\$ Nil

Discussion of Operations

Three months ended September 30, 2015 and 2014

Exploration expenses totaled \$257,821 for the three months ended September 30, 2015 compared to \$401,880 for the same period in 2014. This excludes the capitalized costs on Zuun Mod and Altan Nar outlined in the table below. After receiving an initial resource estimate on the

Altan Nar property (see “Project Summaries” for more details), the Corporation began to capitalize exploration expenses on Altan Nar in the first quarter of 2015.

	Zuun Mod Moly/Copper	Altan Nar Gold	Other projects	Total
E&E assets, July 1, 2015	\$ 10,913,778	\$ 284,091	\$ 49,653	\$ 11,247,522
Exploration expenditures				
Drilling, trenching, sampling and assaying	-	209,458	26,303	235,761
Licence costs	-	-	-	-
Geological services, camp and field	10,949	171,449	161,976	344,374
Travel and other	43	10,833	12,551	23,427
Mongolian office costs	-	-	56,991	56,991
Total exploration expenditures	10,992	391,740	257,821	660,553
Capitalized expenditures	(10,992)	(391,740)	-	(402,732)
Expensed exploration costs Q3 2015	-	-	257,821	257,821
Effect of movements in exchange rates	357,051	8,125	479	365,655
E&E assets, September 30, 2015	\$ 11,281,821	\$ 683,956	\$ 50,132	\$ 12,015,909

Corporate & administrative expenses were \$139,898 for the three months ended September 30, 2015 compared to \$133,811 for the same period in 2014. The increase compared to last year is entirely due to non-cash share based compensation expensed in Q3. Excluding non-cash items, the third quarter corporate and admin decreased approximately \$17,000 compared to 2014.

For the three months ended September 30, 2015, the Corporation recognized a net loss of \$393,014 or \$0.00 per share compared to a loss of \$535,085 or \$0.01 per share for the same period in 2014.

Nine months ended September 30, 2015 and 2014

Exploration expenses totaled \$658,106 for the nine months ended September 30, 2015 compared to \$1,266,410 for the same period in 2014. This excludes the capitalized costs on Zuun Mod and Altan Nar outlined in the table below. After receiving an initial resource estimate on the Altan Nar property (see “Project Summaries” for more details), the Corporation began to capitalize exploration expenses on Altan Nar in the first quarter of 2015.

	Zuun Mod Moly/Copper	Altan Nar Gold	Other projects	Total
E&E assets, January 1, 2015	\$ 10,614,014	\$ 16,714	\$ 45,282	\$ 10,676,010
Exploration expenditures				
Drilling, trenching, sampling and assaying	-	283,154	35,453	318,607
Licence costs	82,436	-	4,170	86,606
Geological services, camp and field	36,391	354,543	443,633	834,567
Travel and other	1,949	20,269	32,836	55,054
Mongolian office costs	-	-	146,184	146,184
Total exploration expenditures	120,776	657,966	662,276	1,441,018
Capitalized expenditures	(120,776)	(657,966)	(4,170)	(782,912)
Expensed exploration costs 2015	-	-	658,106	658,106
Effect of movements in exchange rates	547,030	9,277	680	556,987
E&E assets, September 30, 2015	\$ 11,281,820	\$ 683,957	\$ 50,132	\$ 12,015,909

Corporate & administrative expenses were \$536,234 for the nine months ended September 30, 2015 compared to \$624,925 for the same period in 2014. Management has continued to rationalize overhead and administrative costs where possible and has succeeded in lowering overhead costs to the lowest level since going public in 2004.

The Corporation recognized other income of \$59,345 (2014 – Nil) on an exclusivity fee from Tian Poh Resources.

For the nine months ended September 30, 2015, the Corporation recognized a net loss of \$1,131,628, or \$0.01 per share compared to a loss of \$1,884,426 or \$0.03 per share for the same period in 2014.

Summary of Quarterly Results

Expressed in thousands of Canadian dollars except per share amounts

	Fiscal 2015			Fiscal 2014				Fiscal 2013
	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	\$393	\$222	\$517	\$733	\$535	\$930	\$419	\$721
Basic and diluted loss per share	\$0.00	\$0.01	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Total Assets	\$12,508	\$12,540	\$11,321	\$10,912	\$10,763	\$10,812	\$10,932	\$11,586

All financial data has been prepared in accordance with IFRS.

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

Liquidity and Capital Resources

At September 30, 2015, excluding the convertible debenture due Tian Poh, the Corporation had working capital of \$269,516 compared to a working capital deficit of \$31,183 at December 31, 2014.

In the first quarter of 2015, the Corporation received a US\$250,000 payment from Tian Poh (see Agreement with Tian Poh Resources Limited). During the nine months ended September 30, 2015, the Corporation closed private placements totaling \$1,896,934 with the issuance of 13,569,715 units at \$0.14 per unit. The Corporation also received \$107,143 from Teck on the exercise of 1,071,429 warrants with an exercise price of \$0.10. Funds from the warrants were used to repay the \$107,142 Teck loan. Subsequent to September 30, 2015, the Corporation closed a private placement totaling \$961,006 with the issuance of 6,864,327 units at \$0.14 per unit, and received a total of \$91,830 on the exercise of \$0.10 warrants. At the date of this MD&A, the Corporation has approximately \$1.05 million in working capital.

Funds have been used to advance the Corporations projects in Mongolia (see Project Summaries) and pay for overhead and administrative costs in support of those programs.

Current working capital is only sufficient to fund the Corporation's budgeted expenditures until the end of the first quarter of 2016. The ability of the Corporation to continue with its exploration programs beyond this point is contingent upon securing additional funds through asset sales, formation of alliance, option, and/or joint venture agreements, equity financing and/or expenditure reductions. The timing and availability of additional equity financing will be determined largely by market conditions and the results of the Corporation's ongoing exploration programs.

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

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

Contractual Obligations

The following table summarizes the Corporation's contractual obligations at September 30, 2015:

Contractual Obligations	Total	Less than one year	1-3 years	4-5 years	More than 5 years
Office leases	\$ 61,110	\$ 61,110	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	170,633	170,633	-	-	-
Convertible loan due Tian Poh	252,207	252,207	-	-	-
	<u>\$ 483,950</u>	<u>\$483,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

On or before December 9, 2015, the loan due to Tian Poh will be settled. If Tian Poh exercises their option, the loan will be redeemed and the funds applied to amounts due on closing. If Tian Poh does not exercise their option, the principle amount will be converted into shares of Erdene at \$0.14 per share.

Off-Balance Sheet Arrangements

As at September 30, 2015, the Corporation 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 Corporation.

Critical Accounting Estimates

Estimate of recoverability for non-financial assets

Events or changes in circumstances, may give rise to significant impairment charges or reversals of impairment in a particular year.

In accordance with the Corporation's accounting policy, each non-financial asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use. Impairment testing is also performed annually for goodwill.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset.

Future cash flow estimates are based on expected production and sales volumes, mineral prices (considering current and historical prices, price trends and related factors), resources, operating costs, restoration and rehabilitation costs and future capital expenditures. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the income statement.

Share-based payments

Equity-settled share-based payments issued to employees are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and expected lives based on information available at the time the fair value is measured.

Fair value of financial instruments, including embedded derivatives

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Provisions for site restoration

The Corporation records provisions which include various estimates, including the Corporation's best estimate of the future costs associated with settlement of the obligation, and discount rates applied. Such estimates are necessarily calculated with reference to external sources, all of which are subject to annual review and change.

Taxation

The Corporation's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditures, dividends and other capital management transactions.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Adoption of New Accounting Standards

The accounting policies applied in the consolidated financial statements for the period ended September 30, 2015 are consistent with those used in the Corporation's Consolidated Financial Statements for the year ended December 31, 2014.

Future Changes in Accounting Policies

The following new standards, and amendments to standards and interpretations under IFRS, are not yet effective and have not been applied in preparing the consolidated statements:

Amendments to IFRS 9 - Financial Instruments

The IASB has issued IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

The Corporation intends to adopt IFRS 9 for the annual period beginning January 1, 2018, and does not expect IFRS 9 to have a material impact on the financial statements. The classification and measurement of the Corporation's financial assets is not expected to change under IFRS 9 because of the nature of the Corporation's operations and the types of financial assets it holds.

Financial Instruments and Other Risks

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, accrued liabilities and obligations under finance leases. Management does not believe these financial instruments expose the Corporation 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 Corporation relate primarily to exploration results and, to a lesser extent, metal and commodity prices. Exploration for minerals and development of mining operations involve many risks, many of which are outside the Corporation's control. In addition to the normal and usual risks of exploration and mining, the Corporation works in remote locations that lack the benefit of infrastructure and easy access.

At this stage in the Corporation's development, it relies on equity financing for its 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 Corporation'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 Tugrik, general economic conditions, exploration results or political or economic changes in the jurisdictions in which the Corporation operates. The Corporation 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 Corporation when required, or that it will be available on acceptable terms.

Outstanding Share Data

Issued and Outstanding Share Capital

On April 27, 2015, the Corporation closed a private placement with Teck and issued 2,826,310 shares at \$0.139 per share for gross proceeds of \$392,857. In addition to the private placement, the Corporation issued 1,071,429 shares at \$0.10 per share on the exercise of warrants.

June 4, 2015 the Corporation closed the first tranche of a non-brokered private placement with the issuance of 8,205,644 units at a price of \$0.14 per unit for gross proceeds of \$1,148,790. On June 12, 2015 the Corporation closed the second and final tranche with the issuance of 2,537,761 units at a price of \$0.14 per unit for gross proceeds of \$355,287. Each unit consists of one common share of the Corporation and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.16 for a six month period from the closing date. The Corporation's advisors, Altus Securities Inc., received a finder's fee of \$65,000 and 464,286 finder's fee warrants in connections with the private placement. Each finder's fee warrant is exercisable for one common share of the Company at \$0.16 per share for a period of 12 months from the closing date.

On November 9, 2015 the Corporation closed a private placement with the issuance of 6,864,327 units at a price of \$0.14 per unit for gross proceeds of \$961,006. Each unit consists of one common share of the Corporation and one-half of one common share purchase warrant (see warrants below). The Corporation's advisors, Altus Securities Inc., received a finder's fee of \$45,002 and 325,014 finder's fee warrants in connections with the private placement.

To the date of this MD&A, the Corporation had 105,059,789 shares issued and outstanding.

Stock Options

In April 2015, 373,000 options with an average exercise price of \$0.48 expired. In October 2015, 250,000 options with a weighted average exercise price of \$0.42 expired.

During 2015, to the date of this MD&A, 1,550,000 options with an exercise price of \$0.15 and a fair value of \$120,750 were granted to certain officers, directors and employees of the Corporation.

As of the date of this MD&A, the Corporation had 5,073,750 outstanding stock options with a weighted average exercise price of \$0.17, all of which are exercisable.

Warrants

During 2015, to the date of this MD&A, 1,989,730 warrants were exercised at \$0.10, for gross proceeds of \$198,973.

In June 2015, the Corporation issued 5,371,704 whole share purchase warrants in conjunction with private placement financings. Each whole share purchase warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.16 for a six month period from closing. On November 3, 2015, these warrants, with the exception of insiders, had their expiry date extended three months to March 15, 2016. The June 2015 private placement included the issuance of 464,286 finder's fee warrants with an exercise price of \$0.16 for a period of 12 months from closing.

On November 9, 2015, the Corporation issued 3,432,166 whole share purchase warrants in conjunction with a private placement. Each whole share purchase warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.18 for a 12 month period from closing. The November 2015 private placement included the issuance of 325,014 finder's warrants with an exercise price of \$0.15 for a period of 12 months from closing.

To the date of this MD&A, 14,137,740 warrants with a weighted average exercise price of \$0.19 were outstanding, all of which were exercisable.

Deferred Share Units

In June 2015, the Corporation granted directors of the Corporation an aggregate of 133,119 DSUs at a weighted average price of \$0.14 per share. In September 2015, the Corporation granted certain officers, directors and employees of the Corporation an aggregate of 238,067 DSUs at a weighted average price of \$0.12 per share.

To the date of this MD&A, the Corporation has a balance of 2,755,938 DSUs outstanding.

Disclosure Controls and Internal Controls over Financial Reporting

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) released the updated *Internal Control-Integrated Framework* (2013 Framework) in May 2013. COSO announced that the 2013 Framework will supersede the original 1992 Framework. The Corporation has not yet adopted the new framework and used the 1992 Framework in 2014. The Corporation intends to adopt the new framework in the fiscal year ended December 31, 2015.

Management is responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Corporation, including its consolidated subsidiaries, is made known to the Corporation's certifying officers. The

Corporation's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Corporation's disclosure controls and procedures as at September 30, 2015 and have concluded that these controls and procedures are effective.

The Corporation's management, under the supervision of its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO have concluded that internal controls over financial reporting were effective as of September 30, 2015.

There have been no material changes in the Corporation's internal control over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Qualified Person

Michael A. MacDonald, P.Geo., is a qualified person under NI 43-101 and supervises all of the Corporation's exploration programs. Samples are assayed at SGS Laboratory in Ulaanbaatar, Mongolia or Tianjin China, Central Geological Laboratory in Ulaanbaatar, Blue Coast Research Ltd in Parksville British Columbia, Canada, or ALS Chemex in Vancouver, Canada. In addition to internal checks by SGS Laboratory, Central Geological Laboratory and ALS Chemex, the Corporation incorporates a QA/QC sample protocol utilizing prepared standards and blanks.

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

Other Information

Additional information regarding the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com and on the Corporation's website at www.erdene.com.