ERDENE
RESOURCE DEVELOPMENT

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024

(Canadian dollars)

Independent Auditor's Report

To the Shareholders of Erdene Resource Development Corporation:

Opinion

We have audited the consolidated financial statements of Erdene Resource Development Corporation and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of loss and comprehensive loss (income), changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of the Audit Evidence for the Loss from Investment in Associate

Key Audit Matter Description

We draw attention to Notes 3d and 5 to the consolidated financial statements. The Company has an investment in associate with a carrying value of $46,925,365 at December 31, 2025 and a corresponding loss from investment in associate of $1,917,471 for the year then ended. The Company has significant influence over the associate through its participation in the governance of the associate; however, the Company no longer participates directly in the financial reporting functions of the associate.

We identified the evaluation of the audit evidence for the loss from investment in associate as a key audit matter as it represented an area of higher assessed risk of material misstatement given the magnitude of the loss from investment in associate and the carrying value of the investment in associate. In addition, the Company does not participate in the financial reporting functions of the associate and therefore significant auditor effort was required to evaluate the audit evidence for the loss from investment in associate.

Audit Response

We responded to this matter by performing audit procedures relating to the evaluation of audit evidence for the loss from investment in associate. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained an understanding of the associate, its environment, and its system of internal control.
- We involved, as part of the engagement team, individuals in the jurisdiction of the associate, to assist us in identifying and assessing the risks of material misstatements and planned audit responses which included two-way communication with those individuals.
- We performed a site visit to the jurisdiction of the associate and met with management of the associate.
- We directed, supervised, and reviewed the audit work performed by individuals in the jurisdiction of the associate, including a site visit to meet with those individuals, to address the identified risks of material misstatement.
- We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed over the loss from investment in associate.

Other Matter - Comparative Information

The consolidated financial statement for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on March 24, 2025.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. The other information comprises Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kate Duholke.

Vancouver, British Columbia

March 24, 2026

MNP LLP

Chartered Professional Accountants

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Financial Position
(Canadian dollars)

	Notes	December 31, 2025	December 31, 2024
Assets			
Cash and cash equivalents		**$ 4,659,397**	$ 7,298,399
Receivables		**319,428**	14,910
Prepaid expenses		**215,979**	69,988
Current assets		**5,194,804**	7,383,297
Investment in associate	**5**	**46,925,365**	53,109,742
Exploration and evaluation assets	**6**	**3,781,684**	2,468,070
Property, plant and equipment		**78,458**	39,104
Right-of-use assets		**86,382**	-
Non-current assets		**50,871,889**	55,616,916
Total Assets		**$ 56,066,693**	**$** 63,000,213
Liabilities			
Trade and other payables		**$ 1,444,437**	$ 782,851
Lease liabilities		**24,875**	-
Current liabilities		**1,469,312**	782,851
Lease liabilities		**63,958**	-
Non-current liabilities		**63,958**	-
Total Liabilities		**1,533,270**	782,851
Equity			
Share capital	**9**	**$ 170,720,582**	$ 165,589,487
Contributed surplus	**9**	**30,487,498**	30,656,061
Accumulated other comprehensive income		**(1,739,047)**	2,725,582
Deficit		**(144,935,610)**	(136,753,768)
Total Equity		**54,533,423**	62,217,362
Total Liabilities and Equity		**$ 56,066,693**	$ 63,000,213

Commitments (Note 7)
Subsequent event (Note 15)

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

Approved on behalf of the Board of Directors:

Signed "Peter C. Akerley"
_________________________________ Director

Signed "Kenneth W. MacDonald"
_________________________________ Director

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Loss and Comprehensive Loss (Income)
(Canadian dollars, except per share and share information)

	Notes	For the years ended December 31, 2025	2024
Operating Expenses			
Exploration and evaluation	**10**	**$ 2,448,232**	$ 1,852,642
Corporate and administration	**11**	**3,997,960**	5,043,058
Loss from operating activities		**6,446,192**	6,895,700
Loss from investment in associate	**5**	**1,917,471**	3,245,109
Finance income		**(188,265)**	(164,261)
Interest expense		**4,716**	427
Foreign exchange loss (gain)		**1,728**	(474,491)
Gain on dilution of investment in associate	**5**	**-**	(1,256,598)
Net Loss		**$ 8,181,842**	$ 8,245,886
Other comprehensive loss (income):			
Foreign currency translation difference arising on translation of subsidiary		**197,723**	(166,428)
Foreign currency translation difference on translation of investment in associate	**5**	**4,266,906**	(3,849,522)
Foreign currency translation difference realized on dilution of investment in associate	**5**	**-**	440,770
Other Comprehensive Loss (Income)		**4,464,629**	(3,575,180)
Total Comprehensive Loss		**$ 12,646,471**	$ 4,670,706
Basic and diluted loss per share		**$ 0.13**	$ 0.14
Basic and diluted weighted average number of shares outstanding [1]		**60,983,853**	58,075,921

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

[1] The Corporation implemented a consolidation of its common shares in September 2025, and the number of common shares has been retrospectively adjusted. Refer to Note 1 for further information.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Changes in Equity
(Canadian dollars, except per share and share information)

	Notes	Number of shares [1]		Share capital		Contributed surplus		Accumulated other comprehensive income (loss)		Deficit		Total equity
Balance at January 1, 2025		**60,356,137**	**$**	**165,589,487**	**$**	**30,656,061**	**$**	**2,725,582**	**$**	**(136,753,768)**	**$**	**62,217,362**
Total comprehensive loss for the period:												
Net loss		**-**		**-**		**-**		**-**		**(8,181,842)**		**(8,181,842)**
Other comprehensive loss		**-**		**-**		**-**		**(4,464,629)**		**-**		**(4,464,629)**
Options exercised	**9**	**1,378,175**		**4,913,195**		**(1,538,971)**		**-**		**-**		**3,374,224**
Issue of shares from DSU plan	**9**	**135,015**		**217,900**		**(217,900)**		**-**		**-**		**-**
Shares issued - share consolidation	**1**	**4,889**		**-**		**-**		**-**		**-**		**-**
Share-based compensation	**9**	**-**		**-**		**1,588,308**		**-**		**-**		**1,588,308**
Total transactions with owners		**1,518,079**		**5,131,095**		**(168,563)**		**-**		**-**		**4,962,532**
Balance at December 31, 2025		**61,874,216**	**$**	**170,720,582**	**$**	**30,487,498**	**$**	**(1,739,047)**	**$**	**(144,935,610)**	**$**	**54,533,423**
Balance at January 1, 2024		57,481,312	$	158,086,286	$	30,147,989	$	(849,598)	$	(128,507,882)	$	58,876,795
Total comprehensive loss for the period:												
Net loss		-		-		-		-		(8,245,886)		(8,245,886)
Other comprehensive income		-		-		-		3,575,180		-		3,575,180
Options exercised	9	550,851		1,182,755		(366,005)		-		-		816,750
Warrants exercised	9	2,323,974		6,320,446		(698,766)		-		-		5,621,680
Share-based compensation	9	-		-		1,572,843		-		-		1,572,843
Total transactions with owners		2,874,825		7,503,201		508,072		-		-		8,011,273
Balance at December 31, 2024		60,356,137	$	165,589,487	$	30,656,061	$	2,725,582	$	(136,753,768)	$	62,217,362

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

[1] The Corporation implemented a consolidation of its common shares in September 2025, and the number of common shares has been retrospectively adjusted. Refer to Note 1 for further information.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Consolidated Statements of Cash Flows
(Canadian dollars)

	Notes	For the years ended December 31, 2025	2024
Cash flows from (used in) operating activities:			
Net loss		**$ (8,181,842)**	$ (8,245,886)
Items not involving cash:			
Depreciation		**26,183**	29,828
Share-based compensation	9	**1,588,308**	1,572,843
Finance income		**(188,265)**	(164,261)
Foreign exchange not related to cash		**1,728**	(474,491)
Loss from investment in associate	5	**1,917,471**	3,245,109
Gain on dilution of investment in associate	5	**-**	(1,256,598)
Change in non-cash operating working capital	12	**209,585**	1,997,115
Cash flows used in operating activities		**(4,626,832)**	(3,296,341)
Cash flows from (used in) financing activities:			
Proceeds on exercise of stock options	9	**3,374,224**	816,750
Proceeds on exercise of warrants	9	**-**	5,621,680
Repayment of lease liabilities		**(13,462)**	(22,939)
Cash flows from financing activities		**3,360,762**	6,415,491
Cash flows from (used in) investing activities:			
Expenditures on exploration and evaluation assets	6	**(1,498,972)**	(348,887)
Expenditures on property, plant and equipment		**(51,533)**	(27,135)
Interest received		**188,265**	164,261
Cash flows used in investing activities		**(1,362,240)**	(211,761)
Effect of exchange rate changes on cash balances		**(10,692)**	41,411
(Decrease) increase in cash and cash equivalents		**(2,639,002)**	2,948,800
Cash and cash equivalents, beginning of year		**7,298,399**	4,349,599
Cash and cash equivalents, end of year		**$ 4,659,397**	$ 7,298,399

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

1. Nature of operations:

Erdene Resource Development Corporation ("Erdene" or the "Corporation" or the "Company") is a Canadian based resource company focused on the exploration and development of precious and base metal deposits in Mongolia. Currently, the Corporation's principal development is the Bayan Khundii Gold Project, located in Bayankhongor province, Mongolia, held by its associate, Erdene Mongol LLC. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "ERD" and the Mongolian Stock Exchange under the symbol "ERDN". The address of the Corporation's registered office is 1300-1969 Upper Water Street, Halifax, Nova Scotia, B3J 2V1.

At the 2025 Annual General and Special Meeting of Shareholders, held on June 25, 2025, Shareholders approved the consolidation of the Company's issued and outstanding common shares on the basis of one (1) post-consolidation common share for every six (6) pre-consolidation common shares. The consolidation reduced the number of issued and outstanding common shares from 366,351,958 common shares to 61,063,549 common shares, effective September 2, 2025. Outstanding stock options and deferred share units were also adjusted by the share consolidation ratio. In accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IFRS"), the change has been applied retrospectively, and as a result, disclosures of common shares, per common share data and data related to stock options and deferred share units in the accompanying consolidated financial statements and related notes reflect this share consolidation for all periods presented, unless otherwise specified.

2. Basis of presentation

a) Statement of compliance

The Corporation prepares their annual consolidated financial statements in accordance with IFRS. The consolidated financial statements were authorized for issue by Erdene's Board of Directors on March 24, 2026.

b) Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except as disclosed in Note 3, and using the accrual basis of accounting, except for cash flow information. All monetary references expressed in these notes are references to Canadian dollar amounts ("$"), except as otherwise noted. These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation.

c) Critical judgements and estimates in applying accounting policies

The preparation of financial statements in conformity with IFRS requires the Corporation's management to make estimates, judgements and assumptions that materially affect the amounts reported in the consolidated financial statements and accompanying notes. Judgements and estimates are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates. Further information on management's judgements, estimates and assumptions and how they impact accounting policies are described below and also in the relevant notes to the consolidated financial statements.

The information about significant areas of judgement considered by management in preparing the consolidated financial statements is as follows:

i) *Going Concern*: The assessment of the Corporation's ability to continue as a going concern involves judgement as it relies on the Corporation's estimation of future cash flows for the 12-month period from the consolidated financial statement date, and the availability of funds to meet those cash flow requirements. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events and expenditures that are believed to be reasonable under the circumstances.

2. Basis of presentation (continued)

c) Critical judgements and estimates in applying accounting policies (continued)

ii) *Determination of significant influence:* Judgement is needed to assess whether the Corporation has control over its investees as a result of its right to direct relevant activities or, when control is not retained, its interest meets the definition of significant influence and therefore would be accounted for under the equity method. Management makes this determination based on its legal ownership interest and through an analysis of the Corporation's participation in entities' decision-making processes. Immediately after the Corporation lost control of Erdene Mongol LLC ("EM"), its Mongolian subsidiary, on January 10, 2023 (Note 5), management determined it was able to exert significant influence over EM and accounted for this investment as an associate under the equity method.

iii) *Impairment of investment in associate:* The Corporation follows the guidance of IAS 28, Investments in Associates and Joint Ventures to assess if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a "loss event"), where such loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. In making this judgement, the Corporation's management considers objective evidence that the net investment may be impaired, including observable data about loss events such as significant financial difficulty of the associate, a breach of contract, such as a default or delinquency in payments by the associate, it becoming probable that the associate will enter bankruptcy or other financial reorganization, or the disappearance of an active market for the net investment in the associate because of financial difficulties of the associate.

iv) *Recoverability of exploration and evaluation assets:* At the end of each reporting period, the Corporation assesses its exploration and evaluation assets to determine whether facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Judgement is required in determining whether facts and circumstances indicate impairment, including factors such as the period for which the Corporation has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

If any such cases exist or an exploration and evaluation asset is determined to be technically feasible and commercially viable, and therefore reclassified to property, plant and equipment, a formal estimate of the recoverable amount is made, which is considered to be the greater of the fair value less cost of disposal and value in use.

The information about significant estimates considered by management in preparing the consolidated financial statements is as follows:

i) *Share-based compensation:* Equity-settled share-based compensation is measured at fair value at the date of grant. Fair value is calculated using the Black-Scholes option pricing model and requires the use of estimates in relation to variables such as expected volatilities and expected lives based on information available at the time the fair value is measured.

3. Material accounting policies

The material accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements:

a) Basis of consolidation

The consolidated financial statements include the accounts of Erdene Resource Development Corporation and its wholly owned subsidiary Anian Resources LLC.

Control exists when an investor is exposed or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the Corporation obtains control and are deconsolidated from the date that control ceases to exist. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Intercompany balances and transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign currencies

Items included in the financial statements of the Corporation and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date, giving rise to foreign exchange gains and losses in the consolidated statements of loss and comprehensive loss (income).

Income and expense items are translated from functional to presentation currency, as applicable, at the average exchange rates for the period, unless exchange rates fluctuated materially during that period; in this case, the exchange rates at the dates of the transactions are used. Equity transactions are translated using the exchange rate at the date of the transaction. Exchange differences arising from assets and liabilities held in foreign currencies are recognized in other comprehensive income (loss) as cumulative translation adjustments.

On the loss of control of a foreign operation, all the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are recognized in the consolidated statements of loss and comprehensive loss (income) as part of the gain or loss on sale.

c) Financial instruments

Erdene recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets and liabilities classified as fair value through profit and loss (“FVTPL”), are measured at fair value, plus transaction costs on initial recognition. Financial assets and liabilities classified at FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Each type of fair value is categorized based on the lowest level of input that is material to the fair value measurement in its entirety. The following table summarizes the Corporation’s classification and measurement of financial assets and liabilities:

Type	Classification	Measurement
Cash and cash equivalents	Financial Assets	Amortized cost
Receivables	Financial Assets	Amortized cost
Trade and other payables	Financial Liabilities	Amortized cost

3. Material accounting policies (continued)

c) Financial instruments (continued)

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Under IFRS 9, the Corporation recognizes a loss allowance using the expected credit loss model on financial assets that are measured at amortized cost. At each reporting date, the Corporation measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Corporation measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the consolidated statements of loss and comprehensive loss (income).

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss (income).

Cash and equivalents include cash, term deposits, treasury bills and money market investments with original maturities of less than 90 days.

d) Investment in associate

Associates are entities over which the Corporation has significant influence, but not control. The Corporation also does not participate directly in the financial reporting functions of its associates. The financial results of the Corporation’s investments in its associates are included in the Corporation’s results according to the equity method. Under the equity method, the investment is initially recognized at fair value, and the carrying amount is increased or decreased to recognize the Corporation’s share of profits or losses of associates after the date of acquisition. The Corporation’s share of profits and losses and other comprehensive loss (income) of associates is recognized in the consolidated statements of loss and comprehensive loss (income).

Unrealized gains on transactions between the Corporation and an associate are eliminated to the extent of the Corporation’s interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the consolidated statements of loss and comprehensive loss (income).

The Corporation assesses at each period end whether there is any objective evidence that its investments in associates are impaired. If impaired, the carrying value of the Corporation’s investment is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the consolidated statements of loss and comprehensive loss (income).

3. Material accounting policies (continued)

e) Exploration and evaluation assets

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, drilling and other work involved in searching for minerals.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of:

i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
ii) determining the optimal methods of extraction and metallurgical treatment processes;
iii) studies related to surveying, transportation, and infrastructure requirements;
iv) permitting activities; and
v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, pre-feasibility and final feasibility studies.

Exploration and evaluation expenditures also include the costs of acquiring licenses, and exploration and evaluation assets acquired in a business combination.

Exploration and evaluation expenditures are expensed as incurred until such time as the Corporation determines that sufficient evaluation has occurred to establish a National Instrument 43-101 compliant resource and upon the approval of the Corporation's Board of Directors. Thereafter, such costs are capitalized prospectively as exploration and evaluation assets. Costs of acquiring exploration and evaluation assets are also capitalized. No amortization is charged during this phase, and the related assets are subsequently measured at cost less accumulated impairment.

Acquired or capitalized exploration and evaluation costs are classified as such until the project demonstrates technical feasibility and commercial viability, which generally coincides with the approval of construction. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, exploration and evaluation assets are transferred to asset under construction or property, plant and equipment depending on the nature of the asset.

Exploration and evaluation assets are assessed for impairment at each reporting period, or when facts and circumstances indicate that the carrying amount may exceed their recoverable amount. In such circumstances or similar cases, an impairment test is required to determine if the carrying amount of the exploration and evaluation asset exceeds its estimated recoverable amount. To the extent this occurs, any impairment is fully provided against the carrying amount, in the reporting period in which this is determined.

f) Share-based compensation

Equity-settled share-based awards to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes pricing model. The fair value determined at the grant date is expensed as services are rendered over the vesting period, based on the Corporation's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3. Material accounting policies (continued)

g) Loss per share

The Corporation presents basic and diluted income or loss per share data for its common shares. Basic income or loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted income or loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of shares outstanding adjusted for the effects of all dilutive potential common shares.

The Corporation uses the treasury stock method to compute the dilutive effect of options and deferred share units and other similar instruments. Under this method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, deferred share units and their equivalents would be used to repurchase common shares of the Corporation at the average market price during the period. Shares to be issued on existing stock options, and deferred share units have not been included in the computation of diluted loss per share as to do so would be anti-dilutive.

4. Changes in accounting policies

New and amended standards adopted

IAS 21 – The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB issued amendments to IAS 21 Effects of Changes in Foreign Exchange Rates, to help entities assess exchangeability between currencies and to determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The application of the amendment has been made on a prospective basis and did not have an impact on the Corporation.

New accounting standards not yet adopted

IFRS 18 – Presentation and Disclosure in the Financial Statements

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in the Financial Statements (“IFRS 18”) replacing IAS 1. IFRS 18 introduces categories and defined subtotals in the statement of profit or loss, disclosures on management-defined performance measures, and requirements to improve the aggregation and disaggregation of information in the financial statements. As a result of IFRS 18, amendments to IAS 7 were also issued to require that entities use the operating profit subtotal as the starting point for the indirect method of reporting cash flows from operating activities and also to remove presentation alternatives for interest and dividends paid and received. Similarly, amendments to IAS 33 “Earnings per Share” were issued to permit disclosure of additional earnings per share figures using any other component of the statement of profit or loss, provided the numerator is a total or subtotal defined under IFRS 18. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively, with early adoption permitted. The Company is currently assessing the impact of the standard on its financial statements.

IFRS 7 & 9 – Financial Instruments and Disclosures

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7). These amendments updated classification and measurement requirements in IFRS 9 Financial Instruments and related disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system. The amendments are effective for annual periods beginning on or after January 1, 2026 with early application permitted. The application of the amendment has been made on a prospective basis, effective January 1, 2026, and did not have an impact on the Corporation.

5. Investment in associate

On January 10, 2023, the Corporation entered into Strategic Alliance and Investment Agreements ("Agreements") with Mongolian Mining Corporation ("MMC") for the development of the Bayan Khundii Gold Project. The key economic terms of the Agreements are as follows:

- MMC invested US$40 million through a series of convertible promissory notes in return for a 50% equity interest in Erdene's primary Mongolian subsidiary, Erdene Mongol LLC ("EM"), which holds the Khundii and Altan Nar mining licenses, as well as the Ulaan exploration license.
- Erdene retained a 50% equity interest in EM and a 5.0% Net Smelter Return ("NSR") royalty on all production from the Khundii, Altan Nar and Ulaan licenses, as well as any properties acquired within 5 kilometres of these licenses, beyond the first 400,000 ounces of gold recovered.

On January 23, 2024, EM issued shares representing 50% of its equity to MMC in connection with the conversion of the convertible promissory notes. At the date MMC subscribed to shares in EM, the Corporation recognized a gain on dilution of its investment retained in EM of $1,256,598, calculated in reference to MMC's investment in EM through the convertible promissory notes. The Corporation continues to have significant influence over EM through its participation in the governance of the EM; however, the Corporation no longer participates directly in the financial reporting functions of EM. A summary of changes in the Corporation's Investment in associate during the years ended December 31, 2025 and 2024 is as follows:

Investment in associate, January 1, 2025	**$**	**53,109,742**
Loss from associate to December 31, 2025		**(1,917,471)**
Effect of movements in exchange rates		**(4,266,906)**
Investment in associate, December 31, 2025	**$**	**46,925,365**

Investment in associate, January 1, 2024	$	51,248,731
Income from associate to January 23, 2024		54,073
Gain on dilution, January 23, 2024		1,256,598
Loss from associate from January 23, 2024		(3,299,182)
Effect of movements in exchange rates		3,849,522
Investment in associate, December 31, 2024	$	53,109,742

The following tables summarize the consolidated financial information of EM on a 100% basis, taking into account fair value adjustments made by the Corporation for equity accounting purposes. A reconciliation of EM's summarized financial information to the Corporation's investment carrying value is as follows:

As at		**December 31, 2025**		**December 31, 2024**
Total current assets	**$**	**41,517,739**	$	26,826,631
Total non-current assets		**252,129,590**		190,020,662
Total current liabilities		**(90,948,567)**		(6,993,430)
Total non-current liabilities		**(108,848,032)**		(103,634,379)
Total net assets	**$**	**93,850,730**	$	106,219,484

For the year ended December 31,		**2025**		**2024**
Revenue	**$**	**43,260,771**	$	-
Net loss		**3,834,942**		6,541,648

5. Investment in associate (continued)

As at		December 31, 2025		December 31, 2024
Net assets of EM	$	**93,850,730**	$	106,219,484
Erdene Resource Development Corporation ownership		**50.00%**		50.00%
Erdene's share of EM's net assets		**46,925,365**		53,109,742
Carrying value of investment in EM		**46,925,365**		53,109,742

6. Exploration and evaluation assets

The Corporation’s exploration and evaluation assets consist of interests in the Zuun Mod and Tereg Uul properties located in Mongolia.

Erdene holds a 100% interest in the Zuun Mod property located in Bayankhongor province in Mongolia, which is comprised of a 6,041-hectare molybdenum-copper mining license, issued in 2011. Mongolian mining licenses are issued for an initial term of 30 years with two 20-year extensions possible. On July 1, 2007, the Company determined that sufficient evaluation had occurred and therefore commenced capitalizing costs incurred for the project. As such, from July 1, 2007 through to the date of these financial statements Erdene is capitalizing all exploration and evaluation costs incurred in relation to this project.

On July 2, 2025, the Corporation executed an option agreement to acquire an up to 80% ownership interest in the Tereg Uul copper-gold porphyry prospect, located approximately 10 kilometres southwest of the Oyu Tolgoi deposit in Umnugovi Province, Mongolia. Under the terms of the agreement, Erdene will invest US$300,000 in specified exploration expenditures within twelve months and make a payment of US$200,000 to the option grantor. On the first, second and third anniversaries of the option agreement, the Corporation shall make payments of US$400,000, US$500,000 and US$900,000, respectively, to the option grantor, and incur a further US$3 million in exploration expenditures. The Corporation may acquire a 51% equity ownership stake in the property between the third and fourth anniversaries through a payment of US$3 million to the option grantor. Erdene can acquire an up to 80% equity ownership stake through the investment of a total of US$10 million in exploration and evaluation expenditures, and through an additional payment of US$3 million to the option grantor, on or before the eighth anniversary of the agreement. These payments may be made in cash or shares, at the option of the Corporation. Erdene will direct all exploration activities at the property during the term of the option and may terminate the option agreement without penalty at any time.

During the year ended December 31, 2025 the Corporation capitalized $300,448 of acquisition payments to the Tereg Uul option grantor to exploration and evaluation assets (2024 - $0). As of December 31, 2025, the Corporation has not yet completed sufficient evaluation to commence capitalizing exploration and evaluation costs in accordance with its accounting policy, and as such, during the year ended December 31, 2025 the Corporation expensed $303,884 of exploration and evaluation expenditures related to the Tereg Uul project (2024 - $0).

A summary of changes in the Corporation’s Exploration and evaluation assets during the years ended December 31, 2025 and 2024 is as follows:

	December 31, 2025	December 31, 2024
Balance, January 1	**2,468,070**	1,961,506
Additions	**1,498,972**	348,887
Effect of movements in exchange rates	**(185,358)**	157,677
	3,781,684	2,468,070

7. Commitments

Royal Gold Inc. (“Royal Gold”) holds a 1% net smelter returns royalty (“NSR Royalty”) on the Altan Nar, Khundii and Ulaan licenses held by EM, that is guaranteed by the Corporation. Royal Gold has been given a right of first refusal on future stream or royalty financings related to these licenses.

Versamet Royalties Corp. holds a 1.5% NSR Royalty on Erdene’s Zuun Mod license. Erdene has the option to buy down a portion of the royalty if certain production milestones are achieved.

On February 8, 2024, Erdene and EM executed financing documents with MMC to develop the Bayan Khundii Gold Project. The financing has been structured as a shareholder loan from MMC to EM, the entity co-owned by Erdene and MMC. The shareholder loan is secured by a 50% guarantee by Erdene and Erdene’s interests in the Bayan Khundii Gold Project, including its shares of EM and net smelter return interest, as well as preferential rights over the Khundii, Altan Nar and Ulaan licenses. For so long as the loan is outstanding, MMC will be granted priority voting rights under the Strategic Alliance agreement between the parties and a right of first refusal over Erdene’s Zuun Mod project. Erdene has the right to purchase 50% of the loan and participate as a lending shareholder on the same terms as MMC for the term of the shareholder loan.

8. Income taxes

The Corporation's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to net loss before income taxes as a result of the following:

	December 31, 2025	December 31, 2024
Statutory tax rates	**29.0%**	29.0%
Income tax recovery computed at the statutory rates	**$ (2,373,000)**	$ (2,391,000)
Benefit of temporary differences not recognized	**1,447,000**	1,155,000
Expenses not deductible for tax purposes	**487,000**	525,000
Effect of foreign tax rates	**161,000**	134,000
Loss from investment in associate not recognized	**278,000**	941,000
Differences arising from gain on dilution of investment in associate	**-**	(364,000)
Provision for income taxes	**$ -**	$ -

The enacted tax rates in Canada 29.0% (2024 – 29.0%) and Mongolia 10.0% (2024 – 10.0%) where the Corporation operates are applied in the tax provision calculation.

The following table reflects the Corporation’s deferred income tax assets (liabilities):

	December 31, 2025	December 31, 2024
Non-capital losses carried forward	**$ -**	$ 407,000
Lease liabilities	**25,000**	-
Deferred income tax assets	**25,000**	407,000
Unrealized foreign exchange	**(25,000)**	(407,000)
Net deferred income tax assets (liabilities)	**$ -**	$ -

8. Income taxes (continued)

The following temporary differences, non-capital losses and capital losses, have not been recognized in the consolidated financial statements.

	December 31, 2025		
	Canada	**Mongolia**	**Total**
Non-capital losses carried forward	**$ 31,516,000**	**$ 919,000**	**$ 32,435,000**
Property, plant and equipment	**282,000**	**-**	**282,000**
Share issuance costs	**83,000**	**-**	**83,000**
Intangible assets	**378,000**	**-**	**378,000**
Exploration and evaluation assets	**26,000**	**4,009,000**	**4,035,000**
Investment in associate	**15,808,000**	**-**	**15,808,000**
	$ 48,093,000	**$ 4,928,000**	**$ 53,021,000**

	December 31, 2024		
	Canada	Mongolia	Total
Non-capital losses carried forward	$ 27,507,000	$ 148,000	$ 27,655,000
Property, plant and equipment	274,000	-	274,000
Share issuance costs	281,000	-	281,000
Intangible assets	378,000	-	378,000
Exploration and evaluation assets	-	4,361,000	4,361,000
Investment in associate	4,069,000	-	4,069,000
	$ 32,509,000	$ 4,509,000	$ 37,018,000

As at December 31, 2025, the Corporation has non-capital losses to be carried forward and applied against taxable income of future years. The non-capital losses have expiry dates as follows:

	December 31, 2025	**December 31, 2024**
2025	**-**	6,000
2026	**1,515,000**	1,509,000
2027	**2,319,000**	2,319,000
2028	**1,016,000**	-
Thereafter	**27,585,000**	25,225,000
	$ 32,435,000	$ 29,059,000

9. Share capital and contributed surplus

Effective September 2, 2025 the Corporation completed a consolidation of its issued and outstanding shares on the basis of one (1) post-consolidation common share for every six (6) pre-consolidation common shares. All disclosures of common shares, per common share data and data related to stock options and deferred share units reflect this share consolidation for all periods presented.

Authorized

An unlimited number of common shares with no par value.

Warrants

No warrants are outstanding as at December 31, 2025 and no warrants were exercised or expired during the year ended December 31, 2025. During the year ended December 31, 2024, 2,323,974 warrants were exercised generating proceeds of $5,621,680 and 1,886,733 warrants expired.

Omnibus equity incentive plan and Legacy Plans

The Corporation adopted an omnibus equity inventive plan (the "Omnibus Plan") which was approved by the shareholders of the Corporation on June 22, 2023. The Omnibus Plan provides the Corporation with share-related mechanisms, including incentive stock options, deferred share units ("DSUs"), restricted share units ("RSUs"), and performance share units ("PSUs"), to attract, retain and motivate qualified directors, employees and consultants of the Corporation and its subsidiaries. The Omnibus Plan replaced legacy plans including an incentive stock option plan and a deferred stock option plan (the "Legacy Plans"). Awards granted under these legacy plans remain in place under the terms of their initial issuance.

The Omnibus Plan is a variable plan and the aggregate number of common shares that may be issued upon the exercise or settlement of awards granted under the Omnibus Plan, together with awards outstanding under the Legacy Plans, shall not exceed 10% of the Corporation's total issued and outstanding common shares at any time.

Stock options

The Corporation's Omnibus Plan and Legacy Plans allow for the grant of options to purchase common shares of the Corporation by directors, officers, employees and consultants of the Corporation. The terms and conditions of each grant of options are determined by the Board of Directors. If there are no terms specified upon grant, options vest immediately on the grant date.

Changes in stock options during the years ended December 31, 2025 and 2024 were as follows:

	December 31, 2025			December 31, 2024		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
Outstanding at January 1	**3,740,896**	**$**	**2.10**	3,414,243	$	2.10
Granted	**612,518**		**1.88**	946,674		1.80
Expired	**-**		**-**	(69,170)		2.40
Exercised	**(1,378,175)**		**2.45**	(550,851)		1.48
Outstanding at December 31	**2,975,239**	**$**	**2.43**	3,740,896	$	2.10
Exercisable at December 31	**2,975,239**	**$**	**2.43**	3,740,896	$	2.10

9. Share capital and contributed surplus (continued)

All stock options granted in 2025 and 2024 vested immediately and have a five-year term. The following table summarizes information concerning options outstanding at December 31, 2025 and 2024.

	December 31, 2025		December 31, 2024	
Expiry date	**Number of Options**	**Exercise price**	Number of Options	Exercise price
February 11, 2025	**-**	**-**	8,334	1.62
May 13, 2025	**-**	**-**	83,335	1.32
August 27, 2025	**-**	**-**	510,010	2.94
December 1, 2025	**-**	**-**	33,334	2.28
June 23, 2026	**246,671**	**2.22**	512,512	2.22
August 18, 2026	**33,334**	**2.58**	33,334	2.58
October 28, 2026	**-**	**-**	16,667	2.58
August 9, 2027	**432,709**	**1.86**	632,516	1.86
December 30, 2027	**29,167**	**1.80**	29,167	1.80
May 9, 2028	**839,173**	**2.16**	968,347	2.16
February 12, 2029	**841,672**	**1.80**	913,340	1.80
February 3, 2030	**402,507**	**3.60**	-	-
June 25, 2030	**100,006**	**5.46**	-	-
September 24, 2030	**50,000**	**8.19**	-	-
	2,975,239	**$ 2.43**	3,740,896	$ 2.10

The fair value of each option granted is estimated at the time of grant using a Black-Scholes option pricing model with weighted-average assumptions for grants during the years ended December 31, 2025 and 2024 as follows:

	Year Ended December 31, 2025	**Year Ended December 31, 2024**
Share price at grant date	**$ 4.32**	$ 1.95
Exercise price	**$ 4.35**	$ 1.80
Risk-free interest rate	**2.6%**	3.8%
Expected life	**4.3 years**	4.6 years
Expected volatility	**53%**	54%
Expected dividends	**0.0%**	0.0%
Weighted average grant date fair value	**$ 1.88**	$ 0.99

Expected volatility is estimated considering historic average share price volatility.

Options granted in 2025 resulted in a charge of $1,152,275 to share based compensation included in exploration and evaluation expenses and in corporate and administration expenses (2024 – $939,500).

9. Share capital and contributed surplus (continued)

Deferred share units

During the year ended December 31, 2025, the Corporation granted 83,543 DSUs with an average fair value, calculated using the five-day volume weighted average price preceding the grant date, of $5.22 per DSU (2024 – 258,165 DSUs with fair value of $2.45 per DSU). The fair value of $436,033 (2024 – $633,343) was charged to share based compensation included in exploration and evaluation expenses and corporate and administration expenses. During the year, the Corporation settled 135,015 DSUs through the issuance of shares at an average value of $1.61 per DSU (2024 – 0 DSUs settled).

On the grant date, DSUs vest immediately and plan members are credited with the DSUs granted to them. Upon termination or death of the plan member, the Corporation pays the then market value of the plan member's shares either in cash or in shares, at the sole discretion of the Corporation. Since the type of payout is at the discretion of the Corporation, and the Corporation does not intend to cash settle awards under the plan, the plan is accounted for as an equity settled plan. The provisions of DSUs issued under the Omnibus Plan adopted on June 22, 2023, are consistent with those of the Legacy Plan.

The following table summarizes the continuity of DSUs for the years ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
	Number of DSUs	Number of DSUs
Outstanding at January 1	**1,665,223**	1,407,058
Granted	**83,543**	258,165
Settled for shares	**(135,015)**	-
Outstanding at December 31	**1,613,751**	1,665,223

10. Exploration and evaluation expenses

The following table summarizes exploration and evaluation expenses for the years ended December 31, 2025 and 2024:

	For the year ended December 31	
	2025	2024
Depreciation	**$ 5,622**	$ 4,227
Direct costs	**846,996**	383,557
Employee compensation costs	**2,223,645**	2,046,890
Share-based compensation	**571,500**	518,129
Amount reimbursed by associate	**(1,199,531)**	(1,100,161)
	$ 2,448,232	$ 1,852,642

The Corporation and its associate, EM, are parties to an agreement under which EM reimburses the Corporation US$1 million per annum, less applicable withholding taxes, for the provision of geologic services.

11. Corporate and administration expenses

The following table summarizes corporate and administration expenses for the years ended December 31, 2025 and 2024:

	For the year ended December 31			
		2025		**2024**
Administrative services	**$**	**1,332,226**	$	1,198,872
Financing costs		**-**		1,495,147
Investor relations and marketing		**472,714**		487,533
Office and sundry		**147,057**		122,465
Professional fees		**499,460**		379,827
Regulatory compliance and Board		**379,843**		205,650
Share-based compensation		**1,016,808**		1,054,714
Travel and accommodations		**149,852**		98,850
	$	**3,997,960**	$	5,043,058

12. Supplemental cash flow information

	For the year ended December 31			
		2025		**2024**
Change in non-cash operating working capital				
Receivables	**$**	**(304,518)**	$	(8,188)
Prepaid expenses		**(145,991)**		1,385,664
Trade and other payables		**660,094**		619,639
	$	**209,585**	$	1,997,115

13. Financial instruments

Credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying Amount			
		December 31, 2025		**December 31, 2024**
Cash and cash equivalents	**$**	**4,659,397**	$	7,298,399
Receivables		**319,428**		14,910
	$	**4,978,825**	$	7,313,309

The Corporation manages credit risk by holding the majority of its cash and cash equivalents with high quality financial institutions in Canada, where management believes the risk of loss to be low. At December 31, 2025, $159,413 or 3% of the balance of cash was held in banks outside Canada (2024 - $121,756 or 2%).

Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its

13. Financial instruments (continued)

liabilities when due, under both normal and stressed conditions. All of the Corporation's financial liabilities are expected to be settled within the next twelve months.

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Corporation invests excess cash in interest bearing savings accounts, which are subject to interest rate risk.

b) Foreign currency risk

The functional currency of the Corporation is the Canadian dollar, and the functional currency of the Corporation's subsidiary and associate is the Mongolian Tugrik. Additionally, the Corporation incurs expenses in US dollars. Fluctuations of the Canadian dollar in relation to other currencies impacts the fair value of financial assets, liabilities and operating results. Financial assets and liabilities subject to currency translation risk primarily include US dollar denominated cash and cash equivalents, receivables and trade and other payables.

The Corporation's exposure to US dollar currency risk was as follows:

		December 31, 2025		December 31, 2024
Cash and cash equivalents	**$**	**195,319**	$	414,149
Receivables		**297,108**		-
Trade and other payables		**(33,289)**		(12,461)
	$	**459,138**	$	401,688

A 10% change in the US dollar exchange rate would affect net loss and other comprehensive loss (income) and deficit by approximately $45,900 (December 31, 2024 - $40,200).

The Corporation's exposure to Mongolian Tugrik currency risk was as follows:

		December 31, 2025		December 31, 2024
Cash and cash equivalents	**$**	**21,974**	$	12,341
Receivables		**17,588**		15,043
Trade and other payables		**(15,832)**		(1,991)
	$	**23,730**	$	25,393

A 10% change in the Mongolian Tugrik exchange rate would affect net loss and other comprehensive loss (income) and deficit by approximately $2,400 (December 31, 2024 - $2,500).

c) Price risk

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

13. Financial instruments (continued)

Fair Value:

Assets and liabilities measured at fair value in the consolidated statements of financial position, or disclosed in the notes to the financial statements, are categorized using a fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets and liabilities are approximately equal to their carrying values given the short term to maturity of such instruments.

14. Related parties

The Corporation has defined key management personnel as senior executive officers, as well as the Board of Directors. The total remuneration of key management personnel and the Board of Directors was as follows:

	Year ended December 31,	
	2025	**2024**
Directors' fees and other compensation	**$ 126,200**	$ 111,000
Share-based compensation to directors	**534,450**	645,600
Executive compensation and benefits	**1,860,966**	1,677,280
Share-based compensation to key management	**427,250**	587,337
	$ 2,948,866	$ 3,021,217

15. Subsequent event

On February 5, 2026, the Corporation announced the close of a bought deal private placement offering of 3,230,000 common shares at a price of $8.90 per common share for gross proceeds of $28,747,000. The private placement was conducted pursuant to an underwriting agreement between Paradigm Capital Inc. and National Bank Financial Inc., as co-lead underwriters and joint bookrunners, and BMO Capital Markets and the Corporation.