



## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2022, and 2021

*(Canadian dollars)*  
*(Unaudited)*

Prepared by management – See Notice to Reader

## NOTICE TO READER

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Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice to this effect. These unaudited condensed consolidated interim financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed consolidated interim statements of financial position of Erdene Resource Development Corporation as at September 30, 2022, and December 31, 2021, and the unaudited condensed consolidated interim statements of comprehensive loss, changes in equity and cash flows for the three and nine months ended September 30, 2022, and 2021. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2022, and 2021 condensed consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Condensed Consolidated Interim Statements of Financial Position

(Canadian dollars)

(Unaudited)

	Notes	September 30, 2022	December 31, 2021
<b>Assets</b>			
Cash and cash equivalents		\$ 2,980,543	\$ 7,063,051
Receivables		52,323	23,784
Prepaid expenses		1,336,575	1,012,450
Current assets		4,369,441	8,099,285
Exploration and evaluation assets	6	42,844,131	37,928,453
Right-of-use assets	7	90,840	143,200
Property, plant and equipment	8	480,219	373,379
Non-current assets		43,415,190	38,445,032
<b>Total Assets</b>		<b>\$ 47,784,631</b>	<b>\$ 46,544,317</b>
<b>Liabilities and Equity</b>			
Trade and other payables		\$ 640,442	\$ 660,456
Lease liabilities	7	69,323	65,560
Current liabilities		709,765	726,016
Lease liabilities	7	31,295	86,281
Non-current liabilities		31,295	86,281
<b>Total Liabilities</b>		<b>741,060</b>	<b>812,297</b>
<b>Shareholders' Equity</b>			
Share capital	10	\$ 151,727,982	\$ 145,153,510
Contributed surplus	10	27,977,681	26,648,556
Accumulated other comprehensive loss		(4,709,062)	(3,026,358)
Deficit		(127,953,030)	(123,043,688)
<b>Total Shareholders' Equity</b>		<b>47,043,571</b>	<b>45,732,020</b>
<b>Total Liabilities and Equity</b>		<b>\$ 47,784,631</b>	<b>\$ 46,544,317</b>

Commitments (Note 9)

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

Approved on behalf of the Board:

Signed "John P. Byrne"

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Director

Signed "Kenneth W. MacDonald"

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Director

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Condensed Consolidated Interim Statements of Comprehensive Loss

(Canadian dollars)

(Unaudited)

	Notes	For the three months ended		For the nine months ended	
		September 30,		September 30,	
		2022	2021	2022	2021
<b>Operating Expenses</b>					
Exploration and evaluation	11	\$ 1,155,249	\$ 1,365,839	\$ 3,148,957	\$ 2,248,744
Corporate and administration	12	870,287	565,092	1,791,332	1,594,223
Loss from operating activities		2,025,536	1,930,931	4,940,289	3,842,967
Finance income		(26,588)	(10,957)	(37,858)	(47,565)
Interest expense		2,524	1,602	9,039	5,200
Foreign exchange loss (gain)		(21,034)	14,222	(2,128)	30,802
<b>Net Loss</b>		<b>\$ 1,980,438</b>	<b>\$ 1,935,798</b>	<b>\$ 4,909,342</b>	<b>\$ 3,831,404</b>
Other comprehensive loss (gain):					
Foreign currency translation difference					
arising on translation of foreign subsidiaries		(68,953)	(452,098)	1,682,704	3,355
<b>Other comprehensive loss</b>		<b>(68,953)</b>	<b>(452,098)</b>	<b>1,682,704</b>	<b>3,355</b>
<b>Total comprehensive loss</b>		<b>\$ 1,911,485</b>	<b>\$ 1,483,700</b>	<b>\$ 6,592,046</b>	<b>\$ 3,834,759</b>
Basic and diluted loss per share		\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.01
Basic weighted average number of shares outstanding		314,830,239	274,300,800	301,288,696	270,627,645

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

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Condensed Consolidated Interim Statements of Changes in Equity

(Canadian dollars)

(Unaudited)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
<b>Balance at January 1, 2021</b>		268,450,433	\$ 136,618,086	\$ 25,937,667	\$ (2,964,666)	\$ (117,473,165)	\$ 42,117,922
<b>Total comprehensive loss for the period:</b>							
Net loss		-	-	-	-	(3,831,404)	(3,831,404)
Other comprehensive loss		-	-	-	(3,355)	-	(3,355)
Options exercised	10	900,000	492,275	(173,875)	-	-	318,400
Warrants exercised	10	5,803,750	1,876,407	(135,282)	-	-	1,741,125
Share-based compensation		-	-	988,538	-	-	988,538
<b>Total transactions with owners</b>		6,703,750	2,368,682	679,381	-	-	3,048,063
<b>Balance at September 30, 2021</b>		275,154,183	\$ 138,986,768	\$ 26,617,048	\$ (2,968,021)	\$ (121,304,569)	\$ 41,331,226
<b>Balance at January 1, 2022</b>		294,379,845	\$ 145,153,510	\$ 26,648,556	\$ (3,026,358)	\$ (123,043,688)	\$ 45,732,020
<b>Total comprehensive loss for the period:</b>							
Net loss		-	-	-	-	(4,909,342)	(4,909,342)
Other comprehensive loss		-	-	-	(1,682,704)	-	(1,682,704)
Private placements, net of share issue costs	10	23,933,687	6,551,072	413,713	-	-	6,964,785
Options exercised	10	60,000	23,400	(6,300)	-	-	17,100
Share-based compensation		-	-	921,712	-	-	921,712
<b>Total transactions with owners</b>		23,993,687	6,574,472	1,329,125	-	-	7,903,597
<b>Balance at September 30, 2022</b>		318,373,532	\$ 151,727,982	\$ 27,977,681	\$ (4,709,062)	\$ (127,953,030)	\$ 47,043,571

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

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Condensed Consolidated Interim Statements of Cash Flows

(Canadian dollars)

(Unaudited)

	Notes	For the three months ended		For the nine months ended	
		September 30,		September 30,	
		2022	2021	2022	2021
<b>Cash flows from (used in) operating activities:</b>					
Net loss		\$ (1,980,438)	\$ (1,935,798)	(4,909,342)	\$ (3,831,404)
Items not involving cash:					
Depreciation and amortization		34,965	17,904	100,557	51,618
Share-based compensation		763,718	298,375	921,712	988,538
Finance income		(26,588)	(10,957)	(37,858)	(47,565)
Foreign exchange not related to cash		(21,034)	14,222	(2,128)	30,802
Change in non-cash operating working capital		(519,363)	(138,892)	(382,735)	(328,935)
Cash flows used in operating activities		(1,748,740)	(1,755,146)	(4,309,794)	(3,136,946)
<b>Cash flows from (used in) financing activities:</b>					
Issue of common shares, net of issue costs		6,964,785	-	6,964,785	-
Proceeds on exercise of stock options	10	-	-	17,100	318,400
Proceeds on exercise of warrants	10	-	1,222,875	-	1,741,125
Repayment of lease liability		(16,023)	(7,029)	(46,844)	(20,691)
Cash flows from financing activities		6,948,762	1,215,846	6,935,041	2,038,834
<b>Cash flows from (used in) investing activities:</b>					
Expenditures on exploration and evaluation assets	6	(2,612,643)	(2,135,342)	(6,555,922)	(6,871,310)
Expenditures on property, plant and equipment	8	(69,297)	(63,486)	(185,837)	(99,127)
Interest received		26,588	10,957	37,858	47,565
Cash flows used in investing activities		(2,655,352)	(2,187,871)	(6,703,901)	(6,922,872)
Effect of exchange rate changes on cash balances		40,414	(12,545)	(3,854)	(19,984)
Increase (decrease) in cash and cash equivalents		2,585,084	(2,739,716)	(4,082,508)	(8,040,968)
Cash and cash equivalents, beginning of period		395,459	7,499,476	7,063,051	12,800,728
Cash and cash equivalents, end of period		\$ 2,980,543	\$ 4,759,760	2,980,543	\$ 4,759,760

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

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2022, and 2021

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### 1. Nature of operations:

Erdene Resource Development Corporation (“Erdene” or the “Corporation”) 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. 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.

In August 2020, Erdene completed a Feasibility Study for its Bayan Khundii Gold Project, titled “Bayan Khundii Gold Project Feasibility Study, NI 43-101 Technical Report”. The continued operation of the Corporation and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Corporation to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of one or more of the properties.

### 2. Going Concern

These condensed consolidated interim 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 considers 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 experienced significant losses and negative cash flows from operations for the interim period ended September 30, 2022 and the years ended December 31, 2021 and 2020 and had a deficit of \$127,953,030 at September 30, 2022. The Corporation had working capital of \$3,659,676 at September 30, 2022, compared to working capital of \$7,373,269 at December 31, 2021, representing a \$3,713,593 decrease. Management estimates current working capital is sufficient to fund the Corporation’s planned expenditures into the first quarter of 2023. 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 and evaluation programs is contingent upon securing equity or other forms of 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 and evaluation 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 expenses, and the statement of financial position classifications used.

### 3. Basis of presentation

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022 (the “Interim Financial Statements”) have been prepared in accordance with IAS 34 – Interim Financial Reporting. The Interim Financial Statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2021 (“Annual Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed consolidated interim financial statements were authorized for issue on behalf of the Board of Directors on November 2, 2022.

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2022, and 2021

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### 4. Seasonality

The corporation's business experiences a seasonal pattern in which exploration expenditures and investments in exploration and evaluation assets are concentrated in the second and third quarters of the year due to weather conditions in Mongolia.

### 5. Changes in accounting policies

Erdene has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2022. These changes were made in accordance with applicable transitional provisions.

#### IAS 16 – Property, Plant and Equipment

The Corporation adopted the amendment to IAS 16 Property, Plant and Equipment, issued on May 14, 2020, by the IASB, that prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The application of the amendment has been made on a prospective basis and did not have an impact on the Corporation.

#### IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

The Corporation adopted the amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued on May 14, 2020, by the IASB, specifying which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The application of the amendment has been made on a prospective basis and did not have an impact on the Corporation.

#### IFRS 9 – Financial Instruments

The Corporation adopted the amendment to IFRS 9 Financial Instruments, issued on May 14, 2020, by the IASB, clarifying which fees to include in the test in assessing whether to derecognize a financial liability. The application of the amendment has been made on a prospective basis and did not have an impact on the Corporation.

#### *New and revised accounting standards not yet adopted*

The IASB issued the following new and revised standards that have not been applied in preparing these condensed consolidated interim financial statements as their effective date falls within annual periods beginning subsequent to the current reporting period.

#### IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or noncurrent depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023, and are to be applied retrospectively, with early adoption permitted. The Corporation is currently assessing the financial impact of the amendments and the application of such amendments is not expected to have a material impact.



# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2022, and 2021

### 6. Exploration and evaluation assets

	Bayan Khundii	Altan Nar	Ulaan	Zuun Mod & Other	Total
Balance, January 1, 2021	\$ 22,850,206	\$ 3,827,267	\$ 1,799,625	\$ 887,057	\$ 29,364,155
Additions	8,126,412	428,052	1,716	89,847	8,646,027
Effect of movements in exchange rates	(65,619)	(9,018)	(3,841)	(3,251)	(81,729)
Balance, December 31, 2021	\$ 30,910,999	\$ 4,246,301	\$ 1,797,500	\$ 973,653	\$ 37,928,453
Balance, January 1, 2022	\$ 30,910,999	\$ 4,246,301	\$ 1,797,500	\$ 973,653	\$ 37,928,453
Additions	6,264,092	236,753	1,726	53,351	6,555,922
Effect of movements in exchange rates	(1,351,635)	(162,998)	(65,893)	(59,718)	(1,640,244)
Balance, September 30, 2022	\$ 35,823,456	\$ 4,320,056	\$ 1,733,333	\$ 967,286	\$ 42,844,131

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 three years and, through renewals, can be extended to a maximum of twelve years. 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 annual license fees.

#### Bayan Khundii Gold Project

The Bayan Khundii Gold Project is located in Bayankhongor province in Mongolia and is comprised of the 2,309-hectare Khundii mining license, issued in August 2019, from the Mineral Resource and Petroleum Authority of Mongolia, through the conversion of a portion of its legacy Khundii exploration license. The Khundii mining license includes the Bayan Khundii Resources and Reserves reported in "Bayan Khundii Gold Project Feasibility Study NI 43-101 Technical Report", dated August 31, 2020, and prepared by Roma Oil and Mining Associates Limited. The Corporation is currently completing construction readiness activities on the project in advance of a decision to proceed to construction, anticipated in early 2023. Additionally, the mining license includes Erdene's highly prospective Dark Horse target.

#### Altan Nar Gold Project

The Altan Nar Gold Project is located in Bayankhongor province in Mongolia, approximately 16km north of Erdene's Bayan Khundii Gold Project. Erdene received the 4,669-hectare Altan Nar mining license including the Altan Nar gold, silver, lead and zinc resource, on March 5, 2020, from the Mineral Resource and Petroleum Authority of Mongolia, through the conversion of its legacy Tsenkher Nomin exploration license.

#### Ulaan

The Ulaan exploration license covers an area of approximately 1,780 hectares, immediately west of the Khundii mining license. The exploration license is in its eighth year of a maximum 12-year term and 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.

#### Zuun Mod Copper & Molybdenum Resource & Other

The Zuun Mod property is located in Bayankhongor province in Mongolia and is comprised of a 6,041-hectare molybdenum-copper Mining License. The mining license was issued in 2011. The Zuun Mod molybdenum-copper deposit has significant potential for development provided molybdenum prices remain strong. In late 2021, the Corporation completed a strategic and economic review of the property in light of rising commodity prices which confirmed the potential viability of the property. The Corporation will continue to evaluate its options in light of technological and market factors.

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2022, and 2021

### 7. Leases

The Corporation entered a five-year lease for its head office, with an effective date of September 1, 2019. Additionally, the Corporation entered a two-year lease for office space in Mongolia, with an effective date of October 1, 2021. These leases are reflected on the balance sheet as right-of-use assets, with associated lease liabilities. The discount rates applied to the leases are 7% and 15%, respectively.

Additional information on the right-of-use assets is as follows:

Balance, January 1, 2021	\$	107,693
Additions		74,640
Depreciation		(38,703)
Effect of movements in exchange rates		(430)
<b>Balance, December 31, 2021</b>	<b>\$</b>	<b>143,200</b>
Balance, January 1, 2022	\$	143,200
Additions		-
Depreciation		(48,085)
Effect of movements in exchange rates		(4,275)
<b>Balance, September 30, 2022</b>	<b>\$</b>	<b>90,840</b>

The maturity analysis of the lease liabilities at September 30, 2022, is as follows:

	<b>Within 1 year</b>	<b>1 - 2 years</b>	<b>Total</b>
Lease payments	\$ 74,827	\$ 32,117	\$ 106,944
Finance charges	(5,504)	(822)	(6,326)
<b>Total liabilities</b>	<b>\$ 69,323</b>	<b>\$ 31,295</b>	<b>\$ 100,618</b>

The Corporation also has leases for office space, staff accommodation and storage in Mongolia with initial lease terms of less than 12 months. The Corporation has elected not to apply the requirements of IFRS 16 to these leases and the Corporation expenses lease payments for these facilities as incurred, totaling \$73,502 during the nine months ended September 30, 2022 (2021 – \$48,332).

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2022, and 2021

### 8. Property, plant and equipment

	Vehicles	Equipment, furniture & fixtures	Software & computers	Total
<b>Cost</b>				
Balance, January 1, 2021	\$ 131,748	\$ 191,144	\$ 223,953	\$ 546,845
Additions	-	139,997	39,332	179,329
Disposals	-	(3,800)	(137,555)	(141,355)
Effect of movements in exchange rates	(905)	(1,019)	160	(1,764)
<b>Balance, December 31, 2021</b>	<b>\$ 130,843</b>	<b>\$ 326,322</b>	<b>\$ 125,890</b>	<b>\$ 583,055</b>
<b>Depreciation &amp; depletion</b>				
Balance, January 1, 2021	\$ (21,586)	\$ (86,568)	\$ (199,260)	\$ (307,414)
Depreciation	(12,970)	(15,792)	(15,047)	(43,809)
Disposals	-	3,800	137,555	141,355
Effect of movements in exchange rates	33	76	83	192
<b>Balance, December 31, 2021</b>	<b>\$ (34,523)</b>	<b>\$ (98,484)</b>	<b>\$ (76,669)</b>	<b>\$ (209,676)</b>
<b>Carrying amounts</b>				
At December 31, 2021	\$ 96,320	\$ 227,838	\$ 49,221	\$ 373,379

	Vehicles	Equipment, furniture & fixtures	Software & computers	Total
<b>Cost</b>				
Balance, January 1, 2022	\$ 130,843	\$ 326,322	\$ 125,890	\$ 583,055
Additions	-	161,350	24,487	185,837
Effect of movements in exchange rates	(8,915)	(21,441)	(3,925)	(34,281)
<b>Balance, September 30, 2022</b>	<b>\$ 121,928</b>	<b>\$ 466,231</b>	<b>\$ 146,452</b>	<b>\$ 734,611</b>
<b>Depreciation &amp; depletion</b>				
Balance, January 1, 2022	\$ (34,523)	\$ (98,484)	\$ (76,669)	\$ (209,676)
Depreciation	(9,306)	(22,075)	(21,090)	(52,471)
Effect of movements in exchange rates	2,514	3,180	2,061	7,755
<b>Balance, September 30, 2022</b>	<b>\$ (41,315)</b>	<b>\$ (117,379)</b>	<b>\$ (95,698)</b>	<b>\$ (254,392)</b>
<b>Carrying amounts</b>				
At September 30, 2022	\$ 80,613	\$ 348,852	\$ 50,754	\$ 480,219

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2022, and 2021

### 9. Commitments

Sandstorm Gold Ltd. (“Sandstorm”) holds a 1% net smelter returns royalty (“NSR Royalty”) on Erdene’s Altan Nar, Khundii and Ulaan licenses. Sandstorm has been given a right of first refusal on future stream or royalty financings related to these licenses.

The Zuun Mod License is subject to a 1.5% NSR Royalty. Erdene has the option to buy down a portion of the royalty if certain production milestones are achieved.

### 10. Share capital and contributed surplus

#### Authorized

An unlimited number of common shares with no par value.

#### Issued

On August 4, 2022, the Corporation completed the final close of a non-brokered private placement equity financing for gross proceeds to the Corporation of \$7,180,106. The Corporation issued an aggregate of 23,933,687 units of the Corporation (the “Units”) at a price of \$0.30 per Unit. Each Unit consisted of one common share and one-half (½) of one common share purchase warrant (each whole warrant, a “Warrant”). Warrants are exercisable by the holder into one common share of the Company within two years of the closing date, at a price of \$0.45. Erdene paid finder’s fees in the aggregate of \$151,048 and issued 236,826 finder’s warrants in connection with the financing. In addition, the Corporation incurred \$64,273 in share issue costs, resulting in net proceeds of \$6,964,785.

#### Warrants

The following table summarizes the continuity of the warrants for the nine months ended September 30, 2022, and 2021:

	September 30, 2022		September 30, 2021	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at January 1	44,845,052	\$ 0.60	75,097,796	\$ 0.55
Issued	12,203,670	0.45	-	0.30
Exercised	-	-	(5,803,750)	0.30
Expired	(44,845,052)	0.60	(22,599,194)	0.55
Outstanding at September 30	12,203,670	\$ 0.45	46,694,852	\$ 0.59
Exercisable at September 30	12,203,670	\$ 0.45	46,694,852	\$ 0.59

The warrants outstanding at September 30, 2022, expire between July 8, 2024 and August 4, 2024.

#### Stock options

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

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2022, and 2021

### 10. Share capital and contributed surplus (continued)

The changes in stock options during the nine months ended September 30, 2022, and 2021 were as follows:

	September 30, 2022		September 30, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	15,855,000	\$ 0.45	13,790,000	\$ 0.46
Granted	4,180,000	0.31	3,825,000	0.38
Expired	(2,595,000)	0.87	(960,000)	0.36
Exercised	(60,000)	0.29	(900,000)	0.35
Outstanding at September 30	17,380,000	\$ 0.36	15,755,000	\$ 0.45
Exercisable at September 30	17,380,000	\$ 0.36	15,755,000	\$ 0.45

#### Deferred share units

In 2013, the Corporation adopted a deferred share unit (“DSU”) plan to align the long-term incentive compensation of certain officers, directors and senior management with the drivers of long-term shareholder value. Under the Erdene DSU plan, the Corporation may grant DSUs to eligible plan members in such number and at such times as is determined by the Board of Directors as a bonus or in respect of services rendered by the plan member or otherwise as compensation. 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 following tables summarize the continuity and five-day volume weighted average price at grant date of DSUs for the nine months ended September 30, 2022, and 2021:

	September 30, 2022,	September 30, 2021
	Number of DSUs	Number of DSUs
Outstanding at January 1	6,103,362	5,032,836
Granted	958,301	893,504
Outstanding at September 30	7,061,663	5,926,340

  

	Nine Months Ended	Nine Months Ended
	September 30, 2022	September 30, 2021
Five day volume weighted average price at grant date	\$ 0.32	\$ 0.38

#### Share-based compensation

For the nine months ended September 30, 2022, the Corporation charged a total of \$921,712 of stock-based compensation expense to the statement of comprehensive loss (2021 – \$988,538), reflecting the fair value of stock options and DSUs issued, as detailed above.

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2022, and 2021

### 11. Exploration and evaluation expenses

The following table summarizes exploration and evaluation expenses for the three and nine months ended September 30, 2022, and 2021:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Depreciation & amortization	\$ 25,206	\$ 8,540	\$ 71,917	\$ 23,709
Direct costs	554,730	1,028,533	2,106,940	1,473,168
Employee compensation costs	207,482	198,901	562,796	332,232
Share-based compensation	367,831	129,865	407,304	419,635
	<b>\$ 1,155,249</b>	<b>\$ 1,365,839</b>	<b>\$ 3,148,957</b>	<b>\$ 2,248,744</b>

### 12. Corporate and administration expenses

The following table summarizes corporate and administration expenses for the three and nine months ended September 30, 2022, and 2021:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Administrative services	\$ 258,936	\$ 209,109	\$ 552,817	\$ 412,938
Depreciation and amortization	9,526	9,369	28,573	27,905
Directors fees and expenses	25,250	29,458	94,504	80,381
Investor relations and marketing	33,576	54,702	100,885	169,176
Office and sundry	26,098	22,570	76,580	70,218
Professional fees	100,211	57,172	266,325	184,492
Regulatory compliance	13,796	12,925	114,353	77,622
Share-based compensation	395,887	168,510	514,408	568,903
Travel and accommodations	7,007	1,277	42,887	2,588
	<b>\$ 870,287</b>	<b>\$ 565,092</b>	<b>\$ 1,791,332</b>	<b>\$ 1,594,223</b>

### 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	
	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 2,980,543	\$ 7,063,051
Receivables	52,323	23,784
	<b>\$ 3,032,866</b>	<b>\$ 7,086,835</b>

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2022, and 2021

### 13. Financial instruments (continued)

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 September 30, 2022, \$144,686 or 5% of the balance of cash was held in banks outside Canada (December 31, 2021 - \$270,113 or 3%).

#### 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 liabilities when due, under both normal and stressed conditions.

#### 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

As of September 30, 2022, the Corporation has no interest-bearing debt and is not exposed to significant 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 subsidiaries is the Mongolian tugrik. Additionally, the Corporation incurs expenses in US dollars. Consequently, 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, accounts payable and accrued liabilities, as well as the Corporation's net investment in its Mongolian subsidiaries. The Corporation maintains US dollar bank accounts in Canada.

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

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 165,053	\$ 3,373,167
Trade and other payables	(175,415)	(334,937)
	\$ (10,362)	\$ 3,038,230

A 10% change in the US dollar exchange rate would affect net and comprehensive loss and deficit by approximately \$1,000 (December 31, 2021 - \$303,800).

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

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 24,539	\$ 19,012
Trade and other receivables	45,300	19,198
Trade and other payables	(40,144)	(99,422)
	\$ 29,695	\$ (61,212)

# ERDENE RESOURCE DEVELOPMENT CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and nine months ended September 30, 2022, and 2021

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### 13. Financial instruments (continued)

A 10% change in the Mongolian Tugrik exchange rate would affect net and comprehensive loss and deficit by approximately \$3,000 (December 31, 2021 - \$6,100).

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 significant revenues.

### 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:

	Nine months ended September 30,	
	2022	2021
Directors' fees and other compensation	\$ 93,750	\$ 92,663
Share-based compensation to directors	255,625	247,000
Executive compensation and benefits	1,163,036	989,498
Share-based compensation to executives	311,598	270,869
	<b>\$ 1,824,009</b>	<b>\$ 1,600,030</b>