



**ERDENE RESOURCE  
DEVELOPMENT CORPORATION**

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

Meeting Date: Tuesday, June 14, 2016 at 5:30 p.m.

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

May 11, 2016

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

**NOTICE OF ANNUAL & SPECIAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN THAT:

The annual & special meeting ("**Meeting**") of the shareholders ("**Shareholders**") of Erdene Resource Development Corporation ("**Corporation**") will be held at Purdy's Wharf Tower II, 1969 Upper Water Street, Suite 1300, Halifax, Nova Scotia, on Tuesday, June 14, 2016 at 5:30 p.m. (Atlantic Time) for the following purposes:

- (a) to receive the financial statements of the Corporation for the year ended December 31, 2015, together with the report of the auditor thereon, copies of which were mailed to Shareholders;
- (b) to elect directors of the Corporation for the forthcoming year;
- (c) to appoint the auditor of the Corporation for the forthcoming year and to authorize the directors to fix the auditor's remuneration;
- (d) to approve all unallocated options issuable under the Corporation's incentive stock option plan; and
- (e) to transact such further and other business as may properly come before the Meeting or any adjournment thereof.

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

Only Shareholders of record as of the close of business on May 10, 2016 are entitled to receive notice of the Meeting and, except as noted in the attached Circular, to vote at the Meeting.

To assure your representation at the Meeting as a **Registered Shareholder**, please complete, sign, date and return the enclosed proxy, whether or not you plan to personally attend. Sending your proxy will not prevent you from voting in person at the Meeting. All proxies completed by Registered Shareholders must be received by the Corporation's transfer agent, **Computershare Investor Services Inc.**, not later than **Friday, June 10, 2016 at 5:30 p.m.** (Atlantic Time). A Registered Shareholder must return the completed proxy to Computershare Investor Services Inc., as follows:

- (a) by **mail** in the enclosed envelope;
- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

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

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

DATED at Dartmouth, in the Halifax Regional Municipality, Nova Scotia, this 11<sup>th</sup> day of May, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

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

**ERDENE RESOURCE DEVELOPMENT CORPORATION**

**MANAGEMENT INFORMATION CIRCULAR**

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**ERDENE RESOURCE DEVELOPMENT CORPORATION**  
**MANAGEMENT INFORMATION CIRCULAR**  
**(As at May 11, 2016, except as indicated)**

**INFORMATION REGARDING ORGANIZATION AND CONDUCT OF MEETING**

**THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY OR ON BEHALF OF THE MANAGEMENT OF ERDENE RESOURCE DEVELOPMENT CORPORATION ("Corporation")** for use at the annual and special meeting of shareholders of the Corporation ("**Shareholders**") to be held at Purdy's Wharf Tower II, 1969 Upper Water Street, Suite 1300, Halifax, Nova Scotia, on Tuesday, June 14, 2016 at 5:30 p.m. (Atlantic Time), or at any adjournment thereof ("**Meeting**"), for the purposes set forth in the accompanying notice of meeting ("**Notice of Meeting**").

**Solicitation of Proxies**

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

**Appointment and Revocation of Proxies**

*General*

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

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

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

*Registered Shareholders*

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

Proxies must be received by the Corporation's transfer agent, **Computershare Investor Services Inc.**, not later than **Friday, June 10, 2016 at 5:30 p.m. (Atlantic Time)**. A Registered Shareholder must return the completed proxy to Computershare Investor Services Inc., as follows:

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

- (b) by the **Internet** or **telephone** as described on the enclosed proxy; or
- (c) by **registered mail**, by **hand** or by **courier** to the attention of Computershare Proxy Department, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

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

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

#### *Non-Registered Shareholders*

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

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

#### *Meeting Materials Received by OBOs from Intermediaries*

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

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

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

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

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

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

#### ***Meeting Materials Received by NOBOs from the Corporation***

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

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

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

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

#### **Notice-and-Access**

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

#### **Exercise of Proxies**

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

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

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

### **Voting Shares**

The authorized capital of the Corporation consists of an unlimited number of Common Shares, of which 115,185,163 are issued and outstanding as of the date hereof.

The board of directors of the Corporation ("**Board of Directors**" or "**Board**") has fixed the record date for the Meeting as the close of business on May 10, 2016 ("**Record Date**"). Only Shareholders as of the close of business on the Record Date will be entitled to vote at the Meeting, provided that a Shareholder that produces satisfactory evidence no later than 10 days before the Meeting that such Shareholder owns Common Shares and demands that such Shareholder's name be included on the list of Shareholders entitled to vote at the Meeting shall be entitled to vote at the Meeting. Shareholders entitled to vote shall have one vote each on a show of hands and one vote per Common Share on a poll.

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

### **Principal Shareholders**

As of the date hereof, to the knowledge of the directors and executive officers of the Corporation, the only person or company to beneficially own, or exercise control or direction over, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all outstanding Common Shares of the Corporation, is Teck Resources Limited, which owns 13,040,596 Common Shares or 11.32% of the issued and outstanding Common Shares of the Corporation.

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

No person who has been a director or executive officer of the Corporation since January 1, 2015 nor any proposed nominee for election as a director, nor any associate of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities of the Corporation or otherwise, in matters to be acted upon at the Meeting other than the election of directors and as directors and officers they are eligible to receive grants of options under the Plan.

### **BUSINESS TO BE TRANSACTED AT THE MEETING**

#### **Presentation of Financial Statements**

The financial statements of the Corporation, the auditor's report thereon and management's discussion and analysis for the financial year ended December 31, 2015 will be presented to the Shareholders at the Meeting.

#### **Election of Directors**

The Articles of Incorporation of the Corporation provide that the size of the Board of Directors must consist of not less than three directors and not more than ten directors to be elected annually. The Corporation's by-laws provide that the size of the Board of Directors is to be determined by the Board of Directors. The Board is presently comprised of six (6) directors. The Board has determined that, in the forthcoming year, the business of the Corporation may be best conducted by a Board of Directors consisting of eight (8) directors and has fixed the size of the Board to eight (8) effective at the close of the Meeting. The Board is authorized to appoint up to one-third (1/3) of the number of directors elected at the previous annual general meeting of Shareholders.

Each of the persons named in the list which follows, other than Dr. Anna G. Biolik and David V. Mosher, is currently a director of the Corporation. Mr. Mosher has been a strategic advisor to the Corporation since January 2016. All of the proposed nominees are, in the opinion of management, well qualified to direct the Corporation's activities for the ensuing year and they have all confirmed their willingness to serve as directors, if elected. The term of office of each director elected will be until the next annual meeting of the Shareholders or until the position is otherwise vacated.

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

<b>Name, Province and Country of Residence</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Position(s) with the Corporation</b>	<b>Common Shares Owned, Controlled or Directed<sup>(6)</sup></b>
Peter C. Akerley <sup>(1)(5)</sup> Nova Scotia, Canada	President and Chief Executive Officer of the Corporation	February 25, 2003	President, Chief Executive Officer and Director, and Co-Managing Director of a Subsidiary of the Corporation	906,599
Dr. Anna G. Biolik British Columbia, Canada	Vice-President and Chief Executive Officer, Allam Advisory Group (a global business strategy and commercial diplomacy consulting firm)	N/A	N/A	Nil
William B. Burton <sup>(2)(3)(4)(5)</sup> Nova Scotia, Canada	Retired geologist; director of three public companies	February 25, 2003	Director	747,800
John P. Byrne <sup>(3)(4)</sup> Ontario, Canada	President, Petroleum Corporation of Canada Exploration Ltd. (an oil production company) and Petroleum Corporation of Canada Limited (an investment holding company)	August 25, 2004	Director	4,562,107
J.C. (Chris) Cowan <sup>(1)(5)</sup> Ontario, Canada	Chairman of the Board of the Corporation	February 25, 2003	Chairman of the Board, Director and a Managing Director of the Corporation's Mongolian Subsidiaries	1,183,500
T. Layton Croft <sup>(2)(4)</sup> South Carolina, USA	Self-employed; Independent consultant and contractor	July 2, 2015	Director	185,000
David V. Mosher Nova Scotia, Canada	Retired; Independent director of five public companies	N/A	N/A	321,500
Philip L. Webster <sup>(2)(3)</sup> Quebec, Canada	President, Imperial Windsor Group Inc. (an investment holding company)	June 14, 2006	Director	2,574,000

Notes:

- (1) Member of the Pre-Clearance Committee.
- (2) Member of the Corporate Governance and Disclosure Policy Committee.
- (3) Member of the Audit Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Technical Committee.
- (6) The information as to security holdings was provided by the nominees as of May 11, 2016.



**Peter C. Akerley** – Mr. Akerley has over 25 years of experience in mineral exploration, corporate financing, project development and management of publicly listed resource companies. He is one of the founders and principals of the Corporation and has been its President and Chief Executive Officer since March 2003. Since November 2012, Mr. Akerley has also been the chair of Morien Resources Corp. ("**Morien**"), a company listed on the TSX Venture Exchange ("**TSX-V**"), where he has been involved in the sale of the Donkin Coal and Black Point Aggregate Projects, converting those interests into royalties. He also pioneered Morien's involvement as the founding and lead sponsor of the very successful Catapult leadership program in Nova Scotia. Mr. Akerley is a geologist who has worked extensively in foreign jurisdictions throughout his career, predominately in North and South America and Asia, with a focus on Mongolia, where he has led the technical team through the confirmation of a major molybdenum and copper deposit, the discovery and definition of the Altan Nar gold deposit and recent discovery of the Bayan Khundii gold project. He has extensive experience in corporate mergers and acquisitions, joint venture arrangements and financings, leading the Corporation and its subsidiaries through more than 20 such business arrangements since taking the Corporation public in 2004. Mr. Akerley served on the Board and Special Committee of Temex Resources Corporation (TSX-V), advising on the sale of the company to Lakeshore Gold. Mr. Akerley has a BSc (1988) from Saint Mary's University in Halifax, specializing in geology and completed the Institute of Corporate Directors Audit Committee Effectiveness course in December 2012. He is also a director of Barisan Gold Corp. (TSX-V).

**Dr. Anna G. Biolik** – Dr. Biolik has over 30 years of public and private sector experience and is one of the foremost Canadian experts on Central Asian business and diplomacy. From 2010 to 2012, Dr. Biolik occupied the position of the Regional Director, Pacific Region, Foreign Affairs and International Trade Canada. In 2012, Dr. Biolik retired from the federal public service. Since 2014, she has been working as independent consultant and Vice-President and Chief Executive Officer of Allam Advisory Group, a global business strategy and commercial diplomacy consulting firm. She was Canada's first resident Ambassador in Mongolia where she opened a full-fledged Canadian Embassy in 2008. Dr. Biolik previously served as Ambassador of Canada to Kazakhstan, Kyrgyzstan and Tajikistan as well as Consul General of Canada in St. Petersburg, Russian Federation. She also served as Senior Advisor for international relations and parliamentary affairs to the Governor General of Canada and as European Marketing Manager for Canada Post, Senior Manager at Investment Partnerships Canada and Director of the International Business Opportunities Centre. Dr. Biolik has extensive expertise in international commerce and has closely worked with Canadian companies in emerging markets. Dr. Biolik currently serves as external member of the Program and Research Council at Royal Roads University in Victoria, BC and as Canadian Board Director to the North America-Mongolia Business Council. Dr. Biolik is also member of the Institute of Public Administration of Canada. She holds a Ph.D. from the University of Montreal and is fluent in English, French, Russian and Polish.

**William B. Burton** – Mr. Burton was the president of Bedford Resources Management Inc., which he founded in 1990 to provide geological consulting and public company management to the natural resource industry. Mr. Burton graduated with an Honours Bachelor of Sciences (BSc) in Geology from Dalhousie University in Halifax in 1973. He was a founder and is currently a director of Adex Mining Inc. (TSX-V) which is developing the polymetallic Mount Pleasant mine in New Brunswick. Mr. Burton is also currently a director of CWN Mining Acquisition Corporation (TSX-V), a mineral exploration company. He has held executive positions in various publicly traded companies in Canada involved in mineral exploration and development around the globe. With over 40 years experience in the minerals sector, Mr. Burton has both hands on experience as a geologist and as an executive. From 1996 to 1998 he was the Vice-President of Exploration of International Pursuit evaluating gold properties in Asia, including Mongolia, and was President of Mongolian Goldfields Corporation from 1996 to 1997. Most recently, as President, CEO and founder of MagIndustries Corp., he led the completion of feasibility studies to develop a solution potash mine operation after many years of exploration and development of the extensive carnallite deposits in the Republic of Congo. Mr. Burton completed the Audit Committee Effectiveness course in December 2012.

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

**J.C. (Chris) Cowan** - Mr. Cowan, MSc (Geology), P. Eng. (Ontario), is a minerals consultant providing services to exploration and mining companies world-wide since 1990. Prior to that, he spent 28 years with Falconbridge Limited in a variety of senior management and board positions. Mr. Cowan has also been responsible for technical direction of Falconbridge's world-wide exploration as well as activities exploration manager in Southeast Asia and Chief Geologist for Sudbury Operations. Mr. Cowan is one of the founders of the Corporation and was Vice-President (Asia) between 2006 and June 2015. Mr. Cowan was appointed Chairman of the Board in June 2015. He is also Co-Managing Director of Erdene Mongol LLC and Anian Resources LLC, wholly-owned subsidiaries of the Corporation. Mr. Cowan has served as a director for a number of publicly listed companies, including Unigold Inc. (2003-2006), Preston Resources Inc. (1997-2001) and Advanced Primary Minerals Corporation (2008-2012).

**T. Layton Croft** – Mr. Croft is a senior corporate executive with diversified management and extensive Mongolia focused resource industry expertise with more than 12 years in senior roles with several Mongolia and Asia focused companies, including Executive Vice President, Corporate Affairs and Social Responsibility (Mongolia) of Oyu Tolgoi LLC, a copper, gold, and other mineral mining, processing and exporting company in Mongolia, Vice-President, External Affairs and Corporate Citizenship (Hong Kong) of SouthGobi Resources Ltd. a coal mining, development and exploration company listed on the TSX and the Stock Exchange of Hong Kong Limited, Resident Representative (Mongolia) of The Asia Foundation. More recently, from January 2011 to June 2015, he was the Vice-President, External Relations – Asia (Singapore) for Peabody Energy, Inc., the world's largest private-sector coal company. Having lived and worked in Mongolia for a total of 15 years beginning in 1994, Mr. Croft brings deep knowledge of the Mongolia corporate, political and socio-cultural environments. A U.S. native, Mr. Layton has lived and worked internationally for more than 22 years in corporate and public-sector roles in Asia, Latin America and Eastern Europe. Mr. Croft holds a B.A. from the University of North Carolina at Chapel Hill, an M.A. from the School for International Training in Vermont, and an M.A. from the Fletcher School of Law and Diplomacy at Tufts University in Massachusetts.

**David V. Mosher** - Mr. Mosher is a mining executive with over 35 years experience in Australia, Canada, the United States, Russia, Asia and Africa. Over the past decade, he has been active in the restructuring, financing and management of many private and public resource companies. Currently, Mr. Mosher is an independent director for four other public companies: Harvest Gold Corporation (TSX-V), Pancontinental Uranium Corporation (NEX), Pelangio Exploration Inc. (TSX-V) and Roscan Minerals Corporation (NEX). From 1992 to 2008, Mr. Mosher was the President and CEO of High River Gold Mines Ltd., a TSX listed company involved in the exploration, development and production of gold. With High River Gold Mines Ltd., Mr. Mosher was responsible for closing equity financings of over \$300 million to support the company's growth, which included the development of two open pit mines: the Taparko Gold mine in Burkina Faso, West Africa and the Berezitovoye Gold mine in Russia.

**Philip L. Webster** – Since 1998 Mr. Webster's principal occupation has been as President of Imperial Windsor Group Inc., a private investment holding company. From 1977 to 1982 he was Executive Assistant to the President of Imperial Trust Company. Mr. Webster is presently also a director of Morien Resources Corp. (TSX-V) and Imperial Windsor Group Inc., Kinmont Canada Inc., Wuswig Inc., Autoparc Stanley and Webridge Donnacona, all private companies. He is a Trustee of the R. Howard Webster Foundation, the Zellers Family Foundation and the Constance Lethbridge Foundation. He is a Trustee and former Chairman of Stanstead College and President of its Red and White Foundation. He has an A.B. (Hon.) degree from Princeton University and a Master of Architecture from the Graduate School of Design at Harvard University.

### ***Majority Voting Policy***

Effective April 18, 2013, the Corporation adopted a majority voting policy (the "**Policy**"). The Policy requires that any nominee for director who receives a greater number of votes "withheld" than "for" his or her election shall promptly tender his or her resignation to the chair of the Board of Directors following the meeting. This Policy applies only to uncontested elections, meaning elections where the number of nominees for director is equal to the number of directors to be elected. If a director does not tender his or her resignation in accordance with this policy, the Board shall not re-nominate that director at the next election.

The Corporate Governance and Disclosure Policy Committee shall consider the offer of resignation in accordance with the Policy and recommend to the Board whether or not to accept it. The Board expects to accept any resignation pursuant to the Policy except in situations where extenuating circumstances would warrant the applicable director to continue to serve on the Board. The Board shall act on the Committee's recommendation within 90 days of the applicable meeting of Shareholders and announce its decision via news release. If a

resignation is accepted, the Board may: (i) leave any resulting vacancy unfilled until the next annual general meeting of Shareholders; (ii) appoint a new director to fill the vacancy created by the resignation; or (iii) call a special meeting of Shareholders at which a management slate to fill the vacant position or positions will be presented. Any director who tenders his or her resignation may not participate in the deliberations of either the Committee or the Board.

#### ***Corporate Cease Trade Orders and Bankruptcies***

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

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

No proposed director of the Corporation:

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

#### ***Penalties and Sanctions***

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

#### **Appointment of Auditor**

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

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

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

### ***Introduction***

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

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

The rules of the Toronto Stock Exchange (the "**TSX**") provide that all unallocated options issuable under a "rolling" stock option plan must be approved by Shareholders every three years after institution of the stock option plan. The unallocated options were previously approved at the annual and special meetings of shareholders held on May 20, 2010 and June 27, 2013. The Corporation is seeking approval by the Shareholders of all unallocated options in accordance with the rules and policies of the TSX. Options previously granted pursuant to the Plan will continue unaffected by the result of the Shareholders' vote in respect of unallocated options. Furthermore, all previously granted options will not be available for re-allocation if they are cancelled prior to their respective exercise dates in the event the unallocated options are not approved by the Shareholders at the Meeting.

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

### ***"Rolling" Maximum Reserve***

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

### ***Other Terms***

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

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

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

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

- (a) the exercise price of the option will be the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the date of the grant;
- (b) the term of the option will be 10 years from the date of the grant (which is the maximum allowable term under the Plan), unless the expiry of the term falls during a black-out (or within ten days from the end of blackout) from trading in the securities of the Corporation imposed on certain persons including the optionee pursuant to any policies of the Corporation, and where such black-out applies, the expiry of the term of the option shall automatically be extended to 10 business days following the end of the black-out;
- (c) the option will vest immediately upon grant; and
- (d) if before the expiry of the option, the optionee ceases to be an Eligible Person for any reason other than termination by the Corporation for cause, the option will terminate within ninety days of the date the optionee ceases to be an Eligible Person; provided however, in the event of the death of the optionee, the option continues to be exercisable for a period up to twelve months from the date of such event. If the optionee ceases to be an Eligible Person by reason of termination by the Corporation for cause, the option will terminate immediately upon the optionee ceasing to be an Eligible Person.

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

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

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

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

- (a) altering, extending or accelerating option vesting terms and conditions;
- (b) amending the termination provisions of an option;
- (c) accelerating the expiry date of an option;
- (d) determining adjustments pursuant to the provisions of the Plan concerning corporate changes;
- (e) amending the definitions contained in the Plan;
- (f) amending or modifying the mechanics of exercising options;
- (g) adding, amending or removing any provisions for financial assistance provided by the Corporation to purchase Common Shares under the Plan;

- (h) amending provisions relating to the administration of the Plan;
- (i) making "housekeeping" amendments, such as those necessary to cure errors or ambiguities contained in the Plan;
- (j) effecting amendments necessary to comply with the provisions of applicable laws; and
- (k) suspending or terminating the Plan.

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

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

#### ***Existing Stock Options and Shares Reserved***

As of the date hereof:

- (a) the total number of Common Shares issued upon exercise of options granted under the Plan is 1,334,500 (adjusted to give effect to the Arrangement) which represents 1.16% of the outstanding Common Shares as of the date of this Circular; and
- (b) the total number of Common Shares which remain reserved for issuance pursuant to currently outstanding options is 5,941,250 (5.16% of the issued and outstanding Common Shares as of the date of this Circular) and pursuant to options available to be granted is 5,577,266 (4.84% of the issued and outstanding Common Shares as of the date of this Circular), which represents in aggregate, 10% of the outstanding Common Shares as of the date of this Circular.

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

#### ***Unallocated Options Approval Resolution***

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

Shareholders will be asked to approve the unallocated options issuable pursuant to the Plan every three years in accordance with the rules and policies of the TSX. Therefore, the Shareholders will be asked for such approval at the annual and special meeting of the shareholders of the Corporation to be held in 2019.

The Board recommends that the Shareholders approve all unallocated options issuable under the Plan until June 14, 2019.

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

## EXECUTIVE COMPENSATION

### Compensation Discussion & Analysis

#### *Named Executive Officers*

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

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

As at December 31, 2015, the end of the most recently completed financial year of the Corporation, the Corporation had two named executive officers, namely, the President and Chief Executive Officer ("**CEO**") and the Vice-President and Chief Financial Officer ("**CFO**") (collectively, the "**Named Executives**").

#### *Role of Compensation Committee*

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

The Compensation Committee currently consists of John P. Byrne, William B. Burton and T. Layton Croft (Chair), each of whom is independent within the meaning of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*. All members of the Compensation Committee have more than 20 years of experience in their respective field and, during that time, each has been closely involved with implementing and reviewing compensation policies at their respective organizations. Each of the Compensation Committee members have held senior roles with public and/or private companies directly related to the mining industry.

### *Currency*

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

### *Objectives of the Compensation Program*

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

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

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

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

### *Overview of Elements of Compensation*

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

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

### *Base Salary*

Salaries of the Named Executives are based on a comparison with competitive positions, taking into account the size and sector, as well as the level of activity, of the group. Individual circumstances are also taken into consideration including the scope and geographic location of the Named Executive's position, the Named Executive's relevant competencies or experience and retention risk. The financial performance of the Corporation is also a factor as is



the individual performance of the Named Executive. The base salary for each of the Named Executives is reviewed by the Compensation Committee each year in consultation with the CEO. Base salaries may be adjusted as appropriate, based on any change in their role within the Corporation, performance of the individual, performance of the Corporation or general change in market salary levels. Until the Corporation issues the maximum number of DSUs available under its DSU Plan, the Named Executives of the Corporation are also able to elect to receive all or a portion of their salary in the form of deferred stock units (see the discussion below under "*Share-based Awards (Deferred Stock Units)*").

In 2013, management conducted a survey of a peer group comprised of East Asia Minerals Corp., Entree Gold Inc., Kincora Copper Limited., Alhambra Resources Limited, RTG Mining Inc., Orsu Metals Corp., as well as a number of other Canadian exploration companies. The Compensation Committee reviewed actual 2012 salaries reported in 2013 in determining the total executive compensation for the Named Executives and the Vice-President Asia. As a result of such review and other factors, including continued weakness in the mining sector, there were no increases in executive compensation in 2013.

In 2014, management conducted a survey of a peer group comprised of East Asia Minerals Corp., Entree Gold Inc., Kincora Copper Limited., Khan Resources Inc., RTG Mining Inc., Orsu Metals Corp., GoGold Resources Inc., and Merrex Gold Inc. The Compensation Committee reviewed actual 2013 and 2014 salaries in determining the total executive compensation for the Named Executives and the Vice-President Asia. As a result of such review and other factors, including continued weakness in the mining sector, there were no increases in executive compensation in 2014.

Although backward-looking peer benchmarking is, and will continue to be, a determining factor in total compensation, other factors such as market conditions and availability of financing are also taken into consideration.

#### ***Performance Bonus***

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

No bonuses were paid to Named Executives or the Vice-President Asia in 2013, 2014 or 2015. See note 5 to the table under the heading "*Executive Compensation – Summary Compensation Table*".

#### ***Option-based Awards***

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

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

package. One of the Named Executives is a director of the Corporation and each director declares his interest in any resolution involving the grant of options to him and refrains from voting thereon.

#### ***Share-based Awards (Deferred Stock Units)***

In 2012, the Corporation implemented a deferred stock unit plan, which was amended at the annual and special meeting of Shareholders on June 4, 2015 ("**DSU Plan**"), which permits directors and employees to elect to receive all or a portion of their annual compensation, in increments of 10%, in the form of deferred stock units ("**DSUs**"). In addition, the Compensation Committee has the authority to make discretionary awards of DSUs pursuant to the DSU Plan. In December 2012, each of the two Named Executives and six other employees of the Corporation elected to take 10% of their salary in 2013 in the form of DSUs. In July 2013, the Named Executives and certain employees agreed to reduce cash compensation in exchange for additional DSU payments. These elections were terminated effective January 1, 2014. Beginning July 1, 2015, after the number of shares available in the DSU plan was increased, each of the two Named Executives and four other employees of the Corporation elected to take between 10-15% of their salary in the form of DSUs.

In 2013 and 2014, discretionary awards for a total of 379,128 DSUs were granted to the CEO, 212,312 to the CFO and 254,774 to the Vice-President Asia in exchange for their agreement to reduce the severance benefits payable under the terms of their employment agreements.

Any future discretionary awards will be made on a basis consistent with the process for grants of stock options under the Plan, as described above under "*Option-based Awards*".

For more information on the DSU Plan, see "*Securities Authorized for Issuance Under Equity Compensation Plans – Deferred Stock Unit Plan*".

#### ***Benefits***

The CEO and CFO participate in a corporate benefits program. The benefits program includes medical, dental and life insurance in line with organizations of a similar size.

#### ***Perquisites***

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

#### ***Other Factors for Understanding Compensation***

On March 2, 2009, Erdene announced the closing of its reverse takeover of APM (formerly known as Beta Minerals Inc.). Pursuant to a plan of arrangement ("**Arrangement**") under the provisions of the *Canada Business Corporations Act*, Erdene's interest in the Donkin Coal Project was transferred to Morien Resources Corp. ("**Morien**"), a company formed through the amalgamation of Erdene Resources Inc. ("**ERI**") and Advanced Primary Minerals Corporation ("**APM**"). The Arrangement was approved at a special meeting of shareholders held on October 26, 2012 and became effective on November 9, 2012.

The Corporation entered into a services agreement ("**Services Agreement**") with Morien on completion of the Arrangement pursuant to which, among other things, the Corporation provides management, administration, financial and regulatory updating services for Morien, including the services of Messrs. MacDonald and Akerley, for an average monthly fee of \$37,573 beginning January 1, 2013.

In the 2013 financial year, Mr. Akerley devoted approximately 14% of his time to the affairs of Morien pursuant to the Services Agreement and approximately 11% in his capacity as Chair of the Board of Morien, for which he was compensated directly by Morien. In the 2013 financial year, Mr. MacDonald devoted approximately 50% of his time to the affairs of Morien until June 30, 2013 and, thereafter, approximately 25%.

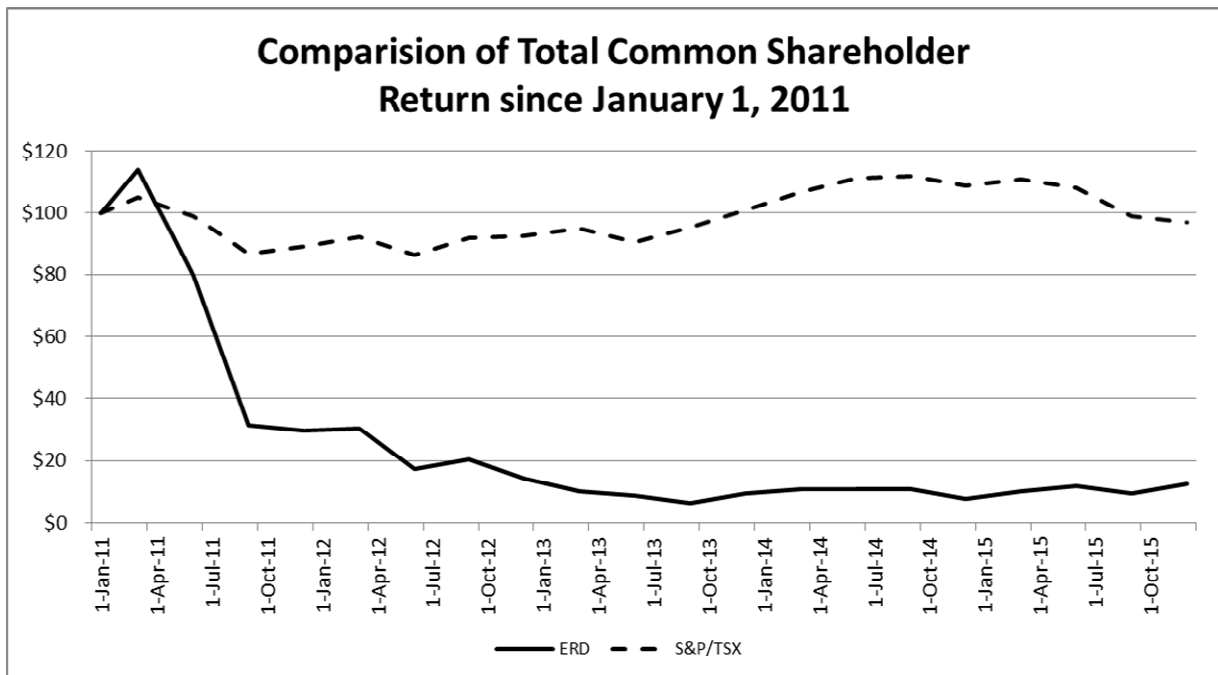
In the 2014 financial year, Mr. Akerley devoted approximately 17% of his time to the affairs of Morien pursuant to the Services Agreement and approximately 14% in his capacity as Chair of the Board of Morien. In the 2014 financial year, Mr. MacDonald devoted approximately 25% of his time to the affairs of Morien. \$50,268 and \$57,750 of the \$375,805 aggregate fee paid by Morien to the Corporation in 2014 for management and administrative salaries is attributable to the services of Mr. Akerley and Mr. MacDonald, respectively.

In the 2015 financial year, Mr. Akerley devoted approximately 38% of his time to the affairs of Morien pursuant to the Services Agreement and approximately 12% in his capacity as Chair of the Board of Morien, for which he was be compensated directly by Morien. In the 2015 financial year, Mr. MacDonald devoted approximately 18.2% of his time to the affairs of Morien. \$95,060 and \$44,188 of the \$466,213 aggregate fee paid by Morien to the Corporation in 2015 for management and administrative salaries is attributable to the services of Mr. Akerley and Mr. MacDonald, respectively.

In the 2016 financial year, it is anticipated that Mr. Akerley will devote approximately 13% of his time to the affairs of Morien pursuant to the Services Agreement and approximately 12% in his capacity as Chair of the Board of Morien, for which he will be compensated directly by Morien. In the 2016 financial year, it is anticipated that Mr. MacDonald will devote approximately 18.2% of his time to the affairs of Morien

**Performance Graph**

The following line graph depicts the Corporation's cumulative total shareholder return by quarter from January 1, 2011, assuming a \$100 investment in the Common Shares on such date, to December 31, 2015, compared to the return on an equal investment amount in the S&P/TSX Composite Total Return Index.



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

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

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

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

### Summary Compensation Table

The following table sets forth information regarding compensation paid to the Named Executives for the financial years ended December 31, 2013, 2014 and 2015.

Name and principal position	Year	Salary (\$)	Share-based awards <sup>(3)</sup> (\$)	Option-based awards <sup>(4)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$) <sup>(6)</sup>	Total Compensation (\$)
					Annual incentive plans <sup>(5)</sup>	Long-term incentive plans			
Peter C. Akerley, President & CEO <sup>(1)</sup>	2015	121,693	9,380	37,295	Nil	Nil	N/A	7,353	175,721
	2014	138,003	11,201	16,500	Nil	Nil	N/A	49,591	209,252
	2013	144,648	63,281	44,200	Nil	Nil	N/A	50,339	302,468
Ken W. MacDonald, Vice-President, Business Strategy & CFO <sup>(2)</sup>	2015	33,131	3,442	17,403	Nil	Nil	N/A	4,151	58,127
	2014	24,000	6,272	8,250	Nil	Nil	N/A	6,399	44,921
	2013	59,125	35,438	20,250	Nil	Nil	N/A	6,399	121,212

Notes:

- (1) In 2013, Mr. Akerley devoted approximately 14% of his time to the affairs of Morien pursuant to the terms of a Services Agreement between the Corporation and Morien and the Corporation was paid \$32,560 by Morien for such services. In 2014, Mr. Akerley devoted approximately 17% of his time to the affairs of Morien pursuant to the Services Agreement and the Corporation was paid \$42,977 in 2014 by Morien for such services. In 2015, Mr. Akerley devoted approximately 38% of his time to the affairs of Morien pursuant to the Services Agreement and the Corporation was paid \$95,060 in 2015 by Morien for such services. The salary and total compensation paid to Mr. Akerley by Erdene (net of amounts received from Morien) is displayed in the table above. Mr. Akerley is also the Chairman of Morien and received fees from Morien in his capacity as Chairman.
- (2) In 2013, Mr. MacDonald devoted approximately 50% of his time to the affairs of Morien until June 30, 2013 and 25% of his time thereafter and the Corporation was paid \$86,625 in 2013 by Morien for such services. In 2014, Mr. MacDonald devoted approximately 25% of his time to the affairs of Morien and the Corporation was paid \$52,500 in 2014 by Morien for such services. In 2015, Mr. MacDonald devoted approximately 18% of his time to the affairs of Morien and the Corporation was paid \$44,188 in 2015 by Morien for such services. The salary and total compensation paid to Mr. MacDonald by Erdene (net of amounts received from Morien) is displayed in the table above.
- (3) This column shows the total compensation value of DSUs granted to the Named Executives in 2013, 2014 and 2015. On the grant date, DSUs vest immediately and plan members are credited with the DSUs granted to them. The DSUs are granted based on the 5 day volume weighted average price ("VWAP") of the Corporation's shares on the grant date.
- (4) This column shows the total compensation value of stock options granted to the Named Executives in 2013, 2014 and 2015. Option based awards are valued using the Black-Scholes method in accordance with the Corporation's accounting policies and using the following assumptions: For 2013: No dividends are to be paid, risk-free interest rate of 1.6%, expected volatility of 97%, and an expected life of 4.4 years. For 2014: No dividends are to be paid, risk-free interest rate of 1.3%, expected volatility of 91%, and an expected life of 3.6 years. For 2015: No dividends are to be paid, risk-free interest rate of 0.9%, expected volatility of 83%, and an expected life of 5.0 years. The fair value of the options issued, on the date granted, was \$0.12 per option in 2013, \$0.11 per option in 2014 and \$0.09 per option in 2015. No options were exercised by Named Executives in 2015.
- (5) No bonuses were paid to Named Executives in 2013, 2014 or 2015.
- (6) Includes perquisites, benefits package and, in the case of Mr. Akerley in 2013 and 2014, the taxable benefit on loan forgiveness of \$42,238 each year.

## Incentive Plan Awards

### Outstanding Share-Based Awards and Option-Based Awards

The following table presents details of all outstanding option-based awards and outstanding share-based awards to Named Executives as at December 31, 2015.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#) <sup>(1)</sup>	Option exercise price (\$) <sup>(1)</sup>	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(3)</sup>
Peter C. Akerley President & CEO	200,000	0.15	June 5, 2020	2,000	N/A	N/A	114,761
	120,000	0.16	December 22, 2020	N/A			
	150,000	0.16	June 18, 2019	N/A			
	250,000	0.14	November 26, 2018	2,500			
	240,000	0.12	June 28, 2018	9,600			
	100,000	0.25	August 27, 2017	N/A			
Ken W. MacDonald Vice-President Business Strategy & CFO	100,000	0.15	June 5, 2020	1,000	N/A	N/A	61,717
	60,000	0.16	December 22, 2020	N/A			
	75,000	0.16	June 18, 2019	N/A			
	75,000	0.14	November 26, 2018	1,500			
	159,375	0.12	June 28, 2018	6,375			
	75,000	0.25	August 27, 2017	N/A			

Notes:

- (1) The number of securities underlying unexercised options and the option exercise prices disclosed in the table above reflect the options issued, and the allocation of the exercise prices of those options, on completion of the Arrangement.
- (2) The value of unexercised in-the-money options is the difference between the 2015 year-end closing price on the TSX for Common Shares, which was \$0.16, and the exercise price of the options.
- (3) The market value of vested DSUs is determined by multiplying the number of outstanding DSUs as at December 31, 2015 by the 2015 year-end closing price on the TSX for Common Shares, which was \$0.16.
- (5) During the financial years ended December 31, 2013, 2014 and 2015, no options were exercised by Named Executives.
- (6) All options and share-based awards were vested upon grant.

### Incentive Plan Awards - Value Vested or Earned During 2015

Name	Option-Based Awards – Value Vested during 2015 (\$) <sup>(1)</sup>	Share-Based Awards – Value Vested during 2015 (\$) <sup>(2)</sup>	Non-equity Incentive Plan Compensation – Value earned during 2015 (\$)
Peter C. Akerley President & CEO	Nil <sup>(1)</sup>	9,380 <sup>(2)</sup>	Nil
Ken W. MacDonald Vice-President Business Strategy & CFO	Nil <sup>(1)</sup>	3,442 <sup>(2)</sup>	Nil

Notes:

- (1) On June 5, 2015, an aggregate of 300,000 options were granted to Named Executives and vested immediately, having an exercise price of \$0.15. The market price of the Common Shares on June 5, 2015 was \$0.13. On December 22, 2015, an aggregate of 160,000 options were granted to Named Executives and vested immediately, having an exercise price of \$0.16. The market price of the Common Shares on December 22, 2015 was \$0.15.
- (2) On September 30, 2015, an aggregate of 71,939 DSUs were granted to Named Executives and vested immediately. The market price of the Common Shares on September 30, 2015 was \$0.12. On December 31, 2015, an aggregate of 25,443 DSUs were granted to Named Executives and vested immediately. The market price of the Common Shares on December 31, 2015 was \$0.16.

### Termination and Change of Control Benefits

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

- (a) if their employment is terminated by the Corporation without cause, they will receive 25% of their then current annual base salary and the Corporation shall continue their group insurance benefits, if any, for 6 months after the date of termination;
- (b) in the event of a change of control of the Corporation, each may terminate their respective agreements with the Corporation. If they do so, the Corporation is required to pay 25% of their then current annual base salary and continue their group insurance benefits, if any, for 6 months after the date of termination; and
- (c) if their employment is terminated by the Corporation as a result of death or disability, they shall receive an amount equal to 25% of their then current annual base salary.

Provided however, in the case of Mr. Akerley, if his employment is terminated in either of the circumstances noted in (a) or (b), the Corporation may give him 3 months' notice in lieu of cash. Mr. MacDonald is entitled to receive cash for a portion of his severance, which is to be funded by Morien. The Corporation may give 3 months' notice in the lieu of the balance.

If the employment of Mr. Akerley or Mr. MacDonald is terminated for cause, the Corporation is required to pay each of them their then current salary accrued pursuant to their respective employment agreements.

If Messrs. Akerley and MacDonald's employment had been terminated effective December 31, 2015, it is the Corporation's interpretation that the following amounts would have been payable as of the effective date of the termination, in addition to the salary accrued to the termination date:

Named Executive	Type of Termination									
	Resignation		Termination without Cause		Termination with Cause		Death/Disability		Change of Control	
	Cash	DSU <sup>(2)</sup>	Cash	DSU <sup>(2)</sup>	Cash	DSU <sup>(2)</sup>	Cash	DSU <sup>(2)</sup>	Cash	DSU <sup>(2)</sup>
Peter C. Akerley <sup>(1)</sup>	Nil	\$114,761	\$62,500 <sup>(3)</sup>	\$114,761	Accrued Current Annual Salary	\$114,761	\$62,500 <sup>(3)</sup>	\$114,761	\$62,500 <sup>(3)</sup>	\$114,761
Ken W. MacDonald <sup>(1)</sup>	Nil	\$61,717	\$19,125 <sup>(4)</sup>	\$61,717	Accrued Current Annual Salary	\$61,717	\$19,125 <sup>(4)</sup>	\$61,717	\$19,125 <sup>(4)</sup>	\$61,717

Notes:

- (1) In the event of termination without cause or upon change of control, the Corporation shall continue Messrs. Akerley and MacDonald's group insurance benefits, if any, for 6 months after the date of termination; provided that if the Corporation is unable to continue any such benefits by reason of their termination of employment, the Corporation is not required to pay Messrs. Akerley or MacDonald amounts in lieu thereof.
- (2) At the option of the Corporation, the DSU's may be redeemed for Common Shares in lieu of cash.
- (3) The Corporation is entitled to give Mr. Akerley 3 months' notice in lieu of pay.
- (4) \$9,563 of this amount is payable in cash and is to be funded by Morien. As to the balance, the Corporation may give notice in lieu of cash.

### Director Compensation

The following table sets forth amounts of compensation provided to members of the Board of Directors other than Named Executives for the financial year ended December 31, 2015:

Name	Fees earned (\$)	Share-based awards <sup>(1)</sup>		Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
		Value of DSUs	# of DSUs					
William B. Burton	6,000	\$12,212	88,123	13,960	Nil	Nil	Nil	32,172
John P. Byrne	5,000	\$12,212	88,123	24,520	Nil	Nil	Nil	41,732

Name	Fees earned (\$)	Share-based awards <sup>(1)</sup>		Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
		Value of DSUs	# of DSUs					
J.C.(Chris) Cowan	1,000	\$6,000	43,750	17,450	Nil	Nil	Nil	24,450
T. Layton Croft <sup>(3)</sup>	2,000	\$6,000	43,750	14,600	Nil	Nil	Nil	22,600
Philip L. Webster	6,000	\$12,212	88,123	13,480	Nil	Nil	Nil	31,692

Notes:

- (1) All DSUs vest immediately and are calculated based on the 5 day VWAP on the grant date. DSUs shall be redeemed by the Corporation, in Common Shares or cash at the option of the Corporation, when the holder resigns or retires or otherwise leaves the Corporation.
- (2) All options had a 5 year term and were fully vested at the time of grant. The Corporation values the stock based incentives using the Black-Scholes method using the following assumptions: no dividend yield, risk-free interest of 0.9%, expected volatility of 83% and an expected life of 5.0 years. Options to acquire Common Shares are issued with an exercise price equal to the market price at the date the options are granted. The fair value of the options was \$0.12 per option for options granted in 2015. No options were exercised by directors in 2015.
- (3) Mr. Croft was appointed to the Board on July 2, 2015.

Non-management directors, who are not executive officers, are entitled to an honorarium of \$1,000 per meeting of the Board of Directors or any committee of the Board of Directors. Directors are not paid a second fee for concurrent meetings. The aggregate amount earned by the directors in 2015 based upon their meeting attendance was \$20,000. Directors are also entitled to be reimbursed for travel and other out-of-pocket expenses incurred for attendance at directors' meetings.

From time to time the Compensation Committee of the Board completes a peer comparison of board compensation and makes a recommendation to the Board. The Board makes a decision as to the compensation to be paid to non-management directors, who are not executive officers, based on the recommendation of the Compensation Committee.

#### *Outstanding Share-Based Awards and Option-Based Awards*

The following table presents details of all outstanding option-based awards and outstanding share-based awards to members of the Board of Directors other than Named Executives as at December 31, 2015.

Name	Option-based Awards				Share-based Awards <sup>(4)</sup>		
	Number of securities underlying unexercised options (#) <sup>(1)</sup>	Option exercise price (\$) <sup>(1)</sup>	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(3)</sup>
William B. Burton	60,000	0.16	December 22, 2020	N/A	N/A	N/A	37,334
	100,000	0.15	June 5, 2020	1,000			
	50,000	0.16	June 18, 2019	N/A			
	93,750	0.12	June 28, 2018	3,750			
	50,000	0.25	August 27, 2017	N/A			
J.C. (Chris) Cowan	75,000	0.16	December 22, 2020	N/A	N/A	N/A	76,241
	125,000	0.15	June 5, 2020	1,250			
	100,000	0.16	June 18, 2019	N/A			
	200,625	0.12	June 28, 2018	8,025			
	75,000	0.25	August 27, 2017	N/A			
John P. Byrne	170,000	0.16	December 22, 2020	N/A	N/A	N/A	37,334
	100,000	0.15	June 5, 2020	1,000			
	50,000	0.16	June 18, 2019	N/A			
	93,750	0.12	June 28, 2018	3,750			
	50,000	0.25	August 27, 2017	N/A			

Name	Option-based Awards				Share-based Awards <sup>(4)</sup>		
	Number of securities underlying unexercised options (#) <sup>(1)</sup>	Option exercise price (\$) <sup>(1)</sup>	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(3)</sup>
Philip L. Webster	55,000 100,000 50,000 120,000 93,750 50,000	0.16 0.15 0.16 0.14 0.12 0.25	December 22, 2020 June 5, 2020 June 18, 2019 November 26, 2018 June 28, 2018 August 27, 2017	N/A 1,000 N/A N/A 3,750 N/A	N/A	N/A	37,334
T. Layton Croft	50,000 100,000	0.16 0.15	December 22, 2020 July 2, 2020	N/A N/A	N/A	N/A	7,000

Notes:

- (1) The number of securities underlying unexercised options and the option exercise prices disclosed in the table above reflect the options issued, and the allocation of the exercise prices of those options, following the implementation of the Arrangement.
- (2) The value of unexercised in-the-money options is the difference between the 2015 year-end closing price on the TSX for Common Shares, which was \$0.16, and the exercise price of the options.
- (3) The market value of vested DSUs is determined by multiplying the number of outstanding DSUs as at December 31, 2015 by the 2015 year-end closing price on the TSX for Common Shares, which was \$0.16.
- (4) All options and DSUs were fully vested on grant.
- (5) At December 31, 2015, an aggregate of 233,339 DSUs were held by each of Messrs. Burton, Byrne and Webster. An aggregate of 476,505 DSUs were held by Mr. Cowan and an aggregate of 43,750 DSUs were held by Mr. Croft.

***Incentive Plan Awards - Value Vested or Earned During 2015***

Name	Option-Based Awards – Value Vested during 2015 (\$)	Share-Based Awards – Value Vested during 2015 (\$)	Non-equity Incentive Plan Compensation – Value earned during 2015 (\$)
William B. Burton	Nil <sup>(1)</sup>	\$12,212 <sup>(2)</sup>	Nil
J.C. (Chris) Cowan	Nil <sup>(1)</sup>	\$6,000 <sup>(2)</sup>	Nil
John P. Byrne	Nil <sup>(1)</sup>	\$12,212 <sup>(2)</sup>	Nil
T. Layton Croft	Nil <sup>(1)</sup>	\$6,000 <sup>(2)</sup>	Nil
Philip L. Webster	Nil <sup>(1)</sup>	\$12,212 <sup>(2)</sup>	Nil

Notes:

- (1) On June 5, 2015, an aggregate of 425,000 options were granted to directors and vested immediately, having an exercise price of \$0.15. The market price of the Common Shares on June 5, 2015 was \$0.13. On July 2, 2015, 100,000 options were granted to T. Layton Croft and vested immediately, having an exercise price of \$0.15. The market price of the Common Shares on July 2, 2015 was \$0.15. On December 22, 2015, an aggregate of 410,000 options were granted to Named Executives and vested immediately, having an exercise price of \$0.16. The market price of the common Shares on December 22, 2015 was \$0.15.
- (2) On June 5, 2015, 44,373 DSUs were granted to each of Messrs. Burton, Bryne and Webster and vested immediately. The market price of the common Shares on June 5, 2015 was \$0.13. On September 30, 2015, 25,000 DSUs were granted to each of Messrs. Burton, Cowan, Byrne, Croft and Webster and vested immediately. The market price of the Common Shares on September 30, 2015 was \$0.12. On December 31, 2015, 18,750 DSUs were granted to each of Messrs. Burton, Cowan, Byrne, Croft and Webster and vested immediately. The market price of the Common Shares on December 31, 2015 was \$0.16.

During the financial year ended December 31, 2015, no options were exercised by members of the Board of Directors.



**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY  
COMPENSATION PLANS**

**Equity Compensation Plan**

The following table sets out information as of December 31, 2015, the Corporation's most recently completed financial year, with regard to outstanding options exercisable into Common Shares under the Plan and outstanding DSUs.

*Equity Compensation Plan Information*

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants or rights; or upon termination of DSU plan member	Weighted-average exercise price of outstanding options, warrants or rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Employee stock option compensation plans approved by securityholders	6,048,750 <sup>(1)</sup>	\$0.17	4,457,250 <sup>(3)</sup>
DSU compensation plan approved by securityholders	2,905,190 <sup>(2)(4)</sup>	N/A	2,094,810
Total	8,953,940	\$0.17	6,552,060

Notes:

- (1) This number reflects the outstanding options under the Plan.
- (2) This number reflects the outstanding DSUs outstanding under the DSU Plan.
- (3) This number equals 10% of the total issued and outstanding Common Shares of the Corporation on December 31, 2015, which was 105,060,005, less the number of Common Shares reported under column (a) above.
- (4) The Corporation is authorized to issue 5,000,000 DSUs. See "Securities Authorized for Issuance Under Equity Compensation Plans – Deferred Stock Unit Plan".

**Incentive Stock Option Plan**

For a summary of the material features of the Plan, see the disclosure above under the heading "Business to be Transacted at the Meeting – Approval of Unallocated Options under the Corporation's Incentive Stock Option Plan".

**Deferred Stock Unit Plan**

At the special meeting of Shareholders held on October 26, 2012, the Shareholders adopted the DSU Plan, which was subsequently amended at the annual and special meeting of the Shareholders on June 4, 2015. The purpose of the DSU Plan is to assist the Corporation in attracting and retaining talented employees and directors and to promote a greater alignment of interests between the directors, employees and the Shareholders. The DSUs issued under the DSU Plan form part of the Corporation's overall director and employee compensation strategy. Since the value of DSUs increase or decrease with the price of Common Shares, DSUs reflect a philosophy of aligning the interests of directors and employees with those of the Shareholders by tying compensation to share price performance.

*Summary*

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

*Administration of Plan*

The DSU Plan provides that directors and employees of the Corporation may elect to receive all or a portion of their annual compensation in DSUs. The election, if it is made, must be for a minimum of 10%, or a multiple thereof, of such compensation in DSUs. The number of DSUs received is equal to the amount of compensation elected to be received in DSUs, divided by the volume-weighted average trading price of the Common Shares on the TSX for the

5 trading days immediately prior to the payment date ("**Market Value**"). DSUs awarded under the DSU Plan in lieu of annual compensation will vest immediately.

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

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

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

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

#### ***Maximum Number of Shares Issued and Outstanding Under DSUs***

The maximum number of Common Shares issuable under the DSU Plan is 5,000,000, representing 4.34% of the issued and outstanding Common Shares as of the date of this Circular. Since the date of its inception, 115,247 Common Shares have been issued under the DSU Plan. The total number of DSUs outstanding as of the date of this Circular is 2,997,178, representing 2.60% of the issued and outstanding Common Shares as of the date of this Circular.

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

#### ***Transferability***

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

#### ***Amendments to the DSU Plan***

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

- (a) for the purpose of making minor or technical modifications to any of the provisions of the DSU Plan including amendments of a "clerical" or "housekeeping" in nature;
- (b) to correct any ambiguity, defective provision, error or omission in the provisions of the DSU Plan;

- (c) amendments to the termination provisions;
- (d) amendments necessary or advisable because of any change in applicable securities laws;
- (e) amendments regarding the administration of this DSU Plan; and
- (f) any other amendment, fundamental or otherwise, not requiring shareholder approval under applicable laws or the rules of the TSX;

provided however, that:

- (g) no such amendment of the DSU Plan may be made without the consent of each affected participant in the DSU Plan if such amendment would adversely affect the rights of such affected participant(s) under the DSU Plan;
- (h) no amendment shall be made unless it is such that the DSU Plan continuously meets the requirements of paragraph 6801(d) of the Regulations to the *Income Tax Act* (Canada) or any successor provision thereto; and
- (i) shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment:
  - a. to increase the maximum number of DSUs that may be issued under the DSU Plan above 5,000,000; or
  - b. to the amendment provision of the DSU Plan.

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

#### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

None of the current or former directors, executive officers or employees of the Corporation, proposed nominee for director, or associates or affiliates of a director or executive officer of the Corporation or proposed nominee for director, have been indebted to the Corporation or its subsidiaries at any time since the beginning of the last completed financial year of the Corporation, other than "routine indebtedness" as that term is defined in applicable securities legislation.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

None of the current or proposed directors or executive officers of the Corporation, or associates or affiliates of any of these persons, had any material interest, direct or indirect, in any transaction since January 1, 2015, or in any proposed transaction which, in either case, has materially affected or would materially affect the Corporation or its subsidiaries.

#### **CORPORATE GOVERNANCE**

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

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

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

### **Board of Directors**

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

The current independent directors are William B. Burton, John P. Byrne, Philip L. Webster and T. Layton Croft and David V. Mosher and Dr. Anna G. Biolik are each also considered independent. The remaining two directors are not considered independent for the following reasons:

- (a) Peter C. Akerley is the President and Chief Executive Officer of the Corporation; and
- (b) J.C. (Chris) Cowan was the Vice-President Asia of the Corporation until July 1, 2015.

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

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

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

<b>Director</b>	<b>Name of Other Reporting Issuer</b>
Peter C. Akerley	Morien Resources Corp. (TSX-V) Barisan Gold Corp. (TSX-V)
William B. Burton	Adex Mining Inc. (TSX-V) CWN Mining Acquisition Corporation (TSX-V)
John P. Byrne	Morien Resources Corp. (TSX-V)
Philip L. Webster	Morien Resources Corp. (TSX-V)
David V. Mosher	Harvest Gold Corporation (TSX-V) Pancontinental Uranium Corporation (NEX) Pelangio Exploration Inc. (TSX-V) Roscan Minerals Corporation (NEX)

There were five (5) formal Board meetings since January 1, 2015. The attendance record of each director at such meetings is as follows:

<b>Director</b>	<b>Number of Meetings Attended/Number of Board Meetings in the Year When the Individual Was a Director</b>
Peter C. Akerley	5/5
William B. Burton	5/5
John P. Byrne	5/5
J.C. (Chris) Cowan	5/5
Philip L. Webster	5/5
T. Layton Croft <sup>(1)</sup>	2/2

Notes:

- (1) Mr. Croft was appointed as a director on July 2, 2015.

In addition, certain of the decisions of the Board of Directors since January 1, 2015, were passed by way of written consent following informal discussions among the directors and management.

### **Board Mandate**

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

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

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

### **Position Descriptions**

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

Given the relatively small size of the Corporation, the Board of Directors does not believe that it is necessary at this time to formalize a position description for the chair of the Board of Directors.

## **Orientation and Continuing Education**

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

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

- request that directors determine their training and education needs;
- arrange visits to the Corporation's projects or operations;
- arrange funding for the attendance by directors at seminars or conferences of interest and relevant to their position; and
- encourage participation or facilitate presentations by members of management or outside experts on matters of particular importance or emerging significance.

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

## **Ethical Business Conduct**

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

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

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

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

Certain of the Corporation's directors serve as directors or officers of other reporting issuers or have significant shareholdings in other companies. To the extent that such other companies may participate in business ventures in which the Corporation may participate, the directors may have a conflict of interest in negotiating and concluding

terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms and such director will not participate in negotiating and concluding terms of any proposed transaction. In addition, any director or officer who may have an interest in a transaction or agreement with the Corporation is required to disclose such interest and abstain from discussions and voting in respect to same if the interest is material or if required to do so by corporate or securities law.

### **Nomination of Directors**

In the past, the responsibility for proposing new nominees to the Board of Directors and for assessing directors on an ongoing basis was assumed by the full Board of Directors. More recently and in accordance with its mandate, the Corporate Governance and Disclosure Policy Committee has assumed responsibility to review the qualifications of candidates for the Board of Directors and make its recommendation to the Board of Directors regarding the slate of candidates for directors to be nominated for election by Shareholders at the annual general meeting of Shareholders. As noted above, the Corporate Governance and Disclosure Policy Committee is comprised of only independent directors, namely, William B. Burton, T. Layton Croft and Philip L. Webster.

### **Diversity Policy for the Board and Executive Officers**

The Board adopted a diversity policy (the "**Diversity Policy**") which sets forth the Corporation's approach to achieving and maintaining diversity on the Board and in executive officer positions. While the Corporation believes that nominations to the Board of Directors and appointments to executive officer positions should be based on merit, the objectives of the Diversity Policy are to recognize that diversity will support balanced debate which, in turn, will enhance decision making. The Corporation recognizes "diversity" as any dimension that can be used to differentiate groups and people from one another including gender, ethnicity, disability and geographical backgrounds.

In accordance with the Diversity Policy, the Corporate Governance and Disclosure Policy Committee will strive for inclusion of diverse groups, knowledge and viewpoints on the Board and in executive officer positions. In conjunction with its consideration of the qualifications and experience of potential directors and executive officers, the Corporate Governance and Disclosure Policy Committee will consider the level of diversity on the Board when identifying and nominating candidates for election or re-election to the Board, and will consider the level of diversity in executive officer positions when the Board makes executive officer appointments. The Corporate Governance and Disclosure Policy Committee will be responsible for overseeing the preparation and adoption of criteria regarding composition of the Board and to development recruitment protocols for directors to achieve the objectives of the Diversity Policy.

As the Diversity Policy was recently adopted, the Corporation is unable to evaluate its progress in achieving its objectives to date. The Corporate Governance and Disclosure Policy Committee will periodically assess the effectiveness of the nomination and appointment process generally, as well as the effectiveness of the Diversity Policy, and monitor the implementation of the Diversity Policy.

The Board has not adopted targets regarding women on the Board or in executive officer positions at this time. Due to the small size of the Board and the management team, and the early stage of the Corporation's operations, the Board believes that the qualifications and experience of proposed new directors or executive officers should remain the primary consideration in the selection process.

As of the date of this Circular, none of the six directors or two executive officers of the Corporation and its major subsidiaries are women. One (12.5%) of the eight proposed directors to be elected at the Meeting is a woman.

### **Director Term Limits**

The Board does not have in place term limits for directors and has not adopted any other mechanisms for Board renewal at this time. Due to the small size of the Board and the early stage of the Corporation's operations, the Board believes that the annual assessment conducted by the Corporate Governance and Disclosure Policy Committee is an effective framework for ensuring appropriate Board composition. Periodically, but at least once every 5 years, the Board shall consider the need for a renewal program intended to achieve what the Board believes to be a then desirable distribution of skills, age, gender and other distinctions and, if deemed necessary or desirable, embark upon a program to effect concomitant changes in Board composition.

### **Compensation Committee**

The mandate of the Compensation Committee is to review the performance, compensation and succession planning of the executive officers of the Corporation and to ensure the proper administration of the Plan. The Compensation Committee, in conjunction with the CEO, recommends to the Board of Directors the level of compensation to Board members based on a review of comparable public company businesses. This committee is also responsible to review and recommend all executive benefits plans and executive prerequisites for approval by the Board of Directors. The Compensation Committee generally meets twice a year.

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

### **Audit Committee**

Information concerning the Corporation's Audit Committee is provided in the Corporation's annual information form ("**AIF**") for the year ended December 31, 2015, under the section entitled "Audit Committee". A copy of the AIF may be obtained from the Corporation's public disclosure documents found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

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

### **Pre-Clearance Committee**

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

The Pre-Clearance Committee responds to requests for approval to trade. The Pre-Clearance Committee is presently comprised of two directors, Messrs. Akerley and Cowan, and one executive officer, Mr. MacDonald. Messrs. Akerley and MacDonald are members of management.

### **Corporate Governance and Disclosure Policy Committee**

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

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

### **Assessments**

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

### **Technical Committee**

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



The Technical Committee presently consists of three directors, Messrs. Akerley, Burton and Cowan. Mr. Akerley is also a member of management.

#### **Other Board Committees**

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

#### **PROPOSALS BY SHAREHOLDERS**

Pursuant to the *Canada Business Corporations Act*, resolutions intended to be presented by Shareholders for action at the next annual meeting must comply with the provisions of the *Canada Business Corporations Act* and be deposited at the Corporation's head office not later than February 10, 2017, in order to be included in the management information circular relating to the next annual meeting.

#### **ADDITIONAL INFORMATION**

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

#### **APPROVAL OF CIRCULAR**

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

Dated at Halifax, Nova Scotia, this 11<sup>th</sup> day of May, 2016.

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

**ERDENE RESOURCE DEVELOPMENT CORPORATION**

**Unallocated Options Resolution**

Capitalized terms have the meanings ascribed thereto in the Management Information Circular of Erdene Resource Development Corporation ("**Corporation**") dated May 11, 2016.

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

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

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

**AND WHEREAS** the Shareholders on June 27, 2013 approved all unallocated options issuable under the Plan until June 27, 2016;

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

1. all unallocated options issuable under the Plan be and are hereby approved;
2. the Corporation have the ability to continue granting options under the Plan until June 14, 2019, which is the date that is three (3) years from the date of the Meeting; and
3. any officer or director of the Corporation is hereby authorized, for and on behalf of the Corporation, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.