



ERDENE RESOURCE DEVELOPMENT CORPORATION

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

Meeting Date: Tuesday, June 17, 2014 at 5:30 p.m.

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

May 15, 2014

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

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT:

The annual and 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 17, 2014 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, 2013, 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 consider, and if deemed advisable, to approve and confirm the continuance and amendment and restatement of the Corporation's Shareholder Rights Plan Agreement dated March 14, 2008, as amended (the "**Rights 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 13, 2014 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 13, 2014 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, 8th 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 15th day of May, 2014.

BY ORDER OF THE BOARD OF DIRECTORS

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

MANAGEMENT INFORMATION CIRCULAR

TABLE OF CONTENTS

INFORMATION REGARDING ORGANIZATION AND CONDUCT OF MEETING	1
Solicitation of Proxies.....	1
Appointment and Revocation of Proxies	1
Notice-and-Access	3
Exercise of Proxies	3
Voting Shares	4
Principal Shareholders	4
INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON	4
BUSINESS TO BE TRANSACTED AT THE MEETING.....	4
Financial Statements.....	4
Election of Directors.....	4
Appointment of Auditor.....	7
Approval of Shareholder Rights Plan	7
EXECUTIVE COMPENSATION.....	9
Compensation Discussion & Analysis.....	9
Performance Graph.....	14
Assessment of Risks Associated with the Corporation’s Compensation Policies and Practices	14
Summary Compensation Table.....	15
Incentive Plan Awards	16
Termination and Change of Control Benefits	17
Director Compensation.....	18
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS	20
Equity Compensation Plan.....	20
Incentive Stock Option Plan	21
Deferred Stock Unit Plan.....	24
INDEBTEDNESS OF DIRECTORS AND OFFICERS	25
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS	26
CORPORATE GOVERNANCE	26
Board of Directors	26
Board Mandate.....	27
Position Descriptions	28
Orientation and Continuing Education	28
Ethical Business Conduct	28
Nomination of Directors	29
Compensation Committee.....	29
Audit Committee	30
Assessments.....	30
Other Board Committees	30
PROPOSALS BY SHAREHOLDERS.....	31
ADDITIONAL INFORMATION.....	31
APPROVAL OF CIRCULAR.....	31

SCHEDULE A – Majority Voting Policy

SCHEDULE B – Summary of Amended and Restated Shareholder Rights Plan

SCHEDULE C – Shareholder Rights Plan Resolution

ERDENE RESOURCE DEVELOPMENT CORPORATION
MANAGEMENT INFORMATION CIRCULAR
(As at May 12, 2014, 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 17, 2014 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 13, 2014 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, 8th 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 chairman 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 74,956,612 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 13, 2014 ("**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 9,142,857 Common Shares or 12.2% 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, 2013 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 or approval of the Corporation's shareholder rights plan to the extent they own Common Shares.

BUSINESS TO BE TRANSACTED AT THE MEETING

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, 2013 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 has determined that, in the forthcoming year, the business of the Corporation may be properly conducted by a Board of Directors consisting of five directors.

Each of the persons named in the list which follows is currently a director of the Corporation and all are, in the opinion of management, well qualified to direct the Corporation's activities for the ensuing year. 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.

Name, Province and Country of Residence	Principal Occupation⁽¹⁾	Director Since	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed⁽⁷⁾
Peter C. Akerley ⁽⁵⁾⁽⁶⁾ 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	656,075
William B. Burton ⁽²⁾⁽³⁾⁽⁴⁾⁽⁶⁾ Ontario, Canada	Retired; director of four public companies	February 25, 2003	Director	432,700
John P. Byrne ⁽²⁾⁽³⁾⁽⁴⁾ 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	2,064,535
J.C. (Chris) Cowan ⁽⁵⁾⁽⁶⁾ Ontario, Canada	Vice-President Asia of the Corporation	February 25, 2003	Vice-President Asia, Director and a Managing Director of the Corporation's Mongolian Subsidiaries	863,500
Philip L. Webster ⁽²⁾⁽³⁾⁽⁴⁾ Quebec, Canada	President, Imperial Windsor Group Inc. (an investment holding company)	June 14, 2006	Director	1,971,500

Notes:

- (1) See biographical summaries below for descriptions of the occupations of the above noted individuals within the past five years and for prior periods.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Corporate Governance and Disclosure Policy Committee.
- (5) Member of the Pre-Clearance Committee.
- (6) Member of the Technical Committee.
- (7) The information as to security holdings was provided by the nominees as of May 12, 2014.

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 has been the Corporation's President and Chief Executive Officer since March 2003. Mr. Akerley previously held senior positions with International Pursuit Corp, an Asian focussed metal explorer working extensively in Mongolia in the mid 1990's. 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 over the past 15 years. Mr. Akerley has a BSc (1988) from Saint Mary's University in Halifax, specializing in geology. He is also chairman of Morien Resources Corp. and a director of both Barisan Gold Corp. and Temex Resources Corporation, both listed on the TSX-V.

William B. Burton – 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. He is also a director of Red Moon Potash Inc. (TSX-V), a junior exploration company focused on potash/salt exploration in western Newfoundland and CWN Mining Acquisition Corporation (TSX-V), a capital pool company. He has held executive positions in various publicly traded companies in Canada involved in mineral exploration and development around the globe.

With 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 has lead 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 is a member of the Institute of Corporate Directors and 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 was a director of FW Omnimedia (2000-2004). 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 a director of Morien Resources Corp., a TSX-V listed company.

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 a Managing Director of Erdene Mongol XXK and Anian Resources XXK, 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) and Preston Resources Inc. (1997-2001). Mr. Cowan was appointed Vice-President Asia of the Corporation in June 2006.

Philip L. Webster – Since 1998, Mr. Webster's principal occupation has been as President of Imperial Windsor Group Inc., a private investment holding company. He is presently also a director of Erdene Resource Development Corporation and was a former director of Western Financial Group Inc. He is or has been a director of numerous private companies, including, Imperial Windsor Group Inc., Kinmont Canada Inc., Autoparc Stanley and Detroit Marine Terminals. 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 Educational 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.

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.

A copy of the Policy is attached to this Circular as Schedule A.

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 Shareholder Rights Plan

The Corporation entered into a shareholder rights plan agreement (the "**Existing Rights Plan**") with Computershare Investor Services Inc., as rights agent (the "**Rights Agent**"), dated March 14, 2008. The Existing Rights Plan was approved by Shareholders at the meeting of Shareholders held on May 28, 2008 and its continuation was approved by Shareholders at the meeting of Shareholders held on June 23, 2011. At the Meeting, the Corporation will be seeking the approval of Shareholders to continue the operation of the Existing Rights Plan and its amendment and

restatement to give effect to certain amendments to the Existing Rights Plan as described below under "*Proposed Amendments*", in the form of an amended and restated shareholder rights plan agreement (the "**Rights Plan**").

The primary objectives of the Rights Plan are to: (a) ensure, to the extent possible, that all holders of Common Shares and the Board have adequate time to consider and evaluate any unsolicited bid for the Common Shares; (b) provide the Board with adequate time to identify, develop and negotiate value-enhancing alternatives, if considered appropriate, to any such unsolicited bid; (c) encourage the fair treatment of the Corporation's securityholders in connection with any take-over bid made for the Common Shares; and (d) generally, to assist the Board in enhancing shareholder value. The Rights Plan is not intended to prevent take-over bids that treat Shareholders fairly and was not adopted in response to any proposal to acquire control of the Corporation.

Under the Existing Rights Plan and the Rights Plan, those bids that meet certain requirements intended to protect the interests of all Shareholders are deemed to be "Permitted Bids". Permitted Bids must be made by way of a take-over bid circular prepared in compliance with applicable securities laws and, among other conditions, must remain open for sixty days. In the event a take-over bid does not meet the Permitted Bid requirements or a person otherwise acquires 20% or more of the outstanding Common Shares, subject to certain exemptions, the rights will entitle Shareholders, other than any Shareholder acquiring the Common Shares, to purchase additional Common Shares at a substantial discount to the market value at the time. As a result, the investment of the Shareholder or Shareholders making the acquisition will be greatly diluted if a substantial portion of the rights are exercised.

Proposed Amendments

Management of the Corporation has reviewed the terms of the Existing Rights Plan for conformity with current Canadian securities laws, as well as practices of public companies in Canada, with respect to shareholder rights plan design. Following this review, effective May 14, 2014, the Board approved the Rights Plan, subject to approval and confirmation by the Shareholders.

The following are the proposed amendments to the Existing Rights Plan contained within the Rights Plan:

- the recitals to the Rights Plan have been supplemented to provide greater detail on the objectives of the Rights Plan;
- the definition of "Grandfathered Person" has been added as an exclusion from the definition of "Acquiring Person";
- the definitions of "Beneficial Ownership", "Competing Permitted Bid" and "Exempt Acquisition" have been amended, and the definition of "Permitted Lock-up Agreement" has been added, to more closely follow the practice of other Canadian public companies;
- the definition of "Expiration Time" and the shareholder confirmation provisions have been revised such that the Rights Plan must be reconfirmed by a majority of the votes cast by Shareholders and Independent Shareholders (as defined in the Rights Plan, but generally meaning any Shareholder other than an Acquiring Person (as defined in the Existing Rights Plan) or a person making a take-over bid for the Corporation and the associates and affiliates of such persons) at every third annual shareholder meeting of the Corporation held after the date of the Rights Plan, rather than setting a fixed termination date. If the Rights Plan is not reconfirmed or is not presented for reconfirmation at any such annual meeting, then the Rights Plan and all outstanding rights under it will terminate and be void and of no further force or effect on and from the date of termination of any such annual meeting;
- provisions with respect to compliance by the Corporation and/or the Rights Agent with privacy laws and money laundering legislation have been added;
- the requirement for obtaining the consent of Shareholders for amendments to the Rights Plan prior to the Separation Time (as defined in the Rights Plan) has been amended to only require the consent of Independent Shareholders; and
- certain other amendments of a non-substantive or housekeeping nature have been made to provide for greater clarity and consistency.

Except for the amendments described above, the Rights Plan is identical to the Existing Rights Plan in all material respects.

A summary of the Rights Plan is set forth in Schedule B to this Circular. This summary is qualified in its entirety by reference to the text of the Rights Plan. A copy of the Existing Rights Plan may be obtained from the Corporation's public disclosure documents found on SEDAR at www.sedar.com or by request from the Corporation at Suite 1480, 99 Wyse Road, Dartmouth, Nova Scotia, B3A 4Z2, telephone (902) 423-6419 or fax (902) 423-6432. The form of the Rights Plan and a blackline copy of the Rights Plan, showing the changes made to the Existing Rights Plan, are available on the Corporation's website at www.erdene.com and may be obtained by request from the Corporation in the same manner as the Existing Rights Plan.

Shareholder Approval

The Existing Rights Plan will expire at the close of business on the date immediately following the date of the Meeting in accordance with the provisions of the Existing Rights Plan, unless the Rights Plan is approved by Shareholders at the Meeting. If Shareholder approval is obtained in respect of the Rights Plan, the Corporation intends to enter into the Rights Plan as soon as practicable following the Meeting. The Rights Plan has been conditionally approved by the Toronto Stock Exchange ("TSX"), subject to Shareholder approval and other standard conditions.

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass a resolution in the form set forth in Schedule C to this Circular ("**Rights Plan Resolution**").

The directors of the Corporation recommend that the Shareholders approve and confirm the continuance and amendment and restatement of the Existing Rights Plan in the form of the Rights Plan. **It is intended that all proxies received will be voted in favour of the Rights Plan Resolution, unless a proxy contains instructions to vote against such resolution. Greater than 50% of the votes of Shareholders present in person or by proxy are required to approve the Rights Plan Resolution.** If the Rights Plan Resolution is not approved, the Existing Rights Plan will terminate and the rights issued under it will be void.

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, 2013, 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 Chief Financial Officer and Vice-President Business Strategy ("**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, Philip L Webster and William B. Burton (Chair), each of whom qualifies as an independent director within the meaning of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*. All members of the Compensation Committee have more than 35 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 John P. Byrne and William B. Burton has 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, CFO and the Vice-President Asia 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 have 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.

Component of Total Direct Compensation	Type of Compensation	Element	Form	Performance Period
FIXED	Annual	Base Salary	Cash	1 year
VARIABLE	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 and the Vice-President Asia 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 the their role within the Corporation, performance of the individual, performance of the Corporation or general change in market salary levels. Employees of the Corporation may also 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 2011, management conducted a survey of a peer group comprised of Brigus Gold Corp., Entree Gold Inc., Merrex Gold Inc., Khan Resources Inc., Moly Mines Limited, Temex Resources Corp., Eurasian Minerals Inc. and East Asia Minerals Corporation. The Compensation Committee reviewed actual 2010 salaries reported in 2011 in determining the 2012 total executive compensation for the Named Executives and the Vice-President Asia. 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. As a result of such review, there were no increases in executive compensation in 2012.

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. 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. 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.

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.

In 2011, the Corporation paid a bonus of \$50,000 to the CEO and a bonus of \$25,000 to each of the CFO and the Vice-President Asia for their extraordinary efforts in 2010. No bonuses were paid to Named Executives or the Vice-President Asia in 2012 or 2013. 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 "*Securities Authorized for Issuance under Equity Compensation Plans – 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 ("**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, Named Executives and certain employees agreed to reduce cash compensation in exchange for additional DSU payments. These elections were terminated effective November 1, 2013 and, thereafter, the Named Executives and employees no longer receive DSUs in lieu of a portion of their salaries.

On July 1, 2013, a discretionary award for a total of 292,969 DSUs was granted to the CEO, CFO and 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 and the Vice-President Asia is entitled to do so. 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.). From the closing of the reverse takeover until the effective date of the Arrangement, Erdene provided APM with certain management, financial, administrative and regulatory services. In return, APM paid Erdene a monthly fee to reimburse Erdene for its cost of these services. During 2011 and in 2012 until November 8, 2012, the fee was \$18,058 per month and included the services of both the CEO and CFO of APM.

In 2011 and in 2012 until November 9, 2012, Kenneth W. MacDonald, Vice-President Business Strategy and CFO of Erdene, devoted certain of his time to the business and affairs of APM as its president and chief executive officer as follows:

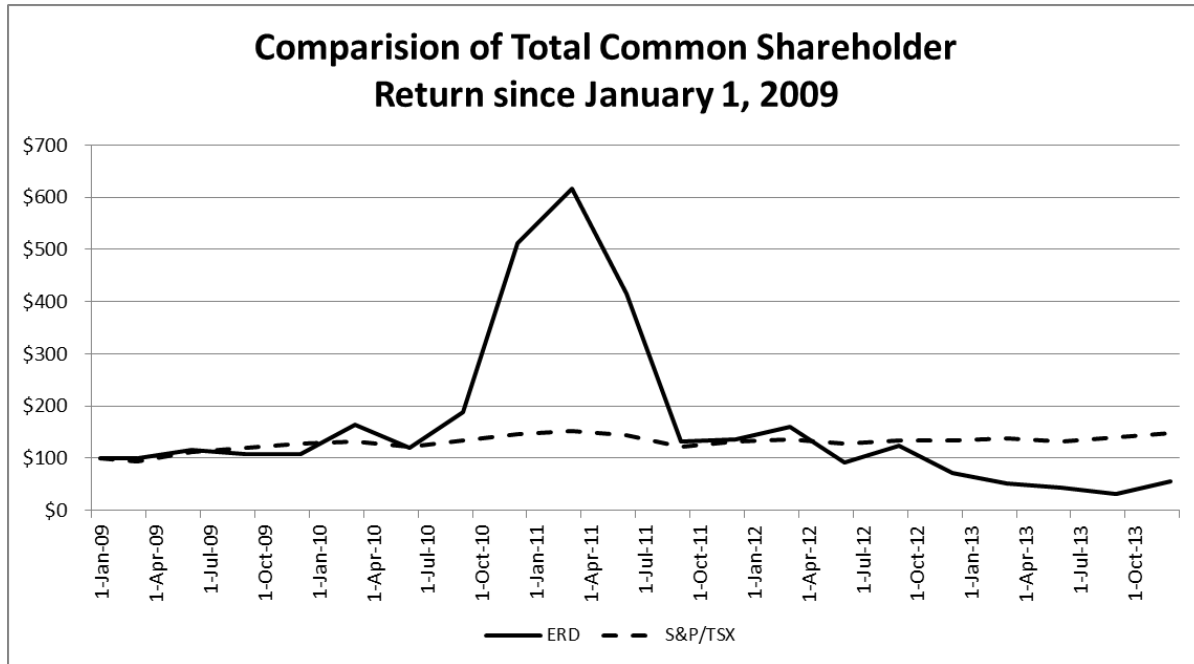
- (a) in 2012, prior to completion of the Arrangement, approximately 40% of his time, for which APM paid Erdene \$84,000; and
- (b) in 2011, approximately 40% of his time, for which APM paid Erdene \$84,000.

Upon completion of the Arrangement on November 9, 2012, Mr. MacDonald assumed the role of chief financial officer of Morien. In addition, 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 November and December 2012, during the period following completion of the Arrangement, Mr. MacDonald and Mr. Akerley devoted approximately 50% and 25%, respectively, of their time to the business and affairs of Morien, and \$8,750 and \$5,208 of the aggregate \$39,535 monthly fee paid by Morien to the Corporation during that period for management and administrative salaries is attributable to their services, respectively. 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, it is anticipated that Mr. Akerley will devote approximately 5% 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 will be compensated directly by Morien. In the 2014 financial year, it is anticipated that Mr. MacDonald will devote approximately 25% of his time to the affairs of Morien. \$38,810 and \$86,625 of the \$450,878 aggregate fee paid by Morien to the Corporation in 2013 for management and administrative salaries is attributable to the services of Mr. Akerley and Mr. MacDonald, respectively.

Performance Graph

The following line graph depicts the Corporation's cumulative total shareholder return by quarter since January 1, 2009, assuming a \$100 investment in the Common Shares on such date, compared to an equal investment in the S&P/TSX Composite Total Return Index shares.



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, 2011, 2012 and 2013.

Name and principal position	Year	Salary (\$)	Share-based awards ⁽³⁾ (\$)	Option-based awards ⁽⁴⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$) ⁽⁷⁾	Total Compensation (\$)
					Annual incentive plans ⁽⁶⁾	Long-term incentive plans			
Peter C. Akerley, President & CEO ⁽¹⁾	2013	144,648	63,281	44,200	Nil	Nil	N/A	50,339	302,468
	2012	239,583	Nil	28,000 ⁽⁵⁾	Nil	Nil	N/A	8,504	276,087
	2011	250,000	Nil	517,000	50,000	Nil	N/A	8,392	825,392
Ken W. MacDonald, Vice-President, Business Strategy & CFO ⁽²⁾	2013	59,125	35,438	20,250	Nil	Nil	N/A	6,399	121,212
	2012	121,107	Nil	21,000 ⁽⁵⁾	Nil	Nil	N/A	6,576	148,683
	2011	126,000	Nil	423,000	25,000	Nil	N/A	6,306	580,306

Notes:

- (1) Effective November 1, 2012, the Corporation entered into a services agreement with Morien pursuant to which the Corporation provides Morien with management, administration, financial and regulatory updating services, including the services of Mr. Akerley. See "*Other Factors for Understanding Compensation*". In November and December of 2012, Mr. Akerley devoted approximately 25% of his time to the affairs of Morien and the Corporation was paid \$10,417 by Morien for such services and in 2013, Mr. Akerley devoted approximately 14% of his time to the affairs of Morien pursuant to the Services Agreement and the Corporation was paid \$38,810 by Morien for such services and approximately 11% of his time to the affairs of Morien in his capacity as Chair of the Board of Morien, for which he was compensated directly by Morien.

The total salary received by Mr. Akerley from both Morien and Erdene was \$183,500 in 2013 (\$250,000 in 2012 and 2011) while the net salary and net total compensation received from Erdene is displayed in the table above.

- (2) Pursuant to a management arrangement with APM, prior to completion of the Arrangement, the Corporation provided APM with certain management, financial, administrative and regulatory services, including the services of Mr. MacDonald as president and CEO of APM. In return, APM paid the Corporation a flat monthly fee. In 2012, the annual fee was \$154,951, \$71,393 of which was attributed to the services of Mr. MacDonald who devoted approximately 40% of his time to the affairs of APM. In 2011, the annual fee was \$162,660, \$84,000 of which was attributed to the services of Mr. MacDonald who devoted approximately 40% of his time to the affairs of APM. Following completion of the Arrangement, the Corporation entered into a services agreement with Morien pursuant to which the Corporation provides Morien with management, administration, financial and regulatory updating services, including the services of Mr. MacDonald. See "*Other Factors for Understanding Compensation*" above for more information on the services agreement with Morien. In November and December 2012, Mr. MacDonald devoted approximately 50% of his time to the affairs of Morien and the Corporation was paid \$17,500 by Morien for such services and 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.

The total salary received by Mr. MacDonald from both Morien and Erdene was \$145,750 in 2013 (\$210,000 in 2012 and 2011) while the net salary and net total compensation received from Erdene is displayed in the table above.

- (3) This column shows the total compensation value of DSUs granted to the Named Executives in 2011, 2012 and 2013. 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 2011, 2012 and 2013. Option based awards are valued using the Black-Scholes method in accordance with the Corporation's accounting policies and using the following assumptions: For 2012: No dividends are to be paid, risk-free interest rate of 1.3%, expected volatility of 97%, and an expected life of 4.5 years. For 2011: No dividends are to be paid, risk-free interest rate of 2.0%, expected volatility of 98%, and an expected life of 4.3 years. The fair value of the options issued in 2011, on the date granted, was \$0.94 per option. 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. The fair value of the options issued, on the date granted, was \$0.94 per option in 2011, \$0.28 per option in 2012, \$0.12 for those granted in 2013. No options were exercised by Named Executives in 2013.
- (5) All options outstanding immediately prior to the Arrangement were exchanged for one-half of one option of Morien and one-half of one new option of the Corporation. The aggregate exercise price of the replacement options was equal to the options of the Corporation they replaced, and the exercise price was allocated based on the volume weighted average trading prices of the shares of the Corporation and Morien following the Arrangement. This resulted in a new exercise price of 41.26% of the original price attributable to one-half of one new option of the Corporation.
- (6) In April 2011, Mr. Akerley was paid a cash bonus of \$50,000 and Mr. MacDonald was paid a cash bonus of \$25,000 for his extraordinary services in 2010. The Vice-President - Asia received a cash bonus of \$25,000 in 2011 and the director of finance and director of operations, Mongolia each received a bonus of \$10,000 in each of 2010 and 2011 in recognition of their extraordinary efforts. No bonuses were paid to Named Executives in 2012 or 2013.

(7) Includes perquisites, benefits package and, in the case of Mr. Akerley, the taxable benefit on loans and loan forgiveness of \$42,238.

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, 2013.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#) ⁽¹⁾	Option exercise price (\$) ⁽¹⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾	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 (\$)
Peter C. Akerley President & CEO	250,000	0.14	November 26, 2018	N/A	N/A	N/A	78,095
	240,000	0.12	June 28, 2018	4,800			
	100,000	0.25	27-August-2017	N/A			
	120,000	0.48	15-April-2015	N/A			
	100,000	0.25	25-June-2014	N/A			
Ken W. MacDonald Vice-President Business Strategy & CFO	159,375	0.14	November 26, 2018	N/A	N/A	N/A	43,733
	75,000	0.12	June 28, 2018	1,500			
	75,000	0.25	27-August-2017	N/A			
	37,500	0.48	15-April-2015	N/A			
	100,000	0.25	25-June-2014	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 2013 year-end closing price on the TSX for Common Shares, which was \$0.14, and the exercise price of the options.
- (3) During the financial years ended December 31, 2011, 2012 and 2013 no options were exercised by Named Executives. In addition, during the financial year ended December 31, 2012, an aggregate of 500,000 were relinquished by Named Executives prior to the effective date of the Arrangement.
- (4) All options were vested upon grant.

Incentive Plan Awards - Value Vested or Earned During 2013

Name	Option-Based Awards – Value Vested during 2013 (\$)	Share-Based Awards – Value Vested during 2013 (\$)	Non-equity Incentive Plan Compensation – Value earned during 2013 (\$)
Peter C. Akerley President & CEO	44,200 ⁽¹⁾	63,281 ⁽²⁾	N/A
Ken W. MacDonald Vice-President Business Strategy & CFO	20,250 ⁽¹⁾	35,438 ⁽²⁾	N/A

Notes:

- (1) On June 28, 2013, an aggregate of 399,375 options were granted to Named Executives and vested immediately, having an exercise price of \$0.12. The market price of the Common Shares on June 28, 2013 was \$0.11. On November 26, 2013, an aggregate of 325,000 options were granted to Named Executives and vested immediately, having an exercise price of \$0.14. The market price of the Common Shares on November 26, 2013 was \$0.13.
- (2) On March 31, 2013, an aggregate of 52,232 DSUs were granted to Named Executives and vested immediately. The market price of the Common Shares on March 31, 2013 was \$0.13. On June 30, 2013, an aggregate of 60,938 DSUs were granted to Named Executives and vested immediately. The market price of the Common Shares on June 30, 2013 was \$0.11. On July 1, 2013, an aggregate of 457,032 DSUs

were granted to Named Executives and vested immediately. The market price of the Common Shares on July 1, 2013 was \$0.11. On September 30, 2013, an aggregate of 243,750 DSUs were granted to Named Executives and vested immediately. The market price of the Common Shares on September 30, 2013 was \$0.08. On December 31, 2013, an aggregate of 56,250 DSUs were granted to Named Executives (in lieu of a portion of their salaries for October 2013) and vested immediately. The market price of the Common Shares on December 31, 2013 was \$0.14.

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, 2013, 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:

Total Compensation	Type of Termination									
	Resignation		Termination without Cause		Termination with Cause		Death/Disability		Change of Control	
	Cash	DSU ⁽²⁾	Cash	DSU ⁽²⁾	Cash	DSU ⁽²⁾	Cash	DSU ⁽²⁾	Cash	DSU ⁽²⁾
Peter C. Akerley ⁽¹⁾	Nil	\$78,085	\$62,500 ⁽³⁾	\$78,085	Accrued Current Annual Salary	\$78,085	\$62,500	\$78,085	\$62,500 ⁽³⁾	\$78,085
Ken W. MacDonald ⁽¹⁾	Nil	\$43,733	\$58,500 ⁽⁴⁾	\$43,733	Accrued Current Annual Salary	\$43,733	\$52,500	\$43,733	\$58,500 ⁽⁴⁾	\$43,733

Note:

- (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) \$52,500 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, 2013:

Name	Fees earned (\$)	Share-based awards ⁽²⁾		Option-based awards (\$) ⁽³⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
		Value of DSFs	# of DSUs					
William B. Burton	8,000	10,000	85,699	7,500	Nil	Nil	Nil	25,500
John P. Byrne	6,000	10,000	85,699	7,500	Nil	Nil	Nil	23,500
David S.B. Carnell ⁽¹⁾	5,000	5,000	38,690	Nil	Nil	Nil	Nil	10,000
J.C.(Chris) Cowan	Nil	42,525	374,856	16,050	Nil	Nil	Nil	58,575
Philip L. Webster	7,000	10,000	85,699	19,500	Nil	Nil	Nil	36,500

Notes:

- (1) Mr. Carnell ceased to be a director of the Corporation at the close of the Corporation's annual and special meeting of shareholders of the Corporation on June 27, 2013. Mr. Carnell redeemed his DSUs for 38,690 Common Shares in 2013.
- (2) 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.
- (3) 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 1.6%, expected volatility of 97% and an expected life of 4.4 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, on the date granted, was \$0.08 per option for those issued in June 2013 and \$0.10 per option for those issued in November 2013. No options were exercised by directors in 2013.

Prior to March 2004, non-management directors of the Corporation did not receive fees or other such compensation in their capacities as directors, other than stock options pursuant to the Corporation's incentive stock option plan. Following the Corporation's initial public offering in March 2004, the Corporation began to pay its non-management directors, who are not executive officers, an honorarium of \$500 per meeting of the Board of Directors or any committee of the Board of Directors. This amount was increased to \$1,000 per meeting effective March, 2008. Directors are not paid a second fee for concurrent meetings. The aggregate amount earned by the directors in 2013 based upon their meeting attendance was \$26,000. 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, 2013.

Name	Option-based Awards				Share-based Awards ⁽⁴⁾		
	Number of securities underlying unexercised options (#) ⁽¹⁾	Option exercise price (\$) ⁽¹⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾	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 (\$)
William B. Burton	93,750	0.12	June 28, 2018	1,875	N/A	N/A	11,998
	50,000	0.25	27-August-2017	N/A			
	50,000	0.48	08-Oct-2015	N/A			
	25,000	0.25	25-June-2014	N/A			
J.C. (Chris) Cowan	200,625	0.12	June 28, 2018	4,013	N/A	N/A	52,480
	75,000	0.25	27-August-2017	N/A			
	92,500	0.48	08-Oct-2015	N/A			
	100,000	0.25	25-June-2014	N/A			
John P. Byrne	93,750	0.12	June 28, 2018	1,875	N/A	N/A	11,998
	50,000	0.25	27-August-2017	N/A			
	50,000	0.48	08-Oct-2015	N/A			
	25,000	0.25	25-June-2014	N/A			
Philip L. Webster	120,000	0.14	November 26, 2018	N/A	N/A	N/A	11,998
	93,750	0.12	June 28, 2018	1,875			
	50,000	0.25	27-August-2017	N/A			
	50,000	0.48	08-Oct-2015	N/A			
	25,000	0.25	25-June-2014	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, following the implementation the Arrangement.
- (2) The value of unexercised in-the-money options is the difference between the 2013 year-end closing price on the TSX for Common Shares, which was \$0.14, and the exercise price of the options.
- (3) All options were fully vested on grant.
- (4) At December 31, 2013, an aggregate of 85,699 DSUs were held by each of Messrs. Burton, Byrne and Webster. An aggregate of 374,856 DSUs were held by Mr. Cowan.

Incentive Plan Awards - Value Vested or Earned During 2013

Name	Option-Based Awards – Value Vested during 2013 (\$)	Share-Based Awards – Value Vested during 2013 (\$)	Non-equity Incentive Plan Compensation – Value earned during 2013 (\$)
William B. Burton	Nil ⁽¹⁾	\$10,000 ⁽³⁾	Nil
J.C. (Chris) Cowan	Nil ⁽¹⁾	\$42,525 ⁽⁴⁾	Nil
John P. Byrne	Nil ⁽¹⁾	\$10,000 ⁽³⁾	Nil
David S.B. Carnell ⁽²⁾	Nil ⁽¹⁾	\$5,000 ⁽³⁾	Nil
Philip L. Webster	Nil ⁽¹⁾	\$10,000 ⁽³⁾	Nil

Notes:

- (1) On June 28, 2013, an aggregate of 281,250 options were granted to directors and vested immediately, having an exercise price of \$0.12. The market price of the Common Shares on June 28, 2013 was \$0.11. On November 26, 2013, an aggregate of 120,000 options were granted to directors and vested immediately, having an exercise price of \$0.14. The market price of the Common Shares on November 26, 2013 was \$0.13.
- (2) Messrs. Carnell and MacDonald ceased to be directors of the Corporation at the close of the Corporation's annual and special meeting of shareholders of the Corporation on June 27, 2013.
- (3) On March 31, 2013, 17,857 DSUs at \$0.14 were granted to each of Messrs. Burton, Byrne, Carnell and Webster. On June 30, 2013, 20,833 DSUs at \$0.12 were granted to each of Messrs. Burton, Byrne, Carnell and Webster. On September 30, 2013, 27,778 DSUs at \$0.09 were granted to each of Messrs. Burton, Byrne, and Webster. On December 31, 2013, 19,231 DSUs at \$0.13 were granted to each of Messrs. Burton, Byrne, and Webster.
- (4) On March 31, 2013, 22,500 DSUs at \$0.14 were granted to Mr. Cowan. On June 30, 2013, 26,250 DSUs at \$0.12 were granted to Mr. Cowan. On July 1, 2013, 196,875 DSUs at \$0.12 were granted to Mr. Cowan. On September 30, 2013, 105,000 DSUs at \$0.09 were granted to Mr. Cowan. On December 31, 2013, 3,150 DSUs at \$0.13 were granted to Mr. Cowan.

During the financial year ended December 31, 2013, 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, 2013, the Corporation's most recently completed financial year, with regard to outstanding options exercisable into Common Shares under the Plan and outstanding warrants.

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 (a)	Weighted-average exercise price of outstanding options, warrants or rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Employee stock option compensation plans approved by securityholders	3,704,250 ⁽¹⁾	\$0.25	1,067,449 ⁽³⁾
DSU compensation plan approved by securityholders	2,090,451 ⁽²⁾⁽⁶⁾	N/A	370,859
Equity compensation plans not approved by securityholders	7,839,939 ⁽⁴⁾⁽⁵⁾	\$0.16	Nil
Total	13,634,640	\$0.19	1,438,306

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, 2013, which was 68,621,503, less the number of Common Shares reported under column (a) above.
- (4) A private placement of 5,882,352 units was completed on December 21, 2012. Each unit was comprised of one Common Share and one-half of one warrant. Each whole warrant entitles the holder to purchase one Common Share at a price of \$0.25 for a period of 24 months.
- (5) A private placement of 9,797,514 units was completed on November 7, 2013. Each unit was comprised of one Common Share and one-half of one warrant. Each whole warrant entitles the holder to purchase one Common Share at a price of \$0.10 for a period of 24 months.

- (6) The Corporation is authorized to issue 2,500,000 DSUs. See "*Securities Authorized for Issuance Under Equity Compensation Plans – Deferred Stock Unit Plan*".

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. Shareholders approved all unallocated options issuable under the Plan at the annual and special meetings held on May 20, 2010 and June 27, 2013, as required by the rules of the Toronto Stock Exchange ("**TSX**"). The Plan was 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 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 1,137,500 (adjusted to give effect to the Arrangement) which represents 1.51% 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 3,599,250 (4.8% of the issued and outstanding Common Shares as of the date of this Circular) and pursuant to options available to be granted is 3,896,411 (5.2% 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 DSUs*".

Deferred Stock Unit Plan

Introduction

At the special meeting of Shareholders held on October 26, 2012, the Shareholders adopted the DSU Plan. 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.

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.

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 2,500,000, representing 3.3% of the issued and outstanding Common Shares as of the date of this Circular. Since the date of its inception, 69,299 Common Shares have been issued under the DSU Plan. The total number of DSUs outstanding as of the date of this Circular is 2,368,323, representing 3.2% 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 2,500,000; 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, 2013, or in any proposed transaction which, in either case, has materially affected or would materially affect the Corporation or its subsidiaries.

During the Corporation's 2013 financial year, an unsecured loan with a balance of \$28,300 and a share subscription loan with a balance of \$56,175 made by the Corporation to a Named Executive were forgiven in lieu of cash compensation. See "*Executive Compensation – Summary Compensation Table*".

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 five directors, three of whom are "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 three independent directors are William B. Burton, John P. Byrne and Philip L. Webster. 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 is the Vice-President Asia and a Managing Director of the Mongolian subsidiaries of the Corporation.

Peter C. Akerley is the chair of the Board of Directors and, as noted above, Mr. Akerley is not independent. 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 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 directors of the Corporation are also directors of other reporting issuers:

Director	Name of Other Reporting Issuer
Peter C. Akerley	Temex Resources Corp. (TSX-V) Morien Resources Corp. (TSX-V) Barisan Gold Corp. (TSX-V)
William B. Burton	Adex Mining Inc. (TSX-V) Red Moon Potash 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)

There were five (5) formal Board meetings since January 1, 2013. The attendance record of each director at such meetings is as follows:

Director	Number of Meetings Attended/Number of Board Meetings in the Year When the Individual Was a Director
Peter C. Akerley	5/5
William B. Burton	5/5
John P. Byrne	5/5
David S.B. Carnell ⁽¹⁾	2/2
J.C. (Chris) Cowan	5/5
Ken W. MacDonald ⁽¹⁾	2/2
Philip L. Webster	5/5

Notes:

(1) Messrs. Carnell and MacDonald ceased to be directors of the Corporation at the close of the Corporation's annual and special meeting of shareholders of the Corporation on June 27, 2013.

In addition, certain of the decisions of the Board of Directors since January 1, 2013, 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.

The Board of Directors has not developed a written position description for the chairman of the Board of Directors as this position is presently held by the CEO. The Board of Directors has not developed a written position description for the CEO. Given the relatively small size of the Corporation and the length of time Mr. Akerley and the majority of the Board of Directors members have served in such capacities, the Board of Directors believes that Mr. Akerley's role and responsibilities are adequately described in his written employment agreement as supplemented by communications at board meetings and in other communications between the Board of Directors and Mr. Akerley.

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 Corporate Governance and Disclosure Policy 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. 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, John P. Byrne and Philip L. Webster.

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 Webster, 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, 2013, 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.

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 three directors, Messrs. Akerley, Cowan and MacDonald, all of whom 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, Byrne, 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. Messrs. Akerley and Cowan are members 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 14, 2014, 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. 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.

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 15th day of May, 2014.

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

ERDENE RESOURCE DEVELOPMENT CORP.

MAJORITY VOTING POLICY

The board of directors ("**Board**") of Erdene Resource Development Corp. (the "**Corporation**") believes that each of its members should carry the confidence and support of its shareholders and is committed to upholding high standards in corporate governance.

Forms of proxy for the vote at a shareholders' meeting where directors are to be elected will enable the shareholder to vote in favour of, or to withhold from voting for, each nominee on an individual basis. At the meeting, the chair of the meeting will call for a vote by a ballot and the scrutineer will record, with respect to each nominee the number of shares voted in his or her favour and the number of shares withheld from voting. Prior to receiving the scrutineer's report on the ballot, the chair of the meeting may announce the vote result based on the number of proxies received by the Corporation. At the conclusion of the meeting, the Corporation shall issue a news release providing detailed disclosure of the voting results for the election of directors.

In an uncontested election of directors of the Corporation, each director should be elected by the vote of a majority of the shares represented in person or by proxy at any shareholder's meeting for the election of directors. Accordingly, if any nominee for director receives a greater number of votes "withheld" from his or her election than votes "for" such election, that director shall promptly tender his or her resignation to the chair of the Board following the meeting. In this policy, an "uncontested election" means an election where the number of nominees for director equals the number of directors to be elected.

The Corporation's corporate governance committee (the "**Committee**") shall consider the offer of resignation and recommend to the Board whether or not to accept it. Any director who tenders his or her resignation may not participate in the deliberations of either the Committee or the Board. In its deliberations, the Committee will consider any stated reasons why shareholders "withheld" votes from the election of that director, the length of service and the qualifications of the director, the director's contributions to the Corporation, the effect such resignation may have on the Corporation's ability to comply with any applicable governance rules and policies and the dynamics of the Board, and any other factors that the Committee considers relevant.

The Board shall act on the Committee's recommendation within 90 days following the applicable meeting and announce its decision via news release, after considering the factors considered by the Committee and any other factors that the Board considers relevant. The Board expects to accept the resignation except in situations where extenuating circumstances would warrant the director to continue to serve on the Board. However, if the Board declines to accept the resignation, it should include in the news release the reasons for its decision.

If a resignation is accepted, the Board may, subject to any corporate law restrictions and the Corporation's constating documents, (i) leave any resulting vacancy unfilled until the next annual general meeting, (ii) appoint a new director to fill the vacancy created by the resignation who the Board considers will have the confidence of shareholders or (iii) call a special meeting of shareholders at which there will be presented a management slate to fill the vacant position or positions.

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.

Adopted by the Board of Directors of Erdene Resource Development Corp. effective April 18, 2013.

ERDENE RESOURCE DEVELOPMENT CORPORATION**Summary of Amended and Restated Shareholder Rights Plan****1. Summary of the Principal Terms of the Rights Plan**

This summary is qualified in its entirety by reference to the text of the Rights Plan. A copy of the Existing Rights Plan may be obtained from the Corporation's public disclosure documents found on SEDAR at www.sedar.com or by request from the Corporation at Suite 1480, 99 Wyse Road, Dartmouth, Nova Scotia, B3A 4Z2, telephone (902) 423-6419 or fax (902) 423-6432. The form of the Rights Plan and a blackline copy of the Rights Plan, showing the changes made to the Existing Rights Plan, are available on the Corporation's website at www.erdene.com and may be obtained by request from the Corporation in the same manner as the Existing Rights Plan.

2. Issue of Rights

The Corporation issued one right (a "**Right**") in respect of each Common Share outstanding at the close of business on March 14, 2008 (the "**Record Time**"). The Corporation will issue Rights on the same basis for each Common Share issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time (both defined below).

3. Rights Certificates and Transferability

Before the Separation Time, the Rights will be evidenced by the certificates or evidence of ownership for the Common Shares and will not be transferable separate from the Common Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates which will be transferable separate from and independent of the Common Shares.

4. Exercise of Rights

Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder to acquire one Common Share for the Exercise Price of \$50 (subject to certain antidilution adjustments). This Exercise Price is expected to be in excess of the estimated maximum value of the Common Shares during the term of the Rights Plan. Upon the occurrence of a Flip-In Event (defined below) prior to the Expiration Time, each Right (other than any Right held by an "Acquiring Person", which will become null and void as a result of such Flip-In Event) may be exercised to purchase that number of Common Shares which have an aggregate Market Price equal to twice the Exercise Price of the Rights for a price equal to the Exercise Price. Effectively, this means a Shareholder of the Corporation (other than the Acquiring Person) can acquire additional Common Shares from treasury at half their Market Price.

5. Definition of "Acquiring Person"

Subject to certain exceptions, an Acquiring Person is a person who is the Beneficial Owner (defined below) of 20% or more of the outstanding Common Shares.

6. Definition of "Beneficial Ownership"

A person is a Beneficial Owner if such person or its affiliates or associates or any other person acting jointly or in concert owns the securities at law or in equity, and has the right to acquire (immediately or within 60 days) the securities upon the exercise of any convertible securities or pursuant to any agreement, arrangement or understanding.

However, a person is not a Beneficial Owner under the Rights Plan where:

- (a) the holder of the securities has agreed to deposit or tender the securities under a take-over bid pursuant to a Permitted Lock-up Agreement;

- (b) the securities have been deposited or tendered pursuant to a take-over bid, unless those securities have been accepted unconditionally for payment or exchange or have been taken up and paid for;
- (c) such person (including a fund manager, trust company, pension fund administrator, trustee or nondiscretionary client accounts of registered brokers or dealers) is engaged in the management of mutual funds or investment funds for others, as long as that person is not making a take-over bid or acting jointly or in concert with a person who is making a takeover bid and satisfies other standard conditions; or
- (d) such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

7. Definition of "Separation Time"

Separation Time occurs on the tenth trading day after the earlier of:

- (a) the first date of public announcement that a person has become an Acquiring Person;
- (b) the date of the commencement or announcement of the intent of a person to commence a take-over bid (other than a Permitted Bid or Competing Permitted Bid) or such later date as determined by the Board; and
- (c) the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such or such later date as determined by the Board.

8. Definition of "Expiration Time"

Expiration Time occurs on the date being the earlier of:

- (a) the time at which the right to exercise Rights is terminated under the terms of the Rights Plan; and
- (b) the termination of any meeting of holders of Voting Shares at which the Rights Plan was not confirmed or reconfirmed as provided for in the Rights Plan.

9. Definition of a "Flip-In Event"

A Flip-In Event occurs when a person becomes an Acquiring Person, provided however, that the Flip-In Event shall be deemed to occur at the close of business on the tenth day (or such later date as the Board may determine) after the first date of public announcement that a person has become an Acquiring Person. Upon the occurrence of a Flip-In Event, any Rights that are beneficially owned by an Acquiring Person or any of its related parties to whom the Acquiring Person has transferred its Rights, will become null and void and the Acquiring Person's investment in the Corporation will be diluted if the Rights are exercised after a Flip-In Event occurs.

10. Definition of "Permitted Bid"

A Permitted Bid is a take-over bid made by a person (the "Offeror") pursuant to a take-over bid circular that complies with the following conditions:

- (a) the bid is made to all registered holders of Common Shares (other than Common Shares held by the Offeror), and for all Common Shares (other than the Common Shares held by the Offeror);
- (b) the Offeror agrees that no Common Shares and/or Convertible Securities will be taken up or paid for under the bid for at least 60 days following the commencement of the bid and that no Common Shares will be taken up or paid for unless at such date more than 50% of the outstanding Common Shares held by Shareholders other than the Offeror and certain related parties have been deposited pursuant to the bid and not withdrawn;
- (c) the Offeror agrees that the Common Shares and/or Convertible Securities may be deposited to and withdrawn from the take-over bid at any time before such Common Shares are taken up and paid for; and

- (d) if, on the date specified for take-up and payment, the condition in paragraph (b) above is satisfied, the bid shall remain open for an additional period of at least 10 business days to permit the remaining Shareholders to tender their Common Shares.

11. Definition of "Competing Permitted Bid"

A Competing Permitted Bid is a take-over bid that:

- (a) is made while a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry of such Permitted Bid or Competing Permitted Bid; and
- (b) satisfies all the requirements of a Permitted Bid except that the Common Shares under a Competing Permitted Bid may be taken up on the later of 35 days after the Competing Permitted Bid was made (or such other minimum deposit period for a take-over bid provided in the *Securities Act* (Ontario) and 60 days after the earliest date on which any other Permitted Bid or Competing Permitted Bid that was then outstanding was made, and at such date more than 50% of the outstanding Common Shares held by Shareholders other than the Offeror and certain related parties have been deposited pursuant to the bid and not withdrawn,

and a Competing Permitted Bid will cease to be a Competing Permitted Bid if it ceases to meet any of the above requirements.

12. Redemption of Rights

The Rights may be redeemed by the Board at its option with the prior approval of the Independent Shareholders or holders of Rights, as applicable, at any time before a Flip-In Event occurs at a redemption price of \$0.00001 per Right. In addition, the Rights will be redeemed automatically in the event of a successful Permitted Bid, Competing Permitted Bid or a bid for which the Board has waived the operation of the Rights Plan.

13. Waiver

The Board, acting in good faith, may waive the application of the Flip-In provisions of the Rights Plan to any prospective Flip-In Event which would occur by reason of a take-over bid made by a take-over bid circular to all registered holders of Common Shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other take-over bid made by take-over bid circular to all registered holders of Common Shares before the expiry of that first bid. Other waivers of the "Flip-In" provisions of the Rights Plan will require prior approval of the Shareholders of the Corporation. The Board may also waive the "Flip-In" provisions of the Rights Plan in respect of any Flip-In Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and has reduced its ownership to such a level that it is no longer an Acquiring Person.

14. Term of the Rights Plan

Unless otherwise terminated, the Rights Plan will expire at the Expiration Time.

15. Amending Power

Except for minor amendments to correct typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change of law, Independent Shareholder approval is required for amendments to the Rights Plan prior to the Separation Time. At any time after the Separation Time and before the Expiration Time, approval of the holders of Rights is required for amendments to the Rights Plan.

16. Rights Agent

Computershare Investor Services Inc.

17. Rightsholder not a Shareholder

Until a Right is exercised, the holder thereof as such will have no rights as a Shareholder of the Corporation.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Shareholder Rights Plan Resolution

Capitalized terms have the meanings ascribed thereto in the Management Information Circular of Erdene Resource Development Corporation ("**Corporation**") dated May 15, 2014.

BE IT RESOLVED as an ordinary resolution of the Corporation that:

1. The continuation and amendment and restatement of the Corporation's shareholder rights plan pursuant to an amended and restated shareholder rights plan agreement as described in the Circular, which amends and restates the shareholder rights plan agreement dated as of March 14, 2008 between the Corporation and Computershare Investor Services Inc. (the "**Existing Rights Plan**"), and the continuance of the rights issued pursuant to the Existing Rights Plan, be and the same are hereby re-approved, ratified and confirmed; and
2. Any officer of the Corporation be and is hereby authorized and directed to negotiate, finalize, execute and deliver any and all such further agreements, documents, authorizations, elections or other instruments and to do all such further acts and things as such officer in his sole discretion may determine in order to complete and give effect to the foregoing resolution and the transactions contemplated by the Rights Plan, such determination to be conclusively evidenced by such officer's execution and delivery of any such agreement, document, authorization, election or other instrument or the taking of any such action.