



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2025 and 2024

(Canadian dollars)
(Unaudited)

Prepared by management – See Notice to Reader

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice to this effect. These unaudited condensed consolidated interim financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed consolidated interim statement of financial position of Erdene Resource Development Corporation as at June 30, 2025, and the unaudited condensed consolidated interim statements of comprehensive loss, changes in equity and cash flows for the three and six months ended June 30, 2025 and 2024. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the June 30, 2025, and 2024 condensed consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Financial Position

(Canadian dollars)

(Unaudited)

	Notes	June 30, 2025	December 31, 2024
Assets			
Cash and cash equivalents		\$ 5,863,001	\$ 7,298,399
Receivables		356,176	14,910
Prepaid expenses		253,733	69,988
Current assets		6,472,910	7,383,297
Investment in associate	4	47,216,553	53,109,742
Exploration and evaluation assets	5	2,639,176	2,468,070
Property, plant and equipment		38,588	39,104
Right-of-use assets		100,021	-
Non-current assets		49,994,338	55,616,916
Total Assets		\$ 56,467,248	\$ 63,000,213
Liabilities and Equity			
Trade and other payables		\$ 1,118,076	\$ 782,851
Lease liabilities		23,743	-
Current liabilities		1,141,819	782,851
Lease liabilities		76,678	-
Non-current liabilities		76,678	-
Total Liabilities		1,218,497	782,851
Shareholders' Equity			
Share capital	7	\$ 167,612,862	\$ 165,589,487
Contributed surplus	7	31,315,561	30,656,061
Accumulated other comprehensive income		1,697,287	2,725,582
Deficit		(145,376,959)	(136,753,768)
Total Shareholders' Equity		55,248,751	62,217,362
Total Liabilities and Shareholders' Equity		\$ 56,467,248	\$ 63,000,213

Subsequent Event (Note 11)

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

Approved on behalf of the Board:

Signed "Kenneth W. MacDonald"

Director

Signed "T. Layton Croft"

Director

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Canadian dollars except share amounts)

(Unaudited)

		For the three months ended June 30,		For the six months ended June 30,	
	Notes	2025	2024	2025	2024
Operating Expenses					
Exploration and evaluation	8	\$ 514,224	\$ 596,590	\$ 1,487,814	\$ 1,379,746
Corporate and administration	9	658,353	667,030	2,159,208	3,444,618
Loss from operating activities		1,172,577	1,263,620	3,647,022	4,824,364
Loss from investment in associate	4	2,995,481	644,607	5,079,912	901,623
Finance income		(49,725)	(36,996)	(105,650)	(86,014)
Interest expense		723	136	723	404
Foreign exchange loss (gain)		3,274	(2,553)	1,184	(22,453)
Gain on dilution of investment in associate	4	-	-	-	(1,070,737)
Net Loss		\$ 4,122,330	\$ 1,868,814	\$ 8,623,191	\$ 4,547,187
Other comprehensive loss (income):					
Foreign currency translation difference arising on translation of foreign subsidiary		164,738	(17,557)	215,018	(79,252)
Foreign currency translation difference on translation of investment in foreign associate	4	3,506,250	-	813,277	-
Other Comprehensive Loss (Income)		3,670,988	(17,557)	1,028,295	(79,252)
Total Comprehensive Loss		\$ 7,793,318	\$ 1,851,257	\$ 9,651,486	\$ 4,467,935
Basic and diluted loss per share		\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.01
Basic and diluted weighted average number of shares outstanding		364,902,837	346,735,996	363,724,223	345,861,866

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Canadian dollars except share amounts)

(Unaudited)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance at January 1, 2025		362,136,958	\$ 165,589,487	\$ 30,656,061	\$ 2,725,582	\$ (136,753,768)	\$ 62,217,362
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(8,623,191)	(8,623,191)
Other comprehensive loss		-	-	-	(1,028,295)	-	(1,028,295)
Options exercised	7	3,615,000	2,023,375	(599,625)	-	-	1,423,750
Share-based compensation	7	-	-	1,259,125	-	-	1,259,125
Total transactions with owners		3,615,000	2,023,375	659,500	-	-	2,682,875
Balance at June 30, 2025		365,751,958	\$ 167,612,862	\$ 31,315,561	\$ 1,697,287	\$ (145,376,959)	\$ 55,248,751
Balance at January 1, 2024		344,888,176	\$ 158,086,286	\$ 30,147,989	\$ (849,598)	\$ (128,507,882)	\$ 58,876,795
Total comprehensive loss for the period:							
Net loss		-	-	-	-	(4,547,187)	(4,547,187)
Other comprehensive income		-	-	-	79,252	-	79,252
Options exercised	7	2,660,000	876,900	(270,900)	-	-	606,000
Issue of shares from DSU plan	7	883,330	430,182	(32,683)	-	-	397,499
Share-based compensation	7	-	-	1,401,172	-	-	1,401,172
Total transactions with owners		3,543,330	1,307,082	1,097,589	-	-	2,404,671
Balance at June 30, 2024		348,431,506	\$ 159,393,368	\$ 31,245,578	\$ (770,346)	\$ (133,055,069)	\$ 56,813,531

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Cash Flows

(Canadian dollars)

(Unaudited)

		For the three months ended June 30,		For the six months ended June 30,	
	Notes	2025	2024	2025	2024
Cash flows from (used in) operating activities:					
Net loss		\$ (4,122,330)	\$ (1,868,814)	(8,623,191)	\$ (4,547,187)
Items not involving cash:					
Depreciation and amortization		5,007	10,255	7,708	19,278
Share-based compensation	7	328,950	361,926	1,259,125	1,401,172
Finance income		(49,725)	(36,996)	(105,650)	(86,014)
Foreign exchange not related to cash		3,274	(2,553)	1,184	(22,453)
Loss from investment in associate	4	2,995,481	644,607	5,079,912	901,623
Gain on dilution of investment in associate	4	-	-	-	(1,070,737)
Change in non-cash operating working capital	6	(339,176)	192,762	(189,786)	1,224,984
Cash flows used in operating activities		(1,178,519)	(698,813)	(2,570,698)	(2,179,334)
Cash flows from (used in) financing activities:					
Proceeds on exercise of stock options	7	1,032,350	402,000	1,423,750	606,000
Proceeds on exercise of warrants	7	-	397,499	-	397,499
Repayment of lease liabilities		(1,874)	(8,625)	(1,874)	(17,115)
Cash flows from financing activities		1,030,476	790,874	1,421,876	986,384
Cash flows from (used in) investing activities:					
Expenditures on exploration and evaluation assets	5	(255,167)	(73,996)	(376,871)	(214,240)
Expenditures on property, plant and equipment		(9,621)	(2,476)	(6,892)	(26,206)
Interest received		49,725	36,996	105,650	86,014
Cash flows used in investing activities		(215,063)	(39,476)	(278,113)	(154,432)
Effect of exchange rate changes on cash balances		(9,435)	2,837	(8,463)	25,277
Increase in cash and cash equivalents		(372,541)	55,422	(1,435,398)	(1,322,105)
Cash and cash equivalents, beginning of period		6,235,542	2,972,072	7,298,399	4,349,599
Cash and cash equivalents, end of period	\$	5,863,001	\$ 3,027,494	5,863,001	\$ 3,027,494

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2025 and 2024

1. Nature of operations:

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

2. Basis of presentation

These unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2025 (the "Interim Financial Statements") have been prepared in accordance with IAS 34 – Interim Financial Reporting. The Interim Financial Statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2024 ("Annual Financial Statements"), which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

These Interim Financial Statements were authorized for issue on behalf of the Board of Directors on August 11, 2025.

3. Changes in accounting policies

Erdene has adopted the following amendment, effective January 1, 2025. These changes were made in accordance with applicable transitional provisions.

IAS 21 – The Effects of Changes in Foreign Exchange Rates

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

New accounting standards not yet adopted

IFRS 18 – Presentation and Disclosure in the Financial Statements

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2025 and 2024

3. Changes in accounting policies (continued)

IFRS 7 & 9 – Financial Instruments and Disclosures

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7). These amendments updated classification and measurement requirements in IFRS 9 Financial Instruments and related disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system. The amendments are effective for annual periods beginning on or after January 1, 2026 with early application permitted. The Company is currently assessing the effect of these amendments on its financial statements.

4. Investment in associate

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

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

On January 23, 2024, EM issued shares representing 50% of its equity to MMC in connection with the conversion of the convertible promissory notes. At the date MMC subscribed to shares in EM, the Corporation recognized a gain on dilution of its investment retained in EM of \$1,256,598, calculated in reference to MMC’s investment in EM through the convertible promissory notes. The Corporation continues to have significant influence over EM through its participation in the governance of the EM; however, the Corporation no longer participates directly in the financial reporting functions of EM.

Investment in associate, January 1, 2025	\$	53,109,742
Loss from associate to June 30, 2025		(5,079,912)
Effect of movements in exchange rates		(813,277)
Investment in associate, June 30, 2025	\$	47,216,553
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Investment in associate, January 1, 2024	\$	51,248,731
Income from associate to January 23, 2024		54,073
Gain on dilution, January 23, 2024		1,256,598
Loss from associate from January 23, 2024		(3,299,182)
Effect of movements in exchange rates		3,849,522
Investment in associate, December 31, 2024	\$	53,109,742

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2025 and 2024

4. Investment in associate (continued)

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

As at	June 30, 2025	December 31, 2024
Total current assets	\$ 21,728,090	\$ 26,826,631
Total non-current assets	231,416,016	190,020,662
Total current liabilities	(13,308,635)	(6,993,430)
Total non-current liabilities	(145,402,365)	(103,634,379)
Total net assets	\$ 94,433,106	\$ 106,219,484

	For the six months ended June 30, 2025	For the year ended December 31, 2024
Revenue	\$ -	\$ -
Net loss	10,159,823	6,541,648

As at	June 30, 2025	December 31, 2024
Net assets of EM	\$ 94,433,106	\$ 106,219,484
Erdene Resource Development Corporation ownership	50.00%	50.00%
Erdene's share of EM's net assets	47,216,553	53,109,742
Carrying value of investment in EM	47,216,553	53,109,742

5. Exploration and evaluation assets

The Corporation's Exploration and evaluation assets consist of the Zuun Mod property located in Bayankhongor province in Mongolia, which is comprised of a 6,041-hectare molybdenum-copper mining license, issued in 2011. Mongolian mining licenses are issued for an initial term of 30 years with two 20-year extensions possible.

A summary of changes in the Corporation's Exploration and evaluation assets during the six months ended June 30, 2025 and the year ended December 31, 2024 is as follows:

	June 30, 2025	December 31, 2024
Balance, January 1	2,468,070	1,961,506
Additions	376,871	348,887
Effect of movements in exchange rates	(205,765)	157,677
	2,639,176	2,468,070

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2025 and 2024

6. Supplemental cash flow information

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Change in non-cash operating working capital				
Receivables	\$ (311,014)	\$ 180,503	\$ (341,266)	\$ (129,126)
Prepaid expenses	(172,078)	(55,550)	(183,745)	1,147,071
Trade and other payables	143,916	67,809	335,225	207,039
	\$ (339,176)	\$ 192,762	\$ (189,786)	\$ 1,224,984

7. Share capital and contributed surplus

Authorized

An unlimited number of common shares with no par value.

Warrants

During the six months ended June 30, 2025, no warrants were exercised (2024 – 883,330 warrants exercised for proceeds of \$397,499).

Omnibus equity incentive plan and Legacy Plans

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

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

For the six months ended June 30, 2025, the Corporation charged a total of \$1,259,125 of stock-based compensation expense to the statement of comprehensive loss (2024 – \$1,401,172), reflecting the fair value of options and DSUs granted under the Omnibus Plan. Details on the outstanding awards under the Omnibus Plan and Legacy Plans are included below.

Stock options

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

During the six months ended June 30, 2025, 3,375,000 options were granted at a weighted average exercise price of \$0.67 (2024 – 5,680,000 options granted at average exercise price of \$0.30). During the six months ended June 30, 2025, 3,615,000 options were exercised at an average price of \$0.39, generating proceeds of \$1,423,750 (2024 – 2,660,000 options exercised at average price of \$0.23, for proceeds of \$606,000). No options expired unexercised during the six months ended June 30, 2025 (2024 – 315,000 options expired).

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2025 and 2024

7. Share capital and contributed surplus (continued)

Changes in stock options during the six months ended June 30, 2025, and 2024 were as follows:

	June 30, 2025		June 30, 2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	22,445,000	\$ 0.35	20,485,000	\$ 0.35
Granted	3,375,000	0.67	5,680,000	0.30
Expired	-	-	(315,000)	0.39
Exercised	(3,615,000)	0.39	(2,660,000)	0.23
Outstanding at June 30	22,205,000	\$ 0.39	23,190,000	\$ 0.35
Exercisable at June 30	22,205,000	\$ 0.39	23,190,000	\$ 0.35

The fair value of each option granted is estimated at the time of grant using a Black-Scholes option pricing model with weighted-average assumptions for grants during the six months ended June 30, 2025 and 2024 as follows:

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Share price at grant date	\$ 0.66	\$ 0.33
Exercise price	\$ 0.67	\$ 0.30
Risk-free interest rate	2.6%	3.8%
Expected life	4.3 years	4.6 years
Expected volatility	53%	54%
Expected dividends	0.0%	0.0%
Weighted average grant date fair value	\$ 0.29	\$ 0.17

Expected volatility is estimated considering historic average share price volatility.

Options granted for the six months ended June 30, 2025 resulted in a charge of \$967,625 to share based compensation included in exploration expenses and in corporate and administration expenses (2024 – \$939,500).

Deferred share units

During the six months ended June 30, 2025, the Corporation granted 401,083 DSUs with an average fair value, calculated using the five-day volume weighted average price preceding the grant date, of \$0.73 per DSU (2024 – 1,241,733 DSUs with fair value of \$0.37 per DSU). The fair value of \$291,500 (2024 – \$461,672) was charged to share based compensation included in exploration expenses and corporate and administration expenses.

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2025 and 2024

7. Share capital and contributed surplus (continued)

The following table summarizes the continuity of DSUs for the six months ended June 30, 2025, and 2024:

	June 30, 2025	June 30, 2024
	Number of DSUs	Number of DSUs
Outstanding at January 1	9,991,248	8,442,250
Granted	401,083	1,241,733
Outstanding at December 31	10,392,331	9,683,983

8. Exploration and evaluation expenses

The following table summarizes exploration and evaluation expenses for the three and six months ended June 30, 2025, and 2024:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Direct costs	\$ 163,378	\$ 123,741	\$ 272,864	\$ 299,453
Employee compensation costs	406,696	574,861	1,248,195	1,060,297
Share-based compensation	240,750	165,179	571,500	518,129
Amount reimbursed by associate	(296,600)	(267,191)	(604,745)	(498,133)
	\$ 514,224	\$ 596,590	\$ 1,487,814	\$ 1,379,746

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

9. Corporate and administration expenses

The following table summarizes corporate and administration expenses for the three and six months ended June 30, 2025, and 2024:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Administrative services	\$ 262,883	\$ 260,275	\$ 802,333	\$ 678,017
Directors fees and expenses	32,500	39,151	60,000	70,401
Financing costs	-	-	-	1,269,124
Investor relations and marketing	57,168	41,209	133,371	149,084
Office and sundry	24,315	20,254	61,891	56,537
Professional fees	123,446	71,367	212,392	161,665
Regulatory compliance	58,359	26,499	130,425	90,173
Share-based compensation	88,200	196,747	687,625	883,043
Travel and accommodations	11,482	11,528	71,171	86,574
	\$ 658,353	\$ 667,030	\$ 2,159,208	\$ 3,444,618

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2025 and 2024

10. Related parties

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

	Six months ended June 30,	
	2025	2024
Directors' fees and other compensation	\$ 60,000	\$ 61,500
Share-based compensation to directors	307,050	491,000
Executive compensation and benefits	1,171,608	1,131,422
Share-based compensation to key management	427,250	562,018
	\$ 1,965,908	\$ 2,245,940

11. Subsequent event

On July 2, 2025, the Corporation executed an option agreement to acquire an up to 80% ownership interest in the Tereg Uul copper-gold porphyry prospect, located approximately 10 kilometres southwest of the Oyu Tolgoi deposit in Umnugovi Province, Mongolia. Under the terms of the agreement, Erdene will invest US\$300,000 in specified exploration expenditures within twelve months and make a payment of US\$200,000 to the option grantor. On the first, second and third anniversaries of the option agreement, the Company shall make payments of US\$400,000, US\$500,000 and US\$900,000, respectively, to the option grantor, and commit to a total of US\$3 million in exploration expenditures. The Company may acquire a 51% equity ownership stake in the property between the third and fourth anniversaries through a payment of US\$5 million to the option grantor. Erdene can acquire an up to 80% equity ownership stake through the investment of a further US\$10 million in exploration and evaluation expenditures, and through an additional payment of US\$8 million to the option grantor, on or before the eighth anniversary of the agreement. Erdene will direct all exploration activities at the property during the term of the option and may terminate the option agreement without penalty at any time.