



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2024 and 2023

(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 statements of financial position of Erdene Resource Development Corporation as at June 30, 2024, and December 31, 2023, and the unaudited condensed consolidated interim statements of comprehensive loss (income), changes in equity and cash flows for the three and six months ended June 30, 2024 and 2023. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the June 30, 2024, and 2023 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, 2024	December 31, 2023
Assets			
Cash and cash equivalents		\$ 3,027,494	\$ 4,349,599
Receivables		135,848	6,722
Prepaid expenses		81,891	1,455,652
Current assets		3,245,233	5,811,973
Investment in associate	4	51,643,868	51,248,731
Exploration and evaluation assets	5	2,252,312	1,961,506
Property, plant and equipment		42,967	21,155
Right-of-use assets		4,896	19,581
Non-current assets		53,944,043	53,250,973
Total Assets		\$ 57,189,276	\$ 59,062,946
Liabilities and Equity			
Trade and other payables		\$ 369,921	\$ 163,212
Lease liabilities		5,824	22,939
Current liabilities		375,745	186,151
Total Liabilities		375,745	186,151
Shareholders' Equity			
Share capital	7	\$ 159,393,368	\$ 158,086,286
Contributed surplus	7	31,245,578	30,147,989
Accumulated other comprehensive loss		(770,346)	(849,598)
Deficit		(133,055,069)	(128,507,882)
Total Shareholders' Equity		56,813,531	58,876,795
Total Liabilities and Equity		\$ 57,189,276	\$ 59,062,946

Commitments (Note 6)

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 Comprehensive Loss (Income)

(Canadian dollars)

(Unaudited)

	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2024	2023 <i>Adjusted</i> <i>(Note 12)</i>	2024	2023 <i>Adjusted</i> <i>(Note 12)</i>
Operating Expenses					
Exploration and evaluation	8	\$ 596,590	\$ 478,599	\$ 1,379,746	\$ 545,426
Corporate and administration	9	667,030	1,391,454	3,444,618	1,971,565
Loss from operating activities		1,263,620	1,870,053	4,824,364	2,516,991
Loss from investment in associate	4	644,607	696,325	901,623	1,260,531
Finance income		(36,996)	(71,569)	(86,014)	(148,678)
Interest expense		136	671	404	1,477
Foreign exchange (gain) loss		(2,553)	12,101	(22,453)	16,196
Gain on loss of control of subsidiary	4	-	-	-	(6,544,863)
Gain on dilution of investment in associate	4	-	-	(1,070,737)	-
Net Loss (Income)		\$ 1,868,814	\$ 2,507,581	\$ 4,547,187	\$ (2,898,346)
Other comprehensive (income) loss:					
Foreign currency translation difference arising on translation of foreign subsidiaries		(17,557)	164,665	(79,252)	639,065
Foreign currency translation difference realized on loss of control of subsidiary	4	-	-	-	(5,110,896)
Other Comprehensive (Income) Loss		(17,557)	164,665	(79,252)	(4,471,831)
Total Comprehensive Loss (Income)		\$ 1,851,257	\$ 2,672,246	\$ 4,467,935	\$ (7,370,177)
Basic and diluted loss (income) per share		\$ 0.00	\$ 0.01	\$ 0.01	\$ (0.01)
Basic weighted average number of shares outstanding		346,735,996	344,371,805	345,861,866	344,336,288
Diluted weighted average number of shares outstanding		346,735,996	344,371,805	345,861,866	344,336,288

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity

(Canadian dollars)

(Unaudited)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
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
Warrants exercised	7	883,330	430,182	(32,683)	-	-	397,499
Share-based compensation		-	-	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
					<i>Adjusted (Note 12)</i>	<i>Adjusted (Note 12)</i>	
Balance at January 1, 2023		344,300,376	\$ 157,880,069	\$ 28,727,197	\$ (5,952,986)	\$ (129,029,925)	\$ 51,624,355
Total comprehensive income for the period:							
Net income		-	-	-	-	2,898,346	2,898,346
Other comprehensive income		-	-	-	4,471,831	-	4,471,831
Options exercised	7	100,000	31,400	(11,400)	-	-	20,000
Share-based compensation		-	-	1,210,225	-	-	1,210,225
Total transactions with owners		100,000	31,400	1,198,825	-	-	1,230,225
Balance at June 30, 2023		344,400,376	\$ 157,911,469	\$ 29,926,022	\$ (1,481,155)	\$ (126,131,579)	\$ 60,224,757

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Condensed Consolidated Interim Statements of Cash Flows

(Canadian dollars)

(Unaudited)

	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2024	2023 Adjusted (Note 12)	2024	2023 Adjusted (Note 12)
Cash flows from (used in) operating activities:					
Net (loss) income		\$ (1,868,814)	\$ (2,507,581)	\$ (4,547,187)	\$ 2,898,346
Items not involving cash:					
Depreciation and amortization		10,255	9,215	19,278	18,595
Share-based compensation	7	361,926	1,152,993	1,401,172	1,210,225
Finance income		(36,996)	(71,569)	(86,014)	(148,678)
Foreign exchange not related to cash		(2,553)	12,101	(22,453)	16,196
Loss from investment in associate	4	644,607	696,325	901,623	1,260,531
Gain on loss of control of subsidiary	4	-	-	-	(6,544,863)
Gain on dilution of investment in associate	4	-	-	(1,070,737)	-
Change in non-cash operating working capital		192,762	840,189	1,224,984	(180,372)
Cash flows used in operating activities		(698,813)	131,673	(2,179,334)	(1,470,020)
Cash flows from (used in) financing activities:					
Proceeds on exercise of stock options	7	402,000	20,000	606,000	20,000
Proceeds on exercise of warrants	7	397,499	-	397,499	-
Repayment of lease liabilities		(8,625)	(8,088)	(17,115)	(16,042)
Cash flows from financing activities		790,874	11,912	986,384	3,958
Cash flows from (used in) investing activities:					
Expenditures on exploration and evaluation assets	5	(73,996)	(948,594)	(214,240)	(948,594)
Expenditures on property, plant and equipment		(2,476)	-	(26,206)	-
Interest received		36,996	71,569	86,014	148,678
Loss of cash from deconsolidation of subsidiary		-	-	-	(254,049)
Cash flows used in investing activities		(39,476)	(877,025)	(154,432)	(1,053,965)
Effect of exchange rate changes on cash balances		2,837	(8,099)	25,277	(12,370)
Increase (decrease) in cash and cash equivalents		55,422	(741,539)	(1,322,105)	(2,532,397)
Cash and cash equivalents, beginning of period		2,972,072	5,630,742	4,349,599	7,421,600
Cash and cash equivalents, end of period		\$ 3,027,494	\$ 4,889,203	\$ 3,027,494	\$ 4,889,203

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, 2024 and 2023

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, 2024 (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, 2023 (“Annual Financial Statements”), which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS”).

These unaudited condensed consolidated interim financial statements were authorized for issue on behalf of the Board of Directors on August 7, 2024.

3. Changes in accounting policies

Erdene has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2024. These changes were made in accordance with applicable transitional provisions.

IAS 1 – Presentation of Financial Statements

In October 2022, the IASB finalized issuance of Classification of Liabilities as Current or Non-Current, which made amendments to IAS 1 Presentation of Financial Statements, providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or noncurrent depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The application of the amendment has been made on a prospective basis and did not have an impact on the Corporation.

4. Investment in Associate

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

While Erdene owned 100% of the equity of EM during the year ended December 31, 2023, the Agreements contained governance provisions such that the Corporation could no longer unilaterally direct relevant activities of EM. Consequently, the Corporation concluded that control of EM was lost and derecognized the assets and liabilities of EM on January 10, 2023.

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2024 and 2023

4. Investment in Associate (continued)

However, Management determined that Erdene maintained significant influence over the decision-making processes of EM and thus began using the equity method to account for its investment in EM from this date.

At the date that control of the subsidiary was lost, January 10, 2023, the Corporation calculated the fair value of its investment in EM as \$53,527,101 using the value implied by MMC's investment, as such value was agreed through negotiation between arm's length, market participants. As a result, a gain of \$6,544,863 as well as \$5,110,896 of foreign currency translation difference was recognized in its consolidated statement of comprehensive loss (income) for the six months ended June 30, 2023.

The following tables summarize the financial information relating to Erdene's investment in EM on January 10, 2023, which was immediately prior to deconsolidation. The amounts disclosed are before intercompany eliminations:

As at	January 10, 2023
Cash and cash equivalents	\$ 254,049
Receivables	69,558
Other current assets	43,236
Current assets	366,843
Current liabilities	(1,145,712)
Current net assets	(778,869)
Exploration and evaluation assets (Note 5)	42,130,165
Property, plant and equipment	520,046
Non-current assets	42,650,211
Total net assets	41,871,342

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 \$1,296,760, calculated in reference to MMC's investment in EM. A summary of changes in the Corporation's Investment in Associate during the six months ended June 30, 2024 is as follows:

Investment in associate, December 31, 2023	\$ 51,248,731
Share of loss of associate to January 23, 2024	(26,250)
Gain on dilution, January 23, 2024	1,296,760
Share of loss of associate from January 23, 2024	(875,373)
Investment in associate, June 30, 2024	\$ 51,643,868

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2024 and 2023

5. Exploration and evaluation assets

	Bayan Khundii	Altan Nar	Ulaan	Zuun Mod & Other	Total
Balance, January 1, 2024	\$ -	\$ -	\$ -	\$ 1,961,506	\$ 1,961,506
Additions	-	-	-	214,240	214,240
Effect of movements in exchange rates	-	-	-	76,566	76,566
Balance, June 30, 2024	\$ -	\$ -	\$ -	\$ 2,252,312	\$ 2,252,312
Balance, January 1, 2023	\$ 36,183,734	\$ 4,257,954	\$ 1,688,477	\$ 923,991	\$ 43,054,156
Deconsolidation (Note 4)	\$ (36,183,734)	\$ (4,257,954)	\$ (1,688,477)	-	(42,130,165)
Additions	-	-	-	1,043,280	1,043,280
Effect of movements in exchange rates	-	-	-	(5,765)	(5,765)
Balance, December 31, 2023	\$ -	\$ -	\$ -	\$ 1,961,506	\$ 1,961,506

Mongolian mineral exploration licenses are valid for a period of three years and, through renewals, can be extended to a maximum of twelve years. Mining licenses are issued for an initial term of 30 years with two 20-year extensions possible.

With the loss of control of its subsidiary EM as at January 10, 2023, the Corporation's exploration and evaluation assets for its Bayan Khundii, Altan Nar and Ulaan licenses are reported within its Investment in Associate from this date. See Note 4 for further details.

Zuun Mod Copper & Molybdenum Resource & Other

The Zuun Mod property is located in Bayankhongor province in Mongolia and is comprised of a 6,041-hectare molybdenum-copper mining license, issued in 2011. In 2021, the Corporation completed a strategic and economic review of the property which confirmed the potential viability of the property. Recent exploration expanded mineralization at the large porphyry deposit, further demonstrating the potential of the project.

6. Commitments

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

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

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2024 and 2023

7. Share capital and contributed surplus

Authorized

An unlimited number of common shares with no par value.

Warrants

The following table summarizes the continuity of the warrants for the six months ended June 30, 2024, and 2023:

	June 30, 2024		June 30, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at January 1	25,264,122	\$ 0.42	25,264,122	\$ 0.42
Exercised	(883,330)	0.45	-	-
Outstanding at June 30	24,380,792	\$ 0.42	25,264,122	\$ 0.42
Exercisable at June 30	24,380,792	\$ 0.42	25,264,122	\$ 0.42

During the six months ended June 30, 2024, 883,330 warrants were exercised at a weighted average price of \$0.45 for proceeds of \$397,499 (2023 – 0 warrants exercised). Subsequent to June 30, 2024, 11,320,340 warrants with an exercise price of \$0.45 expired unexercised. The remaining 13,060,452 warrants, with an exercise price of \$0.40, expire in December 2024.

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, 2024, the Corporation charged a total of \$1,401,172 of stock-based compensation expense to the statement of comprehensive loss (income) (2023 – \$1,210,225), reflecting the fair value of options and DSUs granted under the Omnibus Plan and the Legacy Plans. 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. All stock options currently outstanding were granted under the terms of the Plan.

Options granted during the six months ended June 30, 2024 resulted in a charge of \$939,500 to share based compensation included in exploration expenses and in corporate and administration expenses (2023 – \$1,078,275). During the six months ended June 30, 2024, 2,660,000 options were exercised at a weighted

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2024 and 2023

7. Share capital and contributed surplus (continued)

average price of \$0.23 for proceeds of \$606,000 and 315,000 options expired (2023 – 100,000 options exercised and 3,080,000 options expired).

Changes in stock options during the six months ended June 30, 2024 and 2023 were as follows:

	June 30, 2024		June 30, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	20,485,000	\$ 0.35	17,555,000	\$ 0.36
Granted	5,680,000	0.30	6,325,000	0.36
Expired	(315,000)	0.39	(3,080,000)	0.40
Exercised	(2,660,000)	0.23	(100,000)	0.20
Outstanding at June 30	23,190,000	\$ 0.35	20,700,000	\$ 0.35
Exercisable at June 30	23,190,000	\$ 0.35	20,700,000	\$ 0.35

Deferred share units

During the six months ended June 30, 2024, the Corporation granted 1,241,733 DSUs under the Omnibus Plan with an average fair value of \$0.37 per DSU (2023 – 360,918 DSUs with fair value of \$0.37 per DSU). The fair value of \$461,672 (2023 – \$131,950) 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 cash or in shares, at the sole discretion of the Corporation. Since the type of payout is at the discretion of the Corporation, and the Corporation does not intend to cash settle awards under the plan, the plan is accounted for as an equity settled plan. The provisions of DSUs issued under the Omnibus Plan adopted on June 22, 2023, are consistent with those of the legacy DSU plan.

The following table summarizes the continuity and five-day volume weighted average price at grant date of DSUs for the six months ended June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
	Number of DSUs	Number of DSUs
Outstanding at January 1	8,442,250	7,287,272
Granted	1,241,733	360,918
Outstanding at June 30	9,683,983	7,648,190

	Six Months Ended	Six Months Ended
	June 30, 2024	June 30, 2023
Five day volume weighted average price at grant date	\$ 0.37	\$ 0.37

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2024 and 2023

8. Exploration and evaluation expenses

The following table summarizes exploration and evaluation expenses for the three and six months ended June 30, 2024 and 2023:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023 <i>Adjusted (Note 12)</i>	2024	2023 <i>Adjusted (Note 12)</i>
Depreciation & amortization	\$ 1,368	\$ -	\$ 1,368	\$ -
Direct costs	122,373	(8,851)	298,085	22,281
Employee compensation costs	307,670	(10,949)	562,164	11,835
Share-based compensation	165,179	498,399	518,129	511,310
	\$ 596,590	\$ 478,599	\$ 1,379,746	\$ 545,426

9. Corporate and administration expenses

The following table summarizes corporate and administration expenses for the three and six months ended June 30, 2024 and 2023:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Administrative services	\$ 260,275	\$ 385,168	\$ 678,017	\$ 565,339
Depreciation and amortization	8,887	9,214	17,910	18,594
Directors fees and expenses	39,151	29,672	70,401	63,744
Financing costs	-	-	1,269,124	-
Investor relations and marketing	41,209	83,159	149,084	166,645
Office and sundry	11,367	28,271	38,627	54,065
Professional fees	71,367	145,395	161,665	248,572
Regulatory compliance	26,499	29,639	90,173	91,964
Share-based compensation	196,747	654,594	883,043	698,915
Travel and accommodations	11,528	26,342	86,574	63,727
	\$ 667,030	\$ 1,391,454	\$ 3,444,618	\$ 1,971,565

10. Financial instruments

Credit risk:

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

	Carrying Amount	
	June 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 3,027,494	\$ 4,349,599
Receivables	135,848	6,722
	\$ 3,163,342	\$ 4,356,321

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2024 and 2023

10. Financial instruments (continued)

The Corporation manages credit risk by holding the majority of its cash and cash equivalents with high quality financial institutions in Canada, where management believes the risk of loss to be low. At June 30, 2024, \$92,499 or 3% of the balance of cash was held in banks outside Canada (2023 - \$35,672 or 1%).

Liquidity risk:

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

Market risk:

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

a) Interest rate risk

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

b) Foreign currency risk

The functional currency of the Corporation is the Canadian dollar, and the functional currency of the Corporation's subsidiaries is the Mongolian tugrik. Additionally, the Corporation incurs expenses in US dollars. Consequently, fluctuations of the Canadian dollar in relation to other currencies impacts the fair value of financial assets, liabilities and operating results. Financial assets and liabilities subject to currency translation risk primarily include US dollar denominated cash, accounts payable and accrued liabilities, as well as the Corporation's net investment in its Mongolian subsidiaries. The Corporation maintains US dollar bank accounts in Canada.

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

	June 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 583,598	\$ 1,050,778
Trade and other payables	(19,697)	(5,949)
	\$ 563,901	\$ 1,044,829

A 10% change in the US dollar exchange rate would affect net and comprehensive loss (income) and deficit by approximately \$56,400 (December 31, 2023 - \$104,500).

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

	June 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 7,841	\$ 876
Trade and other receivables	14,867	2,138
Trade and other payables	(439)	(18)
	\$ 22,269	\$ 2,996

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2024 and 2023

10. Financial instruments (continued)

A 10% change in the Mongolian Tugrik exchange rate would affect net and comprehensive loss (income) and deficit by approximately \$2,200 (December 31, 2023 - \$300).

c) Price risk

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

Fair Value:

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

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

11. 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,	
	2024	2023
Directors' fees and other compensation	\$ 61,500	\$ 85,500
Share-based compensation to directors	491,000	414,800
Executive compensation and benefits	1,131,422	989,893
Share-based compensation to key management	562,018	377,265
	\$ 2,245,940	\$ 1,867,458

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2024 and 2023

12. Prior Period Adjustment

In preparing the annual consolidated financial statements for the year ended December 31, 2023, it was determined that while the Corporation held 100% of the shares in its subsidiary EM throughout the year ended December 31, 2023, the Corporation lost control of EM on January 10, 2023, the date Erdene executed the Agreements with MMC (see note 4 for further details).

With the loss of control of EM, the Corporation no longer consolidates its investment in EM. However, as significant influence is maintained, the Corporation accounts for its investment in EM using the equity method of accounting. Consequently, certain comparative period financial statement line items have been updated to reflect the change in accounting presentation.

As there was no change in the Corporation's economic ownership of EM throughout 2023, the net impact of this change is limited to the non-cash gain recognized on loss of control, which is not considered material. The following tables summarize the change in presentation of prior year balances as a result of the change in disclosure from consolidation to equity accounting for the investment in EM (Note: Rounding in the tables below may cause computational discrepancies):

Condensed Consolidated Interim Statement of Financial Position

As at June 30, 2023	As previously reported	Prior period adjustment	As adjusted
Current assets	\$ 13,943,396	\$ (7,516,061)	\$ 6,427,335
Investment in associate	-	51,811,966	51,811,966
Other non-current assets	48,821,737	(46,554,296)	2,267,441
Current liabilities	14,190,312	(13,914,150)	276,162
Non-current liabilities	5,824	-	5,824
Net assets	48,568,997	11,655,759	60,224,756

Condensed Consolidated Interim Statement of Comprehensive Loss (Income)

Six months ended June 30, 2023	As previously reported	Prior period adjustment	As adjusted
Loss from operating activities	\$ 3,524,926	\$ (1,007,935)	\$ 2,516,991
Net Loss (Income)	3,646,518	(6,544,863)	(2,898,346)
Other comprehensive loss (income)	639,065	(5,110,896)	(4,471,831)
Total Comprehensive Loss (Income)	4,285,583	(11,655,759)	(7,370,177)
Basic and diluted loss (income) per share	\$ 0.01	\$ (0.02)	\$ (0.01)

ERDENE RESOURCE DEVELOPMENT CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

(Unaudited)

For the three and six months ended June 30, 2024 and 2023

12. Prior Period Adjustment (continued)

Condensed Consolidated Interim Statement of Changes in Equity

As at June 30, 2023	As previously reported	Prior period adjustment	As adjusted
Share capital	\$ 157,911,469	\$ -	\$ 157,911,469
Contributed surplus	29,926,022	-	29,926,022
Accumulated other comprehensive loss	(6,592,051)	5,110,896	(1,481,155)
Deficit	(132,676,443)	6,544,863	(126,131,579)
Total equity	\$ 48,568,997	\$ 11,655,759	\$ 60,224,757

Condensed Consolidated Interim Statement of Cash Flows

Six months ended June 30, 2023	As previously reported	Prior period adjustment	As adjusted
Cash used in operating activities	\$ (3,446,018)	\$ 1,975,998	\$ (1,470,020)
Cash flows from (used in) financing activities	14,023,568	(14,019,610)	3,958
Cash flows used in investing activities	(5,533,768)	4,479,803	(1,053,965)
Increase (decrease) in cash and cash equivalents	4,833,212	(7,365,609)	(2,532,397)
Cash and cash equivalents, end of period	\$ 12,254,812	\$ (7,365,609)	\$ 4,889,203