

# Erdene Provides Second Quarter Financial and Khundii Gold Project Update - High-Grade Gold Results From Q2 Drill Program Incorporated Into PFS

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HALIFAX, Aug. 12, 2019 - [Erdene Resource Development Corp.](#) (TSX:ERD; MSE:ERDN) ("Erdene" or the "Company") is pleased to announce operating and financial results for the three and six months ended June 30th, 2019, and to provide an update on the Khundii Gold Project. This release should be read in conjunction with the Company's Q2-2019 Financial Statements, MD&A and Annual Information Form, available on the Company's website or on SEDAR.

## Quotes from the Company:

"The second quarter of 2019 was another successful period for Erdene as we continued to focus on our two strategic priorities – advancing the Khundii Gold Project towards production and expanding high-grade gold resources in the Khundii Gold District," said Peter Akerley, Erdene's President and CEO.

"The recent receipt of the Bayan Khundii Mining License is a major milestone in the development of the high-grade, open-pit Khundii Gold Project," stated Mr. Akerley. "Securing this license provides us long-term tenure over the Bayan Khundii resource that will form the cornerstone of the project."

"Work on the Khundii Gold Project pre-feasibility study (PFS) is progressing on schedule with preliminary results received for the resource estimate, mining, geotechnical, metallurgical, processing, waste rock and hydrogeological workstreams," stated Mr. Akerley. "Vendor quotes have been requested for key plant and fleet components to support economic modelling. We continue on track to announce the PFS in mid H2 2019."

"Results from our Q2 drill program, including the intersection of 112 metres grading 5.9 g/t gold at Midfield, have been incorporated into the PFS and are expected to positively impact resources and reserves," continued Mr. Akerley. "Our H2 2019 drill program will follow up on the newly discovered area in Southwest Bayan Khundii and other priority targets in the District as we seek to add ounces to the Khundii Gold Project."

## Q2-2019 Highlights and Subsequent Events:

### Operational Highlights

- Received the Bayan Khundii Mining License on August 5, 2019:
  - The mining license is valid for an initial term of 30 years with the ability to extend to 70 years.
  - Altan Nar mining license application is underway.
- Completed an 1,800m drill program at Bayan Khundii in support of the PFS:
  - Results included 112m grading 5.9 g/t gold at Midfield, including 8m of 45 g/t gold.
  - Intersected new high-grade zone at Midfield, beginning at 7m, including 14m of 14 g/t gold.
  - Drilled 2m of 39 g/t gold below the proposed pit limits and 3m of 40 g/t gold, 210m west of the proposed pit boundary.
  - Discovered high-grade gold in a previously untested area, intersecting 1m of 51.9 g/t gold.

- Advanced the Khundii Gold Project PFS, led by Tetra Tech, Inc.:
  - Preliminary results have been received for the resource estimate, mining, geotechnical, metallurgical, processing, waste rock and hydrogeological workstreams.
  - Vendor quotes have been requested for key plant and fleet components.
  - PFS announcement scheduled for late Q3 2019 with report to be filed in mid-Q4.
  - PFS to focus on Bayan Khundii with Altan Nar reported at PEA level, under the same Khundii Gold Project Technical Report.
- Finalized metallurgical test work program for Bayan Khundii, led by Blue Coast Research:
  - Tested two master and 13 variability composites with head grades from 1.07 &ndash; 10.8 g/t gold.
  - Recovered 91 &ndash; 96% of gold using a 48 hour leach, cyanide concentration of 0.5 &ndash; 1.0 g/l and a primary grind of 80% passing 75µm &ndash; expected recovery of 93% at a deposit average grade of 3.5 g/t gold.
  - Grindability testing (Bond Ball Work index, SMC, and Abrasion index) confirmed the Bayan material as moderately hard to hard, and moderately abrasive to abrasive.
- Drilled 17 holes (1,800m) for the Hydrogeological &ndash; Process Water Exploration Program:
  - Identified water resources with flow rates expected to support the planned 1,800 tonne per day processing plant within 3 kilometres of the proposed plant.
  - Phase two, to establish the water reserve for registration and permitting is underway.
- Commenced the Environmental and Social Impact Assessment (ESIA) led by Sustainability East Asia LLC:
  - Program will satisfy Mongolian regulatory requirements for Detailed Environmental Impact Assessment, the company's policy and commitments, as well as selected international standards.
  - Environmental and social data collection underway with impact and management plans targeted for completion in late Q3 and public consultation scheduled for Q3-Q4.
- Initiated Q3 Exploration and Technical Program:
  - Field work to commence in September including exploration, geotechnical and hydrology drilling.
  - District scale geophysical compilation and interpretation program underway that is expected to provide new drill targets on license.
  - Maintained focus on priority acquisition targets through the government tender process and in the secondary market.

#### Financial and Corporate Highlights

- Closed a non-brokered private placement for gross proceeds of \$2M on July 9, 2019.
  - Proceeds will fund completion of the PFS, mining license applications and Q3 exploration.
  - Management and Directors subscribed for 8% of the private placement and collectively have purchased 1.3 million shares since the beginning of Q2-2019.
- Repurchased 50% of the Khundii NSR Royalty from Sandstorm Gold on April 12, 2019:
  - Fair value of the NSR royalty implied by the Khundii Gold Project PEA was well in excess of the C\$1.2 million repurchase price.
- Recorded a net loss of \$755,291 for the three months ended June 30, 2019, compared to a net loss of \$1,439,471 for the comparative 2018 period.
  - Incurred Exploration expenditures, including capitalized costs, of \$1,807,460 compared to \$2,462,175 as reduced drilling in 2019 more than offset the increase in mining studies costs associated with the Khundii Gold Project PFS.
  - Corporate and administrative expenses, excluding non-cash share-based compensation and depreciation were \$261,819 in the quarter versus \$360,616 in the comparative period due primarily to lower staffing costs as a result of personnel changes and the timing of performance bonuses.

#### Licensing and Studies Update

Erdene received Mining License MV-021444 for its Bayan Khundii resource on August 5, 2019 from the Mineral Resource and Petroleum Authority of Mongolia (&ldquo;MRPAM&rdquo;). The Bayan Khundii mining license covers 2,309 hectares, including the Bayan Khundii Resource reported in &ldquo;Bayan Khundii Gold Project, Bayankhongor Aimag, Southwest Mongolia, National Instrument 43-101 Mineral Resource

Technical Report, dated November 1, 2018 and prepared by RPMGlobal Asia Limited. Additionally, the mining license includes Erdene's highly prospective Altan Arrow, Khundii North and Khundii West targets. The mining license is valid for an initial term of 30 years with the ability to extend to 70 years. Erdene maintains an exploration license for the remaining 2,205 hectares of the legacy Bayan Khundii exploration license that were not converted to a mining license as part of its application.

The Khundii Gold Project PFS is being prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") by Tetra Tech, Inc. Work on the PFS commenced in March 2019 and the resource estimate, mining, geotechnical, metallurgical, processing, waste rock and hydrogeological workstreams are well progressed. Quotations have been requested from a shortlist of plant and equipment suppliers to determine capital and operating cost estimates, and economic modelling will commence in August.

Management, with Tetra Tech's guidance, has made a decision to focus the PFS on the Bayan Khundii gold deposit based on the following factors:

- the results of the Q2 2019 Bayan Khundii drill program and the anticipated positive impact on the Bayan Khundii resource estimate;
- a focus on the Bayan Khundii development is the most efficient and economic path to development from both the technical studies and permitting perspectives;
- a review of the Altan Nar project highlighted significant upside and a need to complete further exploration to assess the overall resource potential prior to development; and
- the need for additional metallurgical testing to identify the optimum processing circuit for the Altan Nar polymetallic ore to maximize recovery of gold and base metals.

As a result, Bayan Khundii will be reported at the PFS level while Altan Nar will be reported at a Preliminary Economic Assessment (PEA) level. For purposes of these studies, Tetra Tech will assume that Altan Nar ore is processed through the Bayan Khundii processing circuit. Results of these studies will be combined in a single Khundii Gold Project Technical Report, per NI 43-101 guidelines that require projects sharing infrastructure to be included in the same Technical Report. Results for the Khundii Gold Project Technical Report are scheduled to be announced in late Q3 2019 with the report filed in mid-Q4.

Altan Nar remains an important component of the Khundii Gold Project and Erdene will continue to progress through the key studies and the licensing process to support the development of the resource.

#### Background on the Khundii Gold Project Development

Erdene's deposits are located in the Edren Terrane, within the Central Asian Orogenic Belt, host to some of the world's largest gold and copper-gold deposits. The Company has been the leader in exploration in southwest Mongolia over the past decade and is responsible for the discovery of the Khundii Gold District comprised of multiple high-grade gold and gold/base metal prospects, two of which are being considered for development: the 100%-owned Bayan Khundii and Altan Nar projects. Together, these deposits comprise the Khundii Gold Project.

The Company delivered the Project's maiden mineral resource estimate in Q3 2018 with a combined Measured and Indicated resource of 751,000 ounces ("oz") gold within 10.1 million tonnes ("Mt") at an average grade of 2.3 g/t gold (Table 1). This was followed by a Preliminary Economic Assessment dated February 4, 2019 ("PEA") which returned an after-tax Net Present Value of US\$99 million, based on a 5% discount rate and a US\$1,200/oz gold price, and an Internal Rate of Return of 56%. The initial development has a life of mine head grade of 3.42 g/t gold with an average annual gold production of 51,200 oz over an eight- year mine life. Based on the potential for additional discovery and expansion on the current license areas, the planned development is considered as a foundation for growth.

Table 1 – Khundii Gold Project Resources

Cut-off Grade	Resource Classification	Quantity (Mt)	Grade (Au g/t)	Gold (oz)
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	Measured	1.4	3.6	161,000
Recommended <sup>(1)</sup>	Indicated	8.7	2.1	590,000
	Measured + Indicated	10.1	2.3	751,000
	Inferred	5.2	1.8	291,000

(1) RPM Global recommended cut-off grade for Bayan Khundii is 0.6 g/t gold and Altan Nar is 0.7 g/t AuEq in pit and 1.4 g/t AuEq below the same pit shell.

The PEA is by nature, a preliminary economic study, based in part on Inferred Resources. Inferred Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves which is required for a prefeasibility or feasibility study. Mineral resources that are not mineral reserves do not have demonstrated economic viability and there is no certainty that the PEA will be realized. The PEA, entitled "NI 43-101 Technical Report for the Preliminary Economic Assessment of the Khundii Gold Project", is available on SEDAR under Erdene's profile.

Peter Dalton, P.Geo. (Nova Scotia), Senior Geologist for Erdene, is a Qualified Person as that term is defined in National Instrument 43-101 and has reviewed and approved the technical information contained in this news release.

#### About Erdene

[Erdene Resource Development Corp.](#) is a Canada-based resource company focused on the acquisition, exploration, and development of precious and base metals in underexplored and highly prospective Mongolia. The Company has interests in four exploration licenses and a mining license in Southwest Mongolia, where exploration success has led to the discovery and definition of the Khundii Gold District. [Erdene Resource Development Corp.](#) is listed on the Toronto and Mongolia stock exchanges. Further information is available at [www.erdene.com](http://www.erdene.com). Important information may be disseminated exclusively via the website; investors should consult the site to access this information.

#### Forward-Looking Statements

Certain information regarding Erdene contained herein may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact, including statements concerning the anticipated size and closing date of the Private Placement, the intended use of proceeds from the Private Placement, and the expected impact of drilling results on the PFS. Although Erdene believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Erdene cautions that actual performance will be affected by a number of factors, most of which are beyond its control, and that future events and results may vary substantially from what Erdene currently foresees. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration results, continued availability of capital and financing and general economic, market or business conditions. The forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and is subject to change after that date. The Company does not assume the obligation to revise or update these forward-looking statements, except as may be required under applicable securities laws.

NO REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED THE CONTENTS OF THIS RELEASE

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