

Erdene Provides Bayan Khundii Gold Project and First Quarter Financial Update

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HALIFAX, May 19, 2020 - [Erdene Resource Development Corp.](#) (TSX:ERD; MSE:ERDN) ("Erdene" or the "Company") announces operating and financial results for the three months ended March 31, 2020, and provides an update on the Company's Bayan Khundii Gold Project, including impacts of the novel coronavirus (COVID-19). This release should be read in conjunction with the Company's Q1-2020 Financial Statements, MD&A and Annual Information Form, available on the Company's website or SEDAR.

Quotes from the Company:

"We continue to make significant progress on our Bayan Khundii Gold Project Bankable Feasibility Study (BFS) and Environmental and Social Impact Assessment (ESIA), with delivery expected in mid-2020," said Peter Akerley, Erdene's President and CEO. "These studies build upon the recent Pre-Feasibility Study, based on a reserve of over 400,000 ounces at an average head grade of 3.7 g/t gold, which outlined a high-return, low-capital cost, open-pit development."

"Our goal is to define a relatively simple, low-capital cost operation producing on average 60,000 ounces per year and be shovel ready by the end of 2020," continued Mr. Akerley. "Permitting and development readiness activities are ongoing in advance of financing and construction decisions, targeting first gold production as early as 2021."

"The Bayan Khundii development is the platform for growth from which we will seek to continue our exploration success and gold resource growth in the very prospective Khundii Gold district," concluded Mr. Akerley. "To that end, we recently completed modelling and interpretation work for our newly discovered Dark Horse gold prospect and our Altan Nar project, identifying multiple high priority drill targets that have the potential to add significant resources."

Q1-2020 Highlights and Subsequent Events:

Khundii Gold Project 100% Erdene

- Progressed Bayan Khundii BFS and Front-End Engineering and Design (“FEED”;) studies towards completion in mid-2020:
 - • A 3D fly-through video of the site design is available at the following link.
 - • Geotechnical & Pit Hydrology: Roma Group completed pit geotechnical and hydrology modelling that has been incorporated into the mine design.
 - • Mineral Reserves, Mine Planning and Production Schedule: O2 Mining and Auralia Mining Consultants determined minable reserves and optimized the mine plan. The mine plan has been incorporated into the request for proposal packages sent to potential contract miners for BFS costing.
 - • Hydrogeology: Roma Group completed a review of the hydrogeological data for the permitted bore-field proposed for the process plant water supply and confirmed its suitability at the BFS stage.
 - • Metallurgy & Process Design: Blue Coast Research performed further test work to optimize cyanidation parameters and comminution circuit inputs, and carried out carbon adsorption, detoxification and dewatering tests to provide data to optimize the processing plant design.
 - • Process Design: 360 Global is advancing the Process Plant design to maximize gold recovery, enhance operability, and increase water re-use.
 - • Non-process infrastructure: O2 Mining and Mongolian consultants have substantially completed design of mine support buildings including mine-dry, office, maintenance facilities and worker accommodations to a level suitable for the BFS and Mongolian permitting.
 - • Waste Management: ATC Williams completed the BFS-level design of the mineral waste facility, using an industry-leading approach to the co-disposal of waste rock and filtered tailings that seeks to minimize any potential impacts of mine waste and tailings on the environment and society.
 - • Procurement: Mongolian and international suppliers and service providers have received requests for proposals and the process of evaluating their submissions has been initiated for detailed costing and economic modeling.
- Received the Altan Nar Mining License on March 5, 2020:
 - • Mining licenses are valid for an initial term of 30 years and can be extended to 70 years, providing long-term tenure over the land package underpinning the Khundii Gold District.
- Substantially completed the ESIA led by Sustainability East Asia, and the Mongolian statutory Detailed Environmental Impact Assessment (“DEIA”), built upon the ESIA, is largely complete in advance of public consultation:
 - • The studies assessed potential impacts on the local eco-system, air quality, water resources, traffic, and the economy in the context of nearby communities and on-site personnel.
 - • English and Mongolian language ESIA reports will be disclosed in the first half of 2020, following Board and lender reviews.
- Obtained several key permits and regulatory approvals required for construction:
 - • Mineral Resource and Petroleum Authority approved the BK Statutory Technical and Economic Assessment (“Mongolian Feasibility Study”).
 - • Land Arrangement Plan approved by the local government granting access to the 100-hectare area required to construct the BK open-pit and associated surface infrastructure. The Company received land use certificates for all surface infrastructure.

Exploration

- Announced results of the Q4 2019 Altan Nar exploration campaign in January 2020, which returned some of the strongest results to date:
 - • Altan Nar – Discovery Zone: Expanded the high-grade portion of the Central Gap Zone with 45.7 g/t gold, 93.4 g/t silver, 1.54% lead and 3.40% zinc over 7 metres¹ beginning at approximately 70 metres vertical depth, within 23 metres¹ grading 17 g/t gold at TND-135.
 - • Altan Nar – Discovery Zone: Confirmed high-grade mineralization north of the Gap Zone with 12.2 g/t gold over 10 metres¹, including 2 metres¹ of 52.9 g/t gold at TND-134 and 10 metres¹ of 4.68 g/t gold at TND-138.
 - • Incorporated results from Q4 2019 surface exploration work and drilling, and independent geophysical analysis into 3D modelling.
- Formulated exploration plans for the newly discovered Khar Mori (“Dark Horse”;) prospect in advance of the 2020 field season.

¹ Result intervals (metres) represent measured widths – please refer to individual news releases for projected true widths.

Corporate

- Recorded a net loss of \$1,041,990 for the three months ended March 31, 2020, compared to a net loss of \$516,687 for the three months ended March 31, 2019:
 - Exploration and Evaluation expenditures, including capitalized costs, of \$1,511,929 in Q1 2020 exceeded costs of \$941,083 for Q1 2019 as increased technical consultant costs associated with the Bayan Khundii Feasibility Study more than offset lower exploration activity.
 - Corporate and administrative expenses, excluding non-cash, share-based compensation and depreciation were \$304,746 for the three months ended March 31, 2020 versus \$296,330 in the prior year quarter as higher marketing expenditures and additional director expenses associated with the Bankable Feasibility Study offset savings in regulatory and administrative expenditures.

Potential Impacts of COVID-19 on the Khundii Gold Project

In late January 2020, Erdene initiated measures, including travel restrictions, remote work and supplemental health care for its Ulaanbaatar based and international staff in response to the spread of the COVID-19 virus. Since mid-January, the Mongolian government has restricted the movement of people and goods within the country, as well as internationally to protect its residents from the virus.

Although the full impact of the COVID-19 virus will not be known for some time, the Company remains largely on track for the delivery of the Bayan Khundii BFS by mid-2020. Permitting and exploration also continues, though travel and public gathering restrictions have led to modest delays. Further details on potential impacts the Company is monitoring are as follows:

- Bankable Feasibility Study: The BFS is well progressed with the remaining work-streams largely desktop focused, following the completion of field based and laboratory studies in late 2019 and early 2020. Costing work is being carried out remotely, and procurement is focused on Chinese and Mongolian vendors, where restrictions related to COVID-19 have been recently relaxed. Although minor delays are anticipated in finalizing the BFS, Erdene is on track to announce results of the BFS in mid-2020, and delivery of the full report within 45 days of the announcement.
- Permitting: The Ulaanbaatar based team continues to make significant progress on permitting, as evidenced by the recent receipt of the Altan Nar mining license. Restrictions around public gatherings are delaying a public consultation required for the approval of the DEIA. Other permitting activities are not materially impacted by the restrictions associated with the prevention of the spread of COVID-19.
- Exploration and Field Activities: Following the successful exploration results announced in January 2020, Q1-2020 exploration activities has been desktop-focused. Mapping, geochemical and geophysical work has been completed at the recently discovered Khar Mori (Dark Horse) prospect in advance of the 2020 exploration season.
- Liquidity and Financing: With the receipt of the US\$5 million EBRD convertible loan financing in November 2019, Erdene is fully funded through the delivery of the BFS. The Company intends to secure project finance in 2020 but recognizes the implications of the current volatile market condition. Erdene is implementing costs saving measures and building contingencies to maintain momentum and protect its key assets.

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.

In October of 2019, Erdene announced the results of an independent Technical Report for the Khundii Gold Project (press release here), which included a Pre-feasibility Study (PFS) for the Bayan Khundii deposit and an updated Preliminary Economic Assessment (PEA) for the Altan Nar deposit. The PFS and the updated PEA results include an after-tax Net Present Value at a 5% discount rate and a US\$1,300/oz gold price of US\$97 million and US\$24 million, Internal Rate of Return (IRR) of 42% and 90% for Bayan Khundii and Altan Nar deposits, respectively. The PFS envisions an open-pit mine at Bayan Khundii from Years 0-7, producing an average of 61,000 oz gold per year at a head grade of 3.73 g/t gold, and an open-pit operation at Altan Nar during Years 7-10, for an average annual production of 48,000 oz gold at an average head grade of 3.46 g/t gold, utilizing a conventional Carbon In Pulp processing plant at the Bayan Khundii mine. Erdene has secured a mining

license for the Bayan Khundii deposit in August of 2019 and is rapidly advancing to production.

The Altan Nar 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 pre-feasibility 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.

Qualified Person and Sample Protocol

Peter Dalton, P.Geo. (Nova Scotia), Senior Geologist for Erdene, is the 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. All samples have been assayed at SGS Laboratory in Ulaanbaatar, Mongolia. In addition to internal checks by SGS Laboratory, the Company incorporates a QA/QC sample protocol utilizing prepared standards and blanks. All samples undergo standard fire assay analysis for gold and ICP-OES (Inductively Coupled Plasma Optical Emission Spectroscopy) analysis for 33 additional elements. For samples that initially return a grade greater than 5 g/t gold, additional screen-metallic gold analysis is carried out which provides a weighted average gold grade from fire assay analysis of the entire +75 micron fraction and three 30-gram samples of the -75 micron fraction from a 500 gram sample.

Erdene's drill core sampling protocol consisted of collection of samples over 1 or 2 m intervals (depending on the lithology and style of mineralization) over the entire length of the drill hole, excluding minor post-mineral lithologies and un-mineralized granitoids. Sample intervals were based on meterage, not geological controls or mineralization. All drill core was cut in half with a diamond saw, with half of the core placed in sample bags and the remaining half securely retained in core boxes at Erdene's Bayan Khundii exploration camp. All samples were organized into batches of 30 including a commercially prepared standard, blank and either a field duplicate, consisting of two quarter-core intervals, or a laboratory duplicate. Sample batches were periodically shipped directly to SGS in Ulaanbaatar via Erdene's logistical contractor, Monrud Co. Ltd.

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 three mining licenses and three exploration licenses 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. 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. 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 several 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 potential impacts of COVID-19 on the Company's operations, ability to obtain required third party approvals, 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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