

# Erdene Renews Local Cooperation Agreement And Provides Environmental, Social And Governance Update

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HALIFAX, Oct. 18, 2022 - [Erdene Resource Development Corp.](#) (TSX: ERD | MSE: ERDN) ("Erdene" or the "Company") is pleased to announce the execution of an updated Local Cooperation Agreement ("LCA") for its 100% owned Bayan Khundii Gold Deposit, within the Khundii Minerals District (the "District") in southwest Mongolia, and to provide an update on Environmental, Social and Governance ("ESG") initiatives.

## Quotes from the Company

"For nearly two decades, Erdene has been the leading explorer and developer in Bayankhongor Province. Our commitment to sharing benefits with local stakeholders has been unwavering and increasingly evident as we move towards production in this exciting new district," said Peter Akerley, Erdene's President and CEO. "The execution of the renewed Local Cooperation Agreement will see Erdene contribute US\$1.2M (4.1 billion MNT) to local development projects over the next two years, in addition to the US\$1M (3.4 billion MNT) invested over the past twelve months. I would like to thank the people of Bayankhongor Province for their support, particularly Governor Munkhsaikhan, who has been instrumental in reaching these agreements."

"The development of the Khundii Minerals District has the potential to positively transform the economy of Southwestern Mongolia," continued Mr. Akerley. "With the expansion of rail and road networks, ideal conditions for renewable power generation, and the identification of large-scale precious and base metals deposits, including Erdene's Bayan Khundii Gold, Altan Nar Polymetallic and Zuun Mod Copper-Molybdenum deposits, the region shows the potential to become an industrial powerhouse for the nation."

## Local Cooperation Agreement and Community Development

Erdene is pleased to announce the renewal of its LCA, effective through December 31, 2024. According to Mongolia's Minerals Law, the LCA is a mandatory arrangement between mineral license holders and local governments, including Provincial and Sub-Provincial administrations. In addition to the Company, the parties to the LCA are as follows:

- Bayankhongor Province: Governor, Mr. D. Munkhsaikhan
- Bayan-Undur Sub-Province: Governor, Mr. B. Idermunkh
- Shinejinst Sub-Province: Governor, Mr. B. Bat-Erdene

Bayankhongor Province is the fourth largest in Mongolia, covering 116,000 square kilometers. Erdene's licenses are located within the sub-provinces of Bayan-Undur and Shinejinst, with sub-provincial centres located 110km and 90km, respectively, from the Bayan Khundii Gold Project site. Bayankhongor is one of the least densely populated provinces in Mongolia and the sub-provinces of Bayan-Undur and Shinejinst have a total population of approximately 5,000 residents. No permanent dwellings are located in the vicinity of the Bayan Khundii Project site; however, approximately a dozen families have historically grazed livestock within 10km of the site.

In this context, healthcare and infrastructure are critical community needs, accentuated by the vast distances between homes and services, and have been a focus of investment under the LCA.

The renewed LCA builds upon the initial agreement in July 2021 and commits Erdene and local governments

to social development in Southwestern Mongolia. Erdene has invested US\$1M (3.4 billion MNT) on such projects to date and has committed a further US\$1.2M (4.1 billion MNT) under the renewed LCA. Approximately 60% of LCA funding is directed to Provincial initiatives and the remaining 40% is directed to programs in the Sub-Provinces. The LCA is managed by a non-profit organization, led by representatives of Erdene and local constituents, that receives, screens, approves, and ultimately evaluates the performance of initiatives financed under the LCA.

Given the impact of the COVID pandemic over the past two years, 32% of funding under the previous LCA was directed to investments in public health. Erdene's support enabled the supply of testing and diagnostic equipment, the procurement of personal protective equipment for medical personnel and volunteers, and access to treatments and medicines to ensure safety and well-being. Additionally, the Company supported training to improve mental health and promote fitness in the Province and Sub-Provinces.

The Company also contributed approximately US\$450,000 for local infrastructure development projects and local livelihoods support in the Province and Sub-Provinces over the past year under the LCA. Infrastructure initiatives including rehabilitation of public park facilities in the Province centre, installation of air quality improvement equipment on the central heating station, and supply of emergency livestock feed.

The remaining 20% of recent LCA funding was directed towards youth development and public education. A key project provided local schools with equipment and training to support remote learning during the pandemic. Additionally, support for local commemorative and sporting events helped stakeholders build relationships and celebrate culture.

In addition to the LCA funding, our Company invests commercially in the local economy. Pre-construction activities at the Bayan Khundii Project site included programs to employ and train local residents, initially focused on construction and environmental roles. Over 100 residents completed employment readiness and/or vocational training, of whom nearly 30 were employed at site in 2022. As the Bayan Khundii Gold Project advances towards production, Erdene will continue prioritizing local employment.

The Bayan Khundii Gold Project is forecast to be the largest taxpayer in Bayankhongor Province upon reaching commercial production. Nationally, one-quarter of public revenues are derived from the minerals sector.

## Environment

The Company continues to implement key elements of the environmental management measures detailed in its statutory Mongolian Detailed Environmental Impact Assessment ("DEIA") and independent Environmental and Social Impact Assessment ("ESIA"). A copy of the ESIA is available in English and Mongolian languages on the Company's website.

Erdene seeks to minimize the environmental impacts of its operations by identifying potential risks prior to carrying out business activities and mitigating unavoidable impacts. Environmental management measures are reviewed on a continual basis and evolve over the life of a given minerals project. Potential impacts are measured across multiple domains, including water, waste, landscape, energy, and others.

In Q3 2022, Erdene initiated a participatory environmental monitoring program, with an initial focus on water resources. As a result, local residents are invited to accompany Erdene personnel to check water levels at selected points on the project site and within the surrounding Sub-Province territory. Additionally, the Company is committed to improving water access for local families by rehabilitating and improving existing water sources.

Currently, waste management activities at the Project site are focused on the reduction and recycling of refuse generated from the Company's roughly 150-bed accommodation camp. As part of the future mine development, as described in the Bayan Khundii Project Feasibility Study, DEIA, and ESIA, Erdene plans to manage mineral waste in an integrated waste facility ("IWF"). The IWF will contain filtered dry cake tailings within mine waste rock, reducing environmental risks during operations and closure and significantly reducing the Project's total land disturbance. The detailed design for the IWF recently received full regulatory approval, the first of its nature and scale in Mongolia.

Similarly, Erdene has continued to progress its technical studies and assessment of the Project's energy requirements. Approval of the Project's statutory power study earlier this year reinforced the potential benefits of the planned hybrid power generation, consisting of conventional and renewable sources. Over 20% of the mine's power is expected to come from an on-site solar farm.

By their nature, mineral exploration and mining operations require temporary land disturbances. Erdene's operations follow procedures through which potential disturbances are assessed and planned to minimize adverse impacts and maximize potential benefits. Beyond such mitigation measures, Erdene carries out additional activities to restore and protect biodiversity within and outside of the Project site.

The Company has completed its first growing season of expanded planting trials at its purpose built, 2-ha vegetation area at the Bayan Khundii site. The first season tested a range of plants, including seeding 10,000 trees, as part of the Company's one million tree commitment in support of the of the Mongolian President's Billion Trees Program.

Off-site, Mongolia's comprehensive environmental protection rules stipulate the design and implementation of biodiversity off-sets for mining projects. Although mining at Erdene's Projects has not yet commenced, the Company has provided support to rehabilitate approximately 14 ha of land damaged by illegal gold mining within the Ikh Bogd Special Reserve Area-an important provincial park located in a mountainous area approximately 170km from the Bayan Khundii Project.

Taken together, the Company is on track to achieve a significantly increased environmental management program by the end of 2022 - a cornerstone commitment for advancing the development of the Bayan Khundii Project.

## Corporate Governance

As the Company's operations grow, Erdene remains committed to a culture of acting ethically and responsibly. Our team works to build relationships with stakeholders and make positive contributions to the communities within which we operate.

All personnel, including directors of the Board and senior management, receive training and commit annually to Erdene's Code of Ethics and Business Conduct. In addition, Erdene's board maintains a Corporate Governance Committee comprised of three independent Directors: Anna Biolik (Canada's First Ambassador to Mongolia), Layton Croft (a mining industry professional with 25 years of experience in Mongolia), and John Byrne (Erdene's longest standing independent board member). The Committee ensures that an environment of honesty, integrity and transparency is in place across the organization. The Company has recently signed onto the Integrity Declaration with the Canadian Government, a further reinforcement of Erdene's commitment to transparency.

Erdene has been recognized by the Government of Mongolia and Mongolian industry associations as a valuable partner with leading performance for nearly two decades. Our CEO was awarded the Order of the Polar Star, Mongolia's highest civilian honour, for his contribution to the country's development, and the Company has received various accolades for its contribution to the development of Mongolia's mining industry.

Erdene is the first and currently only foreign listed company to cross-list on the Mongolian Stock Exchange ("MSE"). Listing on the MSE has the combined effect of enhancing access to the Company's shares amongst Mongolian investors as well as increasing transparency and disclosure about the company's operations. Approximately 5,000 Mongolian investors own shares in the Company, and all of Erdene's public disclosure documents are made available in English and Mongolian languages.

## Health and Safety

Erdene believes that working safely is both a corporate obligation and an individual responsibility. During the 2022 field season, Erdene introduced an expanded hazard identification program as part of pre-construction,

resulting in a series of preventive measures to ensure workplace safety. The Company remains LTI-free in 2022 to date. The Company is establishing the essential Health and Safety management systems ahead of future mine development.

## Sustainability

ESG performance is a core part of Erdene's commitment to create value for all stakeholders through the discovery and development of world-class resource projects. Building and maintaining relations with key stakeholder groups is paramount to this process. Since 2017, Erdene has collaborated with the University of British Columbia (UBC) to facilitate research and analysis of the Company's approach to stakeholder engagement and local cooperation. Our unique industry-academia partnership with UBC has resulted in multiple publications, including most recently in the September 2022 issue of the peer-reviewed journal *Business Strategy and Development*. Copies and links for the publications can be found on the UBC website.

## 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 an exploration 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 the Mongolian 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. 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 the 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.

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