

Erdene Announces Strategic Alliance With Mongolian Mining Corporation

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HALIFAX, Jan. 10, 2023 - [Erdene Resource Development Corp.](#) (TSX: ERD | MSE: ERDN) ("Erdene" or the "Company") is pleased to announce the execution of Strategic Alliance and Investment Agreements with Mongolian Mining Corporation ("MMC") for the development of its Bayan Khundii Gold Project. This Strategic Alliance brings together Mongolia's pre-eminent precious metals explorer with an exceptional national miner in a partnership to unlock the riches of the Khundii Minerals District ("KMD").

Highlights

- MMC is Mongolia's largest internationally traded mining company, listed on the main board of the Hong Kong Stock Exchange (HKEx: 975).
- Erdene holds three mining licenses and an exploration licence in the KMD in southwestern Mongolia that host high-grade, open pit gold deposits, and silver, copper, lead, zinc and molybdenum resources.
- MMC to invest US\$40 million in return for a 50% equity interest in Erdene's Mongolian subsidiary, Erdene Mongol LLC ("EM"), holding the Khundii and Altan Nar mining licenses and the Ulaan exploration license through a three-stage transaction.
- 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 gold recovered.
- The first stage of the transaction, to be completed in January 2023, sees MMC invest US\$5 million in EM to finance exploration, and an updated Feasibility Study ("FS") and Life of Mine ("LOM") Plan for the Bayan Khundii Gold Project.
- The second stage of the transaction will see MMC invest an additional US\$5 million upon delivery of the updated FS to complete pre-development and exploration work in advance of a Bayan Khundii construction decision.
- The third stage of the transaction will see MMC invest a further US\$30 million once EM has reached a construction decision, providing equity capital for the Bayan Khundii Gold Project, targeting close in Q3 2023.
- Erdene will appoint EM's Chief Executive and Chief Exploration Officers and MMC will appoint EM's Chief Operating and Chief Financial Officers.
- Erdene maintains a 100% interest in its large Zuun Mod Molybdenum-Copper deposit and Khuvyn Khar Copper project, located approximately 30 kilometres east of Bayan Khundii, and adjacent to a planned railway development.

Quote from the Company

"We are extremely pleased to announce our Strategic Alliance with MMC, Mongolia's leading private-sector mining company," said Mr. Peter Akerley, Erdene's President and CEO. "The combination of our exploration expertise and their mining experience and execution capability will ensure the success of the Bayan Khundii Gold Project and the expansion of the Khundii Minerals District for the benefit of all stakeholders. This alliance transforms our Company, establishing a clear path to unlock the riches of the Khundii Minerals District."

Quote from Mongolian Mining Corporation

"We are excited to partner with Erdene on exploration activities and to fund further development of their projects in Mongolia," said Dr. Battengel Gotov, Executive Director and CEO of MMC. "Our partnership will be important in unlocking new opportunities for the Mongolian minerals sector which will further increase the industry's contribution to the economy."

Summary of Strategic Alliance

Under the Strategic Alliance and Investment Agreements, MMC will invest US\$40 million in Erdene's wholly-owned subsidiary, EM, in a three-stage transaction to acquire a co-controlling equity interest in the company. Erdene will retain a 50% equity interest in EM, as well as a 5.0% NSR royalty over all licenses held by EM, and those acquired within 5 kilometres of the existing licenses, following 400,000 ounces of gold production. The key terms of the Strategic Alliance are as follows:

- Stage 1 - To Be Completed in January 2023 - MMC advances US\$5 million to EM to finance an updated FS and LOM Plan for the Bayan Khundii Gold Project, and to conduct exploration on the Khundii, Altan Nar and Ulaan licenses.
- Stage 2 - Targeting Q2-2023 - MMC will advance a further US\$5 million to EM upon delivery of the updated FS and LOM Plan to complete pre-construction works and follow-up exploration in the Khundii Minerals District.
- Stage 3 - Targeting Q3-2023 - MMC will advance a final US\$30 million following a positive construction decision to fund the equity component of the Bayan Khundii Gold Project.

Funds invested by MMC in EM during Stages 1 and 2 will be in the form of convertible loan instruments. Upon completion of Stage 3, MMC's investment in EM will be registered as a 50% equity interest in the company with the Mongolian State Registration Office.

Erdene will have the right to appoint EM's Chief Executive Officer and Chief Exploration Officer and MMC will appoint EM's Chief Operating Officer and Chief Financial Officer.

Until conclusion of Stage 3, EM will be governed by a Steering Committee of four members, two of which will be appointed by Erdene, and two of which will be appointed by MMC. Upon conclusion of Stage 3, EM will be governed by a Board of four directors, two of which will be appointed by Erdene and two of which will be appointed by MMC. Erdene will remain the operator of the Bayan Khundii Gold project until the completion of the third phase. After Stage 3, the board of EM will assume joint responsibility for EM's operations, with MMC focusing on development and production and Erdene leading exploration.

Erdene maintains a 100% interest in its subsidiary Anian Resources LLC, the entity that holds the Zuun Mod Copper-Molybdenum mining license located approximately 30 kilometres east of the Bayan Khundii Gold Project.

About Mongolian Mining Corporation

Mongolian Mining Corporation ("MMC") is the largest, private producer and exporter of high-quality washed hard coking coal ("HCC") in Mongolia. MMC owns and operates the Ukhua Khudag ("UHG") and the Baruun Naran ("BN") open-pit coking coal mines, both located in Umnugovi Aimag (South Gobi Province), Mongolia. The shares of MMC are listed on the main board on the Hong Kong Stock Exchange (HKEx: 975), and the company has a current market capitalization of approximately US\$300 million.

MMC's largest beneficial shareholder is MCS Group, one of Mongolia's leading conglomerates. MCS has operated in Mongolia for 30 years, and currently has operations in engineering, energy, communications, property, mining, consumer goods, health, and hospitality. MCS employs approximately 10,000 staff in Mongolia and is one of the Country's largest private taxpayers. MCS is committed to further developing and enriching the Mongolian economy through its pursuit of responsible corporate excellence and progressive technology.

Khundii Minerals District

The discovery of the Khundii ("Valley") Minerals District is the result of more than 17 years of exploration work by Erdene in a previously underexplored region of southwestern Mongolia. During this time, Erdene has defined the Altan Nar and Bayan Khundii epithermal gold deposits, the Ulaan and Dark Horse gold prospects, the Zuun Mod Mo-Cu porphyry deposit, as well as several prospects and advanced exploration projects. Collectively, these discoveries form the core of the KMD, covering an area approximately 50 by 100 kilometres, elongated northwest.

The KMD is located within the Trans Altai Terrane of the Central Asian Orogenic Belt (CAOB). The CAO B extends 2,500 kilometres from the Ural Mountains to eastern China and hosts numerous world-class porphyry and porphyry related copper and gold deposits. These deposits include one of the world's largest gold deposits, Muruntau, in Uzbekistan and Rio Tinto's well-known Oyu Tolgoi copper-gold deposit located approximately 650 kilometres east of the KMD, in southeast Mongolia.

The area covered by the Strategic Alliance area includes the Bayan Khundii, Altan Nar Ulaan and Dark Horse gold deposits and prospects, located within the Nomin Tal (Altan Nar), Khundii (Bayan Khundii and Dark Horse) and Ulaan licences. Collectively, these deposits include Measured and Indicated resources of 903K ounces of gold, 2.3M ounces of silver, 64M pounds of lead and 70M pounds of zinc, together with Inferred resources of 221K ounces of gold, 866K ounces of silver, 49M pounds of lead and 52M pounds of zinc, as reported in NI 43-101 technical reports. Further technical studies are underway and the Company is targeting reporting gold equivalent resources of two million ounces from these licenses.

The initial development is focused on the Bayan Khundii deposit which hosts 585,100 ounces of 2.19 g/t gold Measured and Indicated ("M&I")² and 35,900 ounces of Inferred resources at 2.18 g/t gold. Within the M&I resource, a Proven and Probable open-pit reserve totals 409,000 ounces at 3.7 g/t gold³ (press release here), providing significant potential for reserves growth with the development of the remaining M&I and Inferred resources¹.

In July 2020, Erdene announced the results of an independent FS for the Bayan Khundii Gold Project (press release here). The FS results include an after-tax Net Present Value, at a 5% discount rate and a US\$1,400/oz gold price, of US\$100 million, and an Internal Rate of Return ("IRR") of 42%. The FS envisions an open pit mine at Bayan Khundii, producing an average of 63,500 oz gold per year, for seven years, at a head grade of 3.71 g/t gold, utilizing a conventional carbon in pulp processing plant. Erdene will undertake an updated Feasibility Study for Bayan Khundii in early 2023. Production from Bayan Khundii is expected to commence in late 2024.

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 Minerals District. [Erdene Resource Development Corp.](#) is listed on the Toronto and the Mongolian 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, including statements regarding the timing and completion of the three stages of the Strategic Alliance and the future plans and objectives for EM and the KMD under the Strategic Alliance. 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. Forward-looking statements are based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect.

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 satisfy the conditions to the completion of the Strategic Alliance, the ability to obtain required third party approvals, market prices, exploitation, and exploration results, 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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¹ For details of the Mineral Resources see Erdene's Q2/2021 results press release, dated August 16, 2021, and the Company's Q2 2021 MD&A, available on the Company's website or SEDAR.

² M&I: 232,700 ounces of 2.39 g/t gold Measured and 352,400 ounces of 2.08 g/t gold Indicated

³ P&P: 165,000 ounces of 4.4 g/t gold Proven and 256,000 ounces of 3.4 g/t gold Probable; For details of the Mineral Reserves see Khundii Gold Project NI 43-101 Technical Report, Tetra Tech December 4, 2019 available on the Company's website or SEDAR

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