

ERDENE PROVIDES THIRD QUARTER FINANCIAL AND KHUNDII GOLD PROJECT UPDATE

Press Release

Halifax, Nova Scotia
2019.11.12

Erdene Resource Development Corp. (TSX:ERD; MSE:ERDN) ("Erdene" or the "Company") is pleased to announce operating and financial results for the three and nine months ended September 30, 2019, and to provide an update on its recently announced financing led by the European Bank for Reconstruction and Development ("EBRD"). This release should be read in conjunction with the Company's Q3-2019 Financial Statements, MD&A and Annual Information Form, available on the Company's website or SEDAR.

Quotes from the Company:

"We continue to meet significant milestones with a strategic financing led by the EBRD, delivery of our Pre-Feasibility Study, and continued exploration success," said Peter Akerley, Erdene's President and CEO. "Our Q3 successes bring us closer to achieving our two core objectives – advance the Khundii Gold Project to production and expand high-grade gold resources in the Khundii Gold District."

"While the recently announced Pre-Feasibility Study results demonstrate the value in developing the high-grade, open-pit Bayan Khundii deposit, the Q3 2019 exploration results, including successful step-out drilling at the BK deposit and the new Khar Mori (Dark Horse) discovery highlight the potential to add ounces within our mining license," continued Mr. Akerley.

"With the strategic EBRD financing in place, we have launched engineering and permitting work in support of the Khundii Gold Project Feasibility Study," concluded Mr. Akerley. "We expect to make a production decision in mid-2020, aiming for first gold production in 2021."

Q3-2019 Highlights and Subsequent Events:

Khundii Gold Project – 100% Erdene

- > Announced positive results of a NI 43-101 Technical Report led by Tetra Tech, Inc, comprised of the Bayan Khundii Pre-Feasibility ("PFS") and an updated Altan Nar Preliminary Economic Assessment ("PEA"):
 - > Post-tax Net Present Value at a 5% discount rate ("NPV5%") of US\$97 million and a 42% Internal Rate of Return ("IRR") for the BK PFS.
 - > Incremental post-tax NPV5% and IRR of US\$24 million and 92%, respectively, for the updated AN PEA, reflecting the second phase of the development utilizing BK infrastructure.
 - > BK Life of Mine ("LOM") Earnings Before Interest, Taxes and Depreciation of US\$211 million.
 - > LOM head grade of 3.73 g/t gold for the BK PFS and 3.46 g/t gold for the updated AN PEA.
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- > BK Measured and Indicated Resources of 520,700 ounces gold at an average grade of 3.16 g/t gold, a 20% increase from the September 2018 resource estimate.
- > BK Proven and Probable Reserves of 422,000 ounces gold at an average grade of 3.7 g/t gold.
- > Project life of 11 years, comprising of a one-year pre-production period, six-year operating life for BK, three-year operating life for AN, and one-year mine closure.
- > Average annual gold production of 61,000 ounces in the BK PFS and 45,300 ounces of gold and 205,000 ounces of silver in the updated AN PEA.
- > All-in sustaining cost (“AISC”) of US\$746/ounce of gold recovered for the BK PFS and for the updated AN PEA, US\$931/ounce of gold equivalent (see press release dated October 21, 2019 for “AuEq” definition).
- > BK PFS Initial Capital US\$40 million and US\$2 million incremental capital at year-7 for AN PEA.
- > Payback period of less than two years for BK PFS.
- > Significant benefits to Mongolia, including royalties and taxes of US\$82 million and 300 local jobs.
- > Received the Bayan Khundii Mining License on August 5, 2019:
 - > The license is valid for an initial term of 30 years and can be extended to 70 years.
 - > Received Mongolian Mineral Council approval for the Altan Nar resource registration on November 1, 2019 – mining license expected to be received by year-end.
- > Advanced the ESIA led by Sustainability East Asia:
 - > Baseline scoping and data collection completed in September, establishing a framework for impacts assessment and mitigation planning.
 - > Mongolian Detailed Environmental Impact Assessment for BK mostly complete in advance of public consultation and submission to the government in Q4 2019.
 - > Final impact assessment and management plans expected by late Q4 2019.
- > Completed an exploration and infill drill program on the Khundii mining license in September:
 - > Bayan Khundii South Extension: Step-out drilling, under cover, 350 metres south of the BK deposit, intersected the gold mineralized altered volcanic unit characteristic of the high-grade BK gold deposit.
 - > Khar Mori Gold Discovery: New, high-grade gold discovery on the Khundii Mining license, 4.5 kilometres north of the BK deposit, with surface rock samples grading up to 32.9 g/t gold.
 - > Bayan Khundii – Striker and Midfield Zones: Definition drilling intersected 32 metres of 2.4 g/t gold in BKD269 and 37 metres of 1.7 g/t gold in BKD-270 demonstrating the continuity of mineralization within the BK deposit.
 - > Khundii North (“KN”) & CSZ Gold Target Results: Drilling confirms quartz stockwork breccia body at depth (KN) and a thick sequence of sulphide-rich, altered volcanic rocks (CSZ).
- > Concluded process water reserve drilling and testing:
 - > Established a six-hole bore field with sufficient reserves to support the BK processing plant.
 - > Two water wells have been established near the proposed accommodation camp.
 - > State approval of the water reserves is expected by the year-end.
- > Initiated the Q4 2019 Exploration and Technical Program:
 - > A 700-metre drill program is planned on the 51% owned Ulaan license to test the potential of the alteration system at depth (650m) as well as two shallower targets (~200m).
 - > Geotechnical drilling will test the potential of steepening pit slope angles, which will potentially reduce the stripping ratio in the upcoming Feasibility Study.
 - > District geophysical compilation and interpretation program to identify new on-license targets.

Financial and Corporate Highlights

- > Announced a C\$8 million financing led by the European Bank for Reconstruction and Development:
 - > Comprised of a US\$5 million (C\$6.6 million) convertible loan and concurrent C\$1.6 million, non-brokered private placement.
 - > The first tranche of the loan and the private placement totaling C\$4.1 million have closed – the final closing is anticipated by the end of November.
 - > Proceeds will primarily fund the company through a project development decision.
- > Recorded a net loss of \$638,379 for the three months ended September 30, 2019, compared to a net loss of \$743,484 for the comparative 2018 period.
 - > Incurred Exploration expenditures, including capitalized costs, of \$1,745,752 compared to \$1,609,985 as the costs associated with the PFS more than offset lower drilling activity.
 - > Corporate and administrative expenses, excluding non-cash share-based compensation and depreciation were \$216,372 in the quarter versus \$307,473 in the comparative period due primarily to lower staffing costs as a result of personnel changes and the timing of performance bonuses and reduced professional fees.

Financing Update

On October 15, 2019, Erdene announced a C\$8 million financing package, led by a US\$5 million (C\$6.6 million) Convertible Loan (“Loan”) with the EBRD, along with a coincident non-brokered private placement targeting proceeds of up to C\$1.6 million.

Erdene received the US\$2.5 million Tranche I of the Loan on November 4, 2019, and the Company expects to draw the remainder of the Loan within 30 days. The Loan carries an interest rate of 10% per annum, which may be capitalized at the Company’s option, and will mature 36 months after the date of the Loan Agreement. The Loan can be prepaid following the earliest of 24 months from the date of the initial advance, delivery of a NI 43-101 Bankable Feasibility Study, or a change of control of Erdene, subject to a 25% premium. The Loan is convertible in whole or in part at the election of the EBRD into common shares of the Company at a conversion price (in respect of the principal amount drawn down under the Loan) of C\$0.20 per share, subject to a conversion premium of 10%, 20% or 30%, respectively, if EBRD exercises its conversion option prior to or on the first, second, or third anniversary, respectively, of the date of the Loan Agreement, provided that certain other conditions have been met.

The Company has received commitments for C\$855,000 of Units under the coincident non-brokered private placement, and on October 26, the Company completed an initial close, issuing 3,800,000 units of the Company (the “Units”) at a price of \$0.20 per Unit. Each Unit consists of one common share and one-half (½) of one common share purchase warrant (the “Warrant”). Warrants are exercisable by the holder into one common share of the Company within two years of the closing date, at a price of \$0.30 per share. Erdene paid finder’s fees in the aggregate of C\$1,200 and issued 6,000 finder’s warrants in connection with the initial close. The finder’s warrants are exercisable on the same terms as the Unit Warrants.

Proceeds of the financing package will be used to fund the independent Feasibility Study (“FS”) and Front-end Engineering and Design of the Khundii Gold Project, exploration, acquisition, and for general working capital purposes.

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 plans to start producing gold in late 2021.

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 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.

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 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. 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.

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

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