

Erdene Commences Construction at the High-Grade Bayan Khundii Gold Project and Finalizes Strategic Alliance With Mongolian Mining Corporation

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HALIFAX, Jan. 29, 2024 - [Erdene Resource Development Corp.](#) (TSX:ERD; MSE:ERDN) ("Erdene" or the "Company") is pleased to announce the commencement of full construction at the high-grade, open-pit Bayan Khundii Gold Project ("Bayan Khundii", "BK" or "Project") in southwestern Mongolia and the close of the investment by Mongolian Mining Corporation ("MMC") as part of the Strategic Alliance Agreement ("SAA") to develop the Khundii Minerals District.

Peter Akerley, Erdene's President and CEO stated, "We are extremely pleased to announce the formal commencement of construction at the Bayan Khundii gold project and the close of our Strategic Alliance with MMC, Mongolia's leading publicly traded mining company. The Bayan Khundii gold mine is one of the highest grade, open pit gold mines under development globally and will be Mongolia's largest gold primary producer when it reaches full production."

Mr. Akerley continued, "The Bayan Khundii Gold Project is the foundation for the development of the Khundii Minerals District, located in a rapidly emerging mining region in southwest Mongolia. Our stakeholders benefit from tremendous exploration opportunities in an under-explored, world-class gold and copper belt with an established pipeline of high-quality projects, including high-grade gold satellite deposits to Bayan Khundii, the large Altan Nar gold-polymetallic deposit and the vast Zuun Mod molybdenum-copper porphyry resource. MMC is the ideal partner to develop the Khundii Minerals District with its experience in large scale mining, expertise in construction, power supply, transportation and logistics, and national and international relationships. Together, we will unlock new opportunities for the Mongolian mining sector, increase the industry's contribution to the national economy and create long-term value for Erdene shareholders."

Strategic Alliance with MMC

On January 10, 2023, Erdene executed a Strategic Alliance Agreement ("SAA") with MMC to develop the Bayan Khundii Gold Project (see press release [here](#)). On January 23, 2024, the parties formally closed the SAA by issuing shares in Erdene Mongol LCC ("EM") to MMC representing a 50% equity ownership. Details of the SAA include:

- MMC is Mongolia's largest internationally traded mining company, listed on the main board of the Hong Kong Stock Exchange (HKEx: 975).
- MMC has invested US\$40 million in EM, Erdene's Mongolian subsidiary holding the Khundii and Altan Nar mining licenses and the Ulaan exploration license.
- Erdene retains a 50% equity interest in EM and a 5.0% Net Smelter Return royalty on production from the Khundii, Altan Nar and Ulaan licenses, as well as any properties acquired within a 700km² area of interest, beyond the first 400,000 ounces gold recovered.
- 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.

Bayan Khundii Construction

On January 15, 2024, Erdene and MMC reached a formal decision to commence construction at Bayan Khundii. With Proven and Probable reserves of 513,000 ounces of gold at an average head grade of 4.0 g/t gold, Bayan Khundii is scheduled to produce an average of 87,000 ounces of gold during years two through five of the seven year mine life. Furthermore, known resources in the District are expected to provide further

reserves to significantly extend mine life.

The construction decision follows the successful completion of the Project's early works program during the second half of 2023. Representing approximately 12% of the total construction effort, EM built temporary construction facilities, including aggregate crushing and concrete batch plants, fuel depot and construction camp, construction roads, and completed site leveling, detailed excavation, and all major reinforced concrete footings and columns installation for the Project's process plant. Construction site photos are included below.

Process Plant Foundations and Temporary Facilities - October 2023

Process Plant Foundations and Temporary Facilities - January 2024

The contracts for early works and the Project's Engineering, Procurement and Construction ("EPC") services have been awarded to MCS Property LLC ("MCSP"), a leading Mongolian engineering and construction firm, and an affiliate of MMC. With a 25-year history operating in Mongolia, MCSP is a major contractor to the country's mining industry, successfully delivering critical infrastructure for Rio Tinto's Oyu Tolgoi underground operations and non-process infrastructure for MMC's Ukhuaa Khudag metallurgical coal mining operations. The fixed price EPC contract is valued at US\$54 million, representing 60% of the Project's capital costs. EM previously contracted with CITIC Heavy Industries for the Project's Ball and SAG mills, COMO Engineers for the elution circuit and gold room and Hot Chengdu for the Project's filtration equipment. In total, the Company has secured contracts for \$74 million of the Project's \$90 million capital budget (excluding contingency).

The Project's critical path construction activity is the completion of the process plant. With all major footings and columns in place and the first process mechanical equipment now on site, construction is expected to be substantially complete by year end with technical and state commissioning planned for Q1 2025. The Project is on schedule and budget to achieve operations commissioning and first gold in Q2 2025.

Additionally, EM has entered a power purchase agreement ("PPA") with MCS International LLC ("MCSI"), another affiliate of MMC. Under the terms of the PPA, MCSI will build, own and operate under a take-or-pay arrangement a hybrid power station consisting of a 14.5 megawatt ("MW") diesel station, 5 MW solar farm, 3 MWh battery storage system and associated infrastructure. Payments under the contract are expected to total US\$44 million over the seven-year contract, excluding the cost of diesel, which has been matched to the initial mine life for Bayan Khundii. The PPA provides an option for MCSI to supply the power via an overhead transmission line ("OHTL") under terms that will be no less favorable to EM than those for the hybrid station. Connection to power through an OHTL will provide access to lower incremental cost power for expansion opportunities and reduce diesel price risk for the project.

To date, approximately US\$80 million has been invested in the Bayan Khundii Gold Project, including Erdene's historic expenditures and the US\$40 million funded by MMC under the Strategic Alliance Agreement. Erdene and MMC are finalizing arrangements for the balance of the funding required to complete the construction and expect to announce further details within Q1 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. 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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Photos accompanying this announcement are available at

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