

August 8, 2012

## Erdene Finalizes Agreement to Separate Donkin Coal and Mongolian Minerals Exploration Projects into Separate Public Companies

**Halifax, Nova Scotia - August 8, 2012** - Erdene Resource Development Corp. ("**Erdene**" or the "**Company**") (TSX:ERD) is pleased to announce that it has entered into a definitive agreement (the "**Arrangement Agreement**") with Advanced Primary Minerals Corporation ("**APM**") to exchange all of Erdene's North American property interests, comprised primarily of Erdene's interest in the Donkin Coal Project in Cape Breton, Nova Scotia, for shares of APM. The transaction is being completed by way of a court-approved plan of arrangement (the "**Arrangement**").

Highlights:

- Following the Arrangement, all of Erdene's North American property interests will be held by an amalgamated company ("**Amalco**")
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- Amalco will be focussed on the development of bulk commodity projects in North America, predominantly coal projects, led by the Donkin Project
- Erdene will be focussed on precious and base metals exploration in Asia, primarily Mongolia
- Upon completion of the Arrangement, the outstanding shares of Erdene (totalling 95,802,901) will effectively be split on a 50/50 basis resulting in 47,901,450 shares outstanding in Erdene and 47,901,450 shares of Amalco which will be distributed to Erdene shareholders
- Upon completion of the Arrangement, Amalco will have 49,255,990 shares outstanding, 47,901,450 (97.25%) of which will be held by Erdene shareholders and the balance by the former APM shareholders
- A total of \$1.95M cash will be included with the North American assets being acquired by Amalco
- It is anticipated that the remaining resources and real estate held by APM, with a fair market value of \$1.1M to \$1.4M, will be sold following the completion of the Arrangement
- A new name and the management team of Amalco will be announced in an upcoming news release
- A special meeting of the Erdene shareholders is expected to be held in Halifax, Nova Scotia in October 2012 to obtain the necessary shareholder approvals

"We strongly believe that the separation of Erdene's major projects, Donkin Coal and Mongolian minerals exploration, into separate public companies will provide excellent value to the Company's shareholders," said Peter Akerley, President and CEO. "The split will provide investors with a clearer framework to assess the investment opportunity and provide management with greater flexibility in the advancement of specific projects."

### Board Recommendations & Management Remarks

The boards of both APM and Erdene have approved the transaction. The Arrangement is a "related party transaction" pursuant to Multilateral Instrument 61-101 - *Protection of Minority Securityholders in Special Transactions* ("**MI 61-101**"). Accordingly, the board of directors of Erdene (the "**Erdene Board**") formed an independent committee and engaged Paradigm Capital Inc. ("**Paradigm**") to provide an independent valuation pursuant to MI 61-101 and a fairness opinion. On the basis of the receipt of a formal valuation and fairness opinion from Paradigm, the Erdene Board has determined that the Arrangement is fair and in the best interest of the Company and its shareholders. Accordingly, the Erdene Board recommends that the Company's shareholders vote in favour of the Arrangement.

### Terms of the Arrangement

The Arrangement Agreement dated August 7, 2012 sets out the terms of the statutory plan of arrangement under section 192 of the *Canada Business Corporations Act* involving Erdene, APM, Erdene Resources Inc. ("**ERI**"), and the securityholders of Erdene and APM whereby:

- Erdene will transfer all of the issued and outstanding shares of its subsidiary, ERI, a corporation formed under the federal laws of Canada and being the entity that owns or will own Erdene's North American property interests, to APM in exchange for an aggregate of 360,028,650 common shares of APM.
- APM and ERI will amalgamate to form Amalco.
- On the amalgamation of APM and ERI, each shareholder of APM (including Erdene) will receive one (1) common share of Amalco for every 7.85 shares of APM owned by such shareholder.
- Erdene will create a new class of common shares ("**Erdene New Shares**") and will distribute to the Erdene

shareholders one-half of one Amalco share and one half of one Erdene New Share for each existing common share of Erdene.

Following the Arrangement, Erdene will have 47,901,450 Erdene New Shares outstanding and Amalco will have 49,255,990 shares outstanding, 47,901,450 (97.25%) of which will be held by the Erdene shareholders.

The Arrangement will result in two strategically positioned public companies, with Amalco focused on North America (i.e. the Donkin Coal Project) and Erdene focused on minerals exploration and development in Mongolia.

### **Related Party Transaction**

Erdene currently owns approximately 60% of the issued and outstanding shares of APM. Consequently, the Arrangement is a "related party transaction" pursuant to MI 61-101. The Erdene Board appointed an independent committee comprised of two directors to lead the valuation process on behalf of the Company. The independent committee retained its financial advisor, Paradigm, to prepare a formal valuation to meet the requirements of MI 61-101 and to prepare a fairness opinion. Paradigm has advised that, in its opinion, based on the various assumptions and limitations set out in its opinion, the Arrangement is fair, from a financial point of view to the Erdene shareholders. The Erdene Board has concluded that the Arrangement is in the best interest of the Company and the Erdene shareholders.

Under MI 61-101, because it is a related party transaction, the Arrangement is required to be approved by greater than 50% of the Erdene shareholders (excluding the directors and senior officers of Erdene and APM) present in person or by proxy at a meeting held to consider the Arrangement.

### **Closing Conditions**

A special meeting of the Erdene shareholders is expected to be held in Halifax, Nova Scotia in October 2012 to obtain the necessary shareholder approval. Completion of the Arrangement is also subject to satisfaction of certain conditions including the approval and acceptance of the Toronto Stock Exchange and the TSX Venture Exchange and approval of the APM disinterested shareholders and the Nova Scotia Supreme Court. The Arrangement may be terminated if certain conditions are not met, with a termination fee payable in certain circumstances.

It is currently anticipated that the Arrangement will be completed on or before October 31, 2012.

### **Information Regarding Amalco Post-Arrangement**

Currently there is an aggregate of 26,342,963 shares of APM issued and outstanding. It is expected that, upon completion of the Arrangement, there will be an aggregate of 49,255,990 shares of Amalco outstanding, 97.25% of which will be held by the Erdene shareholders.

Following the completion of the Arrangement, Amalco will hold all of Erdene's North American property interests, consisting primarily of its 25% interest in the Donkin Coal Project, with the remaining 75% interest held by Xstrata Coal Donkin Limited ("Xstrata"). Given Xstrata's announcement of its intent to sell its interest in the project, the Donkin Coal Project is expected to have a new ownership structure later this year, which is anticipated to bring the project to production.

It is contemplated that post-transaction, the board of directors of Amalco will consist of five directors, selected by Erdene, who shall be described in the materials circulated in connection with the special meeting of the Erdene shareholders.

A copy of the Arrangement Agreement will be available under Erdene's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Full details of the proposed transaction will be described in detail in the notice of meeting and information circular describing the Arrangement, which will be mailed to the Erdene shareholders in due course.

### **About Erdene**

Erdene Resource Development Corp. is a diversified resource company with metal and coal interests in Mongolia as well as the Donkin Coal Project and industrial mineral assets in North America. Erdene has 95,802,901 common shares issued and outstanding and a fully diluted position of 103,215,901 common shares.

### **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 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 subject to change after that date.

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

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