



## **ERDENE RESOURCE DEVELOPMENT CORP.**

### **Erdene Provides Project Updates and Second Quarter Financial Results**

For Immediate Release

**Halifax, Nova Scotia – August 15, 2011 – Erdene Resource Development Corp. ("Erdene" or "Company") (TSX:ERD)**, today provided an update on the Company's principal projects in conjunction with the release of its second quarter financial results to June 30, 2011.

#### **Highlights**

- Marston and Xstrata's Donkin NI 43-101 report concludes that Erdene's 25% Donkin Coking Coal Project interest has a \$265 million Net Present Value ("NPV") at an 8% discount rate
- Xstrata filed a draft Donkin Coking Coal Project description document with Federal and Provincial regulators as the initial step in the Environmental Assessment ("EA") process
- Zuun Mod NI 43-101 compliant molybdenum and copper resource estimate issued and 30-year Mining Licence granted
- Initial drilling program extends mineralized zone at Khuvyn Khar copper-silver discovery and new geophysical targets identified
- Drilling confirms a new base and precious metal discovery on Nomin property; expanded exploration program underway
- Construction phase for royalty-generating construction aggregate quarry in Georgia, USA, nearing completion
- Ends quarter with \$5.0 million in working capital

#### **Project Summaries and Updates**

##### **Donkin Coal Project**

During the second quarter of 2011, the Company announced, on behalf of the Donkin Joint Venture ("DJV"), the receipt of a National Instrument 43-101 compliant Technical Report for the Donkin Coal Project prepared by Marston & Marston, Inc. of St. Louis, Missouri. The report

presents the results of the Pre-Feasibility Study ("PFS") on the Donkin Export Coking Coal Project prepared by Xstrata and the reserves defined by the PFS. The Report assesses the viability of a multiple continuous miner ("CM") underground operation, producing approximately 3.5 million tonnes per year ("Mtpa") Run of Mine ("ROM") coal that would be subsequently washed to provide 2.75 Mtpa of product coal suitable for the international export coking and thermal coal markets and domestic thermal coal markets. The report confirms the technical and economic viability of the Donkin Export Coking Project and supports advancing the project to the next phase. The PFS concludes that Donkin has a \$1.06 billion Net Present Value ("NPV") at an 8% discount rate based on project development capital of approximately \$500 million with peak funding of \$331M and first quartile operating costs. This equates to an NPV of \$265 million for the Company's 25% interest in the project. The project is reported to generate EBITDA of \$294M (>\$70M for Erdene's 25%) in the first year of full production.

The coal quality of the Harbour Seam is characterized by low ash, high energy, high vitrinite content, high fluidity, high crucible swell number ("CSN") and elevated levels of sulfur. Subject to further coal testing, approximately 75% of processed coal from Donkin is targeted to be marketed as a [coking coal](#) blend into international coking coal markets with the remaining 25% expected to be marketed to domestic and international thermal coal markets.

The feasibility stage will include the initial phase of mining, referred to as the exploration phase. The intent is to deploy one CM section in the Harbour Seam within one year of securing an off-take agreement for the ROM coal. Permits are currently in place for this initial development phase. The exploration phase will result in initial production of up to 600,000 tonnes of ROM coal and provide the opportunity to collect information necessary to finalize the mine and plant design and the ultimate production including an evaluation of the viability of using longwall mining equipment. This first phase of underground development along with the completion of a bankable feasibility study is estimated to cost \$94.2M which is included in the total project capital and is forecast to be conducted over a 24-month period. The schedule for this initial development is dependent on Xstrata securing a coal off-take agreement for the ROM coal that will be produced from the exploration phase. Full development plans will be based on the outcome of the Feasibility Study and receipt of all government approvals.

In June 2011 a draft Project Description document was filed with Federal and Provincial regulators. This is the initial step in the Environmental Assessment ("EA") process expected to be completed over an 18 to 24 month time frame. The document seeks approval for the 2.75 Mtpa export coking coal project. The regulators are now reviewing and providing comments prior to the final document being approved and filed as a public document. This final document, and any alterations by regulators, will guide the comprehensive environmental assessment study as well as the preparation of the feasibility study and the project design.

### **Zuun Mod Molybdenum Project – Mongolia**

During the second quarter of 2011, the Company announced the receipt of an updated resource estimate for the Zuun Mod project by independent technical consultants Runge-Minarco MineConsult ("Minarco"). The NI 43-101 compliant resource estimate has a Measured and Indicated ("M&I") resource of 218 million tonnes ("Mt") at an average grade of 0.057% molybdenum ("Mo"), and 0.069% copper ("Cu") at a cut-off grade ("cog") of 0.04% Mo. This

equates to 273.5 million pounds ("M lbs") of contained Mo metal and 330.7 M lbs of contained Cu metal. In addition, there is a 168 Mt Inferred Resource at an average grade of 0.052% Mo and 0.065% Cu, equating to a further 191.8 M lbs of contained Mo metal and 240.5 M lbs of contained Cu metal. Much of the drilling was concentrated in the South Racetrack deposit where the high-grade zone was extended to 500 metres depth.

Also during the second quarter, the Company was granted a 30-year Mining License for the Zuun Mod project by the Mongolian Government. The Zuun Mod Mining License covers an area of 6,041 hectares and contains the South Racetrack and North Racetrack deposits, which hosts all of the Measured and Indicated resources at Zuun Mod. The Mining License also contains the Khuvyn Khar copper prospect. The Company continues to advance a number of technical and engineering studies on various aspects of the Zuun Mod project including an environmental and social economic baseline study and a preliminary feasibility study outline, for submission to the Mongolian Mineral Resource Council. The Company's independent technical consultant, Minarco, continues to carry out work on a strategic mine planning review designed to assess various mine scheduling scenarios for a range of production profiles and molybdenum revenue rates. This study is ongoing and will provide high level production scheduling, a review of operating and capital costs and economic modeling which will be used to determine the parameters of additional pre-feasibility level studies expected to be carried out in 2011-12.

#### **Khuvyn Khar Copper Project**

In the second quarter, the Company completed a preliminary drill program and a deep penetrating (700 metres) induced polarization geophysical survey over the Khuvyn Khar copper discovery in the northern portion of the Zuun Mod license. Six drill holes were completed over a 1.2 kilometre strike length targeting geophysical and geochemical anomalies in the Khuvyn Khar area. The original discovery hole (ZMD-121) is located at the north western end of the target area. Geophysical results have indicated that ZMD-121, which returned 1.34% copper and 9.24g/t silver over 34 metres, intersected a chargeability anomaly which intensifies to the south and at depth where the zone remains open. In addition, new drilling results confirmed a broad zone of low grade copper mineralization with continuity over the eastern half (600 metres) of the target area which is open to the south. The eastern most hole, ZMD-128, returned multiple zones of greater than 0.2% copper, most significantly 42 metres of 0.21% copper within a broad zone of anomalous copper mineralization from 24 metres to 302 metres grading 0.13% copper. ZMD-127, located between ZMD-121 and ZMD-128, returned a similar thickness of highly anomalous copper from 4 to 302 metres averaging 0.12% copper. Additional drilling is planned for Khuvyn Khar in 2011.

#### **Nomin Copper-Gold Prospect**

The Nomin prospect is a new copper-gold discovery located in southwestern Mongolia. Subsequent to the end of the quarter, the Company announced that the drilling at Nomin identified narrow, steeply dipping, parallel zones of high-grade gold, silver and copper bearing massive sulphide along a north-south strike length of approximately 150 metres to a vertical depth between 30 metres to 60 metres below a series of ancient pits. Assay results included 13.3 g/t gold, 3.0% copper and 26 g/t silver over 0.5 metres in the most northerly hole and 1.2 g/t

gold, 24.0% copper and 65 g/t silver over 0.25 metres in the most southerly hole while the deepest intersection, at approximately 60 metres vertical depth, was also the thickest and included 2 metres of 2.4 g/t gold, 6% copper and 16 g/t silver.

Erdene is finalizing plans for additional drilling at Nomin including targeting the Cu-Au-Ag mineralization along strike and at depth. In addition, a property-wide geochemical survey, detailed geological mapping and prospecting surveys are underway. The results of these surveys will be used in conjunction with previously completed magnetic and IP geophysical surveys to define additional drill targets.

The Company will continue to expand its program of regional exploration to identify areas, principally in southern Mongolia, with the potential to host base and precious metal mineralization.

### **Coal Projects in Mongolia**

Erdene is involved in a comprehensive coal generative and acquisition program in Mongolia that evaluates numerous prospective metallurgical and high-quality thermal coal deposits. The program is being fully funded by the Company's partner, [Xstrata Coal](#), under an Alliance Agreement with whom it is coordinating operations. During the second quarter of 2011, Erdene continued to complete numerous property evaluations and to identify and secure high-quality, large-tonnage coal deposits on behalf of the Alliance.

On March 8, 2011 Xanadu Mines Ltd. commenced an extensive drilling program at its Galshar coal project in southeast Mongolia, 250 kilometres southeast of Ulaanbaatar. The aim of this drilling program is to further define the known deposit into a JORC code compliant resource. Erdene holds a royalty interest from any coal mined from the property.

### **Granite Hill Aggregate Project**

Erdene's Granite Hill Project (also known as the "Sparta Quarry") is a former producing granite aggregate quarry in central Georgia, USA. Erdene owns the 342 acre property, which holds a Class A granite aggregate resource in excess of 120 million tons situated on an existing rail line allowing for market penetration throughout the southeastern United States. The quarry is currently being developed by Aggregates USA (Sparta), LLC, ("AUSA"), a major construction materials producer, which is responsible for fully funding all capital and operating costs for the project. Under the mining lease, the Company has granted an exclusive right to AUSA to mine, process, and sell aggregate from the Granite Hill property. The sale of all aggregate from the property is subject to an industry competitive royalty payable to the Company.

During the second quarter 2011, installation of plant equipment was completed and work continued on the railway underpass on Highway 16 to link the property to the existing rail-line. This work is expected to be completed in the third quarter of 2011. Commercial production is forecast to commence in late 2011 or early 2012 at an estimated start-up production rate of one million tons of granite aggregate per year, with a design capacity of up to 2.5 million tons. Based on current production projections, the Granite Hill project will have an estimated lifespan in excess of 30 years.

### **Advanced Primary Minerals Corp.**

The Company, through its 60% controlled subsidiary Advanced Primary Minerals Company ("APM"), operates a primary kaolin processing plant in Dearing, Georgia, USA. APM recognized clay sales of \$179,519 for the second quarter of 2011 (2010 - \$108,547) reflecting an increase of 65%. For the six months ended June 30, 2011 APM's sales were \$374,787 (2010 - \$218,122) which represented an increase of 72% over the first half of 2010. APM is targeting to achieve positive cash flow from its operation by the end of 2011 by securing additional market commitments for its primary kaolin products through advanced product trials currently underway with target customers and through sales growth from within its current customer base.

### **Quarter ended June 30, 2011 Financial Summary**

Erdene's second quarter financial statements and Management's Discussion and Analysis were filed with regulatory authorities on August 12, 2011 and are available on the Company's website at [www.erdene.com](http://www.erdene.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

For the three months ended June 30, 2011, revenues amounted to \$232,950, compared to \$112,204 in 2010. Cost of sales amounted to \$310,269 compared to \$306,907 in the prior year.

Exploration expenses amounted to \$996,566 in the second quarter of 2011, compared to \$567,094 in 2010. Capitalized exploration and evaluation expenses for the quarter totalled \$412,980 compared to \$439,241 in 2010.

Mongolian exploration expenditures for the quarter were primarily directed toward drilling programs carried out at the Khuvyn Khar and Nomin projects (details of the programs are discussed above). The Company also continued to advance its core projects: the Donkin Coal Project and the Zuun Mod molybdenum-copper project. Specifically, expenditures by project were as follows:

- Zuun Mod: \$333,477 for the three months ended June 30, 2011 (2010 - \$185,815)
- Donkin: \$75,787 for the three months ended June 30, 2011 (2010 - \$251,361)
- Coal exploration in Mongolia funded by Xstrata Coal: \$117,693 for the three months ended June 30, 2011 (2010 - \$209,823).

Corporate & administrative expenses totalled \$778,147 for the three months ended June 30, 2011, compared to \$752,850 in the second quarter of 2010.

The Company recorded a loss of \$1,876,582, or \$0.02 per share, in the second quarter of 2011 compared with a loss of \$1,508,585, or \$0.02 per share, for the same period in 2010. At June 30, 2011, Erdene had approximately \$5.0 million in working capital, including that of its controlled subsidiary APM, compared to \$8.3 million at December 31, 2010.

### **About Erdene**

Erdene Resource Development Corp. is a diversified resource company with multiple projects at various stages of development from exploration to production; all projects are focused on high-growth commodities. Erdene has a current working capital position of approximately \$4.4

million, including that of its controlled subsidiary Advanced Primary Minerals Corp., with 90,323,377 common shares issued and outstanding and a fully diluted position of 97,841,377 common shares.

### **Qualified Person**

J.C. (Chris) Cowan, P. Eng. (Ontario) is a 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. Sample analyses have been carried out 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, blanks and duplicates.

### **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. Erdene 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  
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