

# ERDENE ANNOUNCES CONVERSION OF EBRD CONVERTIBLE LOAN AND PROVIDES BAYAN KHUNDII GOLD PROJECT UPDATE

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## Press Release

Halifax, Nova Scotia

2020.10.13

**Erdene Resource Development Corp. (TSX:ERD; MSE:ERDN) ("Erdene" or the "Company")** announces that the European Bank for Reconstruction and Development ("EBRD" or "Bank") has exercised its conversion option in respect of its US\$5 million convertible loan ("Convertible Loan") with the Company. Following conversion of the Convertible Loan, the EBRD owns and controls 30,043,290 common shares representing approximately 11.2% of the issued and outstanding common shares of the Company.

Erdene is also pleased to provide a project update for its 100%-owned, high-grade, open-pit Bayan Khundii Gold Project ("Bayan Khundii" or "BK") in southwest Mongolia.

### Quotes from the Company and EBRD:

"The proceeds of the EBRD Convertible Loan provided the funding to complete the recently announced Bayan Khundii Gold Project Feasibility Study," said Peter Akerley, Erdene's President and CEO. "The EBRD's conversion, along with the proceeds of the C\$20 million equity financing led by a C\$15 million strategic investment from Mr. Eric Sprott position Erdene to secure the project finance required to move Bayan Khundii rapidly to production. The company is focused on expanding the resources throughout the district and construction readiness efforts for the Bayan Khundii project as we target first gold in 2022."

"We were pleased to support the economic, technical and environmental and social studies that have demonstrated the benefits of the Bayan Khundii Gold Project in southwest Mongolia," said Eric Rasmussen, the EBRD Director for Natural Resources. "The conversion of our loan into common equity maintains our interest in the development of the Bayan Khundii Gold Project and we are pleased to support the development of this valuable resource for the benefit of all stakeholders."

### EBRD's Commitment to Mongolia

The EBRD is one of the largest investors in Mongolia. To date, the EBRD has invested over €1.8 billion (C\$2.8 billion) in Mongolia's economy across 113 projects, with almost all investments in the private sector. The EBRD works in Mongolia to support building a diverse economy by developing the private sector and supporting infrastructure improvements.

## Financing Update

Under the terms of the Convertible Loan agreement executed October 11, 2019, the EBRD provided US\$5.0 million of funding to Erdene by way of a convertible loan. EBRD exercised its conversion option on October 9, 2020 in respect of the entire principal amount of the Convertible Loan, receiving 30,043,290 common shares of the Company, representing 11.2% of Erdene's then issued and outstanding common shares. Additionally, the Company will pay interest costs of US\$457,639 to the Bank in connection with the extinguishment of the Convertible Loan.

With the conversion of the EBRD Convertible Loan and the completion of the Bayan Khundii Gold Project Feasibility Study, Erdene will focus on securing funding for the Project. As previously disclosed, the Company engaged HCF International to act as Project Finance advisor, to secure Project debt as its primary responsibility. HCF is progressing discussions with financial institutions active in mine finance on the basis of the Bayan Khundii Feasibility Study results and its strong projected cash flows.

## Bayan Khundii Gold Project Update

Construction readiness activities for Bayan Khundii Gold Project commenced in Q3 2020 and are progressing as outlined below:

- Detailed design and engineering for the Carbon-in-Pulp ("CIP") Leach processing plant and mine support infrastructure are progressing on schedule, with expected completion in late Q4 2020.
- Tender and contracting for critical facilities and services has begun with the objective to optimize the capital budget for construction.
- Constructability, value engineering, and HAZOPS review are also underway.
- Consultations for the statutory Mongolian Detailed Environmental Impact Assessment ("DEIA") for the Project are underway and expected to be completed in Q4 2020, subsequent to which the DEIA will be submitted for approval.
- Detailed technical drawings for key Project facilities have been prepared.
- The general arrangement for the site has been submitted for approval, along with the drawings for mine support facilities, including offices, mine dry, security guard house, workshop, warehouse, and permanent camp.
- The balance of the technical drawings are expected to be submitted by Q1 2021, allowing a rapid construction ramp up beginning Q2 2021.

## 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. Erdene's deposits are located in southwestern Mongolia's 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 the region over the past decade and is responsible for the discovery of the Khundii Gold District with interests in three mining licenses and two exploration licenses hosting

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 gold deposits.

Erdene Resource Development Corp. is listed on the Toronto and the Mongolian stock exchanges. Further information is available at [www.erdene.com](http://www.erdene.com). Important information may be disseminated exclusively via the website; investors should consult the site to access this information.

### Early Warning Disclosure

Prior to the conversion of the Convertible Loan, the EBRD did not beneficially own or control any common shares of the Company. Following conversion of the Convertible Loan, the EBRD owns and controls 30,043,290 common shares representing approximately 11.2% of the issued and outstanding common shares of the Company. The conversion price was C\$0.21945 per common share, for aggregate nominal consideration of US\$5,000,000 (equivalent to C\$6,593,000, based on the Bank of Canada exchange rate as of September 18, 2020).

The EBRD holds the common shares for investment purposes. Depending on market conditions and other factors, the EBRD may from time to time acquire and/or dispose of securities of the Company or continue to hold its current position.

A copy of the early warning report required to be filed with the applicable Canadian securities commissions in connection the transaction will be available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and can be obtained by contacting Khangai Tserenraash at +976 11 317 974. EBRD's head office is at One Exchange Square, London EC2A 2JN, United Kingdom.

### 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**

## Erdene Contact Information

Peter C. Akerley, President and CEO, or  
Robert Jenkins, CFO

Phone: (902) 423-6419

Email: [info@erdene.com](mailto:info@erdene.com)

Twitter: <https://twitter.com/ErdeneRes>

Facebook: <https://www.facebook.com/ErdeneResource>

LinkedIn: <https://www.linkedin.com/company/erdene-resource-development-corp-/>

YouTube: <https://www.youtube.com/channel/UCILs5s9j3SLmya9vo2-KXoA>