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## Erdene Provides Project Updates and First Quarter Financial Results

**HALIFAX, NOVA SCOTIA--(Marketwire - May 17, 2012) - 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 first quarter 2012 financial results.

### Highlights:

- **Donkin Coal Project:** The Donkin Joint Venture Partners announced that Xstrata is seeking an operating partner to assume its 75% interest; timelines remain unchanged with environmental assessment process, progression of engineering work and obtaining the necessary approvals for commencement of the underground exploration phase continuing on schedule.
- **Zuun Mod Molybdenum-Copper Project:** A strategic mine planning study, by independent technical consultant, Minarco-MineConsult, and an Environmental Assessment Study by Eco Trade, LLC continued in the first quarter.
- **Altan Nar Gold-Silver Prospect:** A 2000 metre drill program was completed in April targeting the Discovery Zone which is defined by numerous significant drill intersections, including 29 metres of 4.3g/t gold and 24.1g/t silver; results pending.
- **Granite Hill Construction Aggregates Royalty Project:** Aggregates USA commenced commercial production in January 2012; Erdene received a royalty payment of US\$165,000 in the 1st Quarter

### Project Summaries and Updates

#### *Donkin Coal Project*

On April 26, 2012, the Company announced in a joint press release that Xstrata Coal Donkin Limited ("Xstrata Coal") is seeking an operating coal company to assume its 75% interest in the Donkin Export Coal Project (the "Project"). Xstrata Coal cited a change in its business strategy since first acquiring the Project, with current focus on larger-volume mining complexes, as the reason for choosing to sell its interest in the Project.

It is anticipated that the sale process will be concluded during 2012, with the selection of an entity with the underground coal mining experience, technical expertise and financial capability to operate this underground mine safely and efficiently. Erdene has a 60-day right of first refusal on the sale by Xstrata Coal of its interest in the Project.

During this process the Project timelines will be maintained, including planned completion of the environmental assessment, progression of engineering work and obtaining the necessary approvals for commencement of the underground exploration phase. The Canadian Environmental Assessment Agency approval process is on track and full environmental approval is anticipated in early 2013. It is estimated the Project will produce 2.75 million tonnes of washed product per year and will directly employ about 300 people. Commencement of coal production is targeted for mid-2014.

Under their joint venture agreement, Xstrata Coal, is committed to fund the first \$10 million of Erdene's development funding requirement. Xstrata Coal will bring forward up to \$1 million of this to cover Erdene's share of expenditure on the Project during the sale process.

In June 2011, the Donkin Joint Venture ("DJV") released a National Instrument 43-101 compliant Technical Report for the Project prepared by Marston & Marston, Inc. of St. Louis, Missouri (the "Report"). The Report presents the results of the Pre-Feasibility Study ("PFS") on the Donkin Export Coking Coal Project as prepared by Xstrata Coal and the reserves defined by the PFS.

The Report confirms the technical and economic viability of the Project and supports advancing the Project to the next phase. The PFS concludes that the Project has a \$1.06 billion Net Present Value (8% discount rate) based on Project development capital of approximately \$500 million and demonstrates the potential for first quartile operating costs.

#### **Zuun Mod Molybdenum-Copper Project**

During the first quarter 2012, the Company's independent technical consultant, Minarco-MineConsult ("MMC"), part of the Runge Group, continued to carry out work on a pit optimization study. Once completed, this study will provide high level production

scheduling, a review of operating and capital costs, and economic modeling and will be used to determine the parameters of additional pre-feasibility level studies expected to be carried out in 2012-2013.

In June 2011, the Company announced the receipt of an updated resource estimate for the Zuun Mod project by MMC. Their revised resource estimate included an increase in the Measured and Indicated ("M&I") resources by 38 million tonnes as well as an increase in the average [molybdenum](#) and copper grades for the deposit.

Also in June 2011, 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 host all of the M&I resources at Zuun Mod. The Mining License also contains the Khuvyn Khar copper prospect. Approval of an application for a second contiguous Mining License, south of the approved Mining License, is pending. This license application covers 358 hectares and contains the Stockwork deposit which hosts 17.8 percent of the Inferred resource at Zuun Mod.

### **Altan Nar Gold-Silver Prospect**

At the end of the first quarter 2012, the Company announced the commencement of the 2012 field program at the Altan Nar prospect with drilling started in early April. The 2012 drilling program will include delineation drilling of the Altan Nar Discovery Zone, additional drilling to follow-up on encouraging preliminary drill-results and scout drilling on a number of untested geochemical and geophysical targets. Additional field work, including planning and execution of close-spaced soil and rock geochemical sampling and geophysical surveys has started. The initial nine hole (2,030 metre) 2012 drill programs focused on the Discovery Zone and concluded in late April. All samples have been submitted for analysis with results pending.

Exploration work in 2011 on the Company's Tsenkher Nomin property, located in southwestern Mongolia, identified a number of previously unknown [gold](#) and base metal mineral occurrences. The Company has carried out initial scout drilling on two of these prospects, Altan Nar and Nomin Tal, (located 2.5 kilometres apart). Both prospects have returned very encouraging initial results.

The Altan Nar prospect consists of a broad (2 kilometres by 3 kilometres) polymetallic-gold-in-soil anomaly hosting multiple prospects containing gold-bearing epithermal-style quartz veins. A series of 24 holes were drilled over a 1km<sup>2</sup> area of the Altan Nar prospect in 2011 and the presence of anomalous gold-bearing mineralized zones in 15 of the 24 holes confirmed the widespread nature of the Altan Nar mineralized system. In one area where multiple holes have been drilled in close proximity ('Discovery Zone'), results have confirmed the lateral and vertical continuity of mineralized zones. Hole TND-19 was drilled 50 metres below the mineralization intersected in TND-09 (55 meters of 1.02g/t gold and 12g/t silver), and intersected 29 meters averaging 4.3g/t gold and 24.1g/t silver, suggesting an increase in intensity of gold mineralization at depth. Additional drill intersections, northeast from TND-9, 19 along a magnetic low feature, suggest a single or multiple mineralized zones over a 300 metre strike length. The lateral and vertical extent of mineralization in other widely spaced drill holes remains untested.

At Nomin Tal, drilling has intersected copper-gold mineralization in a series of drill holes along a 750 metre strike length which included 2.7g/t gold, 0.9% copper and 6g/t silver over six metres (48 to 54 metres) in TND-6, drilled under historic workings where mineralization is exposed on surface.

### **Aggregate**

In January 2012, Aggregates USA (Sparta), LLC ("AUSA") commenced commercial production of the Sparta Quarry from the Company's Granite Hill property which is under long term lease to AUSA. The quarry has been constructed to a design capacity of greater than 2 million tonnes of product per annum. The sale of all aggregate from the property is subject to an industry competitive royalty payable to the Company with annual minimum royalties that are inflated annually. In January, the Company received the 2012 minimum royalty of US\$165,000 from AUSA. Project development was carried out by AUSA throughout 2011, including site preparation (installation of processing and shipping infrastructure) and construction of a rail link under Georgia Highway 16 connecting the aggregate quarry site to the existing rail-line. AUSA is targeting markets in the southeastern U.S.A.

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

The Company, through its controlled subsidiary Advanced Primary Minerals ("APM"), operates a kaolin processing plant in Dearing, Georgia, USA. To date, despite encouraging results from product trials, APM has been unable to secure sufficient sales to generate sustained positive cash flows.

On February 9, 2012, Erdene granted APM an extension to its promissory note, now due August 31, 2012. This extension will allow APM to refinance or restructure its operations. Management of APM is actively seeking a buyer for its clay operating assets.

### **Quarter ended March 31st 2012 Financial Summary**

Erdene's first quarter 2012 financial statements and Management's Discussion and Analysis were filed with regulatory authorities on May 15, 2012 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 March 31, 2012, revenues amounted to \$44,795, compared to \$45,663 in 2011. Cost of sales amounted to \$25,154 for the three months ended March 31, 2012 compared to nil in the prior year. Revenues are predominantly royalty payments from the Company's Granite Hill aggregate quarry which entered commercial production in January 2012.

Exploration expenses amounted to \$474,991 in the first quarter of 2012, compared to \$881,976 in 2011. The decrease from 2011 was due to the drop in share based payments compared to the prior year. Exploration expenditures for the quarter were primarily directed toward planning and evaluation in advance of the 2012 field programs.

Consolidated corporate & administrative expenses, including those of APM, totalled \$638,685 for the three months ended March 31, 2012, compared to \$3,744,619 during the same period in 2011. Non-cash share based payments amounted to \$5,307 in 2011, a \$3,110,336 decrease from the first quarter of 2011.

The Company recorded a loss attributable to Erdene shareholders of \$1,081,736, or \$0.01 per share, in the first quarter of 2012 compared with a loss of \$4,637,955, or \$0.05 per share, for the same period in 2011.

Management of the Company's subsidiary, APM, is actively seeking a buyer for its operating clay assets. Although a binding commitment has yet to be reached, management is optimistic they can secure a sale with acceptable terms. The decision to sell these underperforming assets has led to the reclassification to "Non-current assets held for sale" on the Statement of Financial Position. The loss associated with these assets has been reclassified to "Loss from discontinued operation" on the Statement of Loss and the prior year presentation adjusted to conform to 2012.

## **About Erdene**

Erdene Resource Development Corp. is a diversified resource company with multiple projects at various stages of development from exploration to production; all focused on high-growth commodities. Erdene has 95,802,901 common shares issued and outstanding and a fully diluted position of 103,110,901 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.

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

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