



CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)

December 31, 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Entrée Resources Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Entrée Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year ended. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment of Impairment of Development Costs included in Property and Equipment ("Development Costs") and Oyu Tolgoi assets

As described in Note 5 and Note 6 to the consolidated financial statements, the carrying amounts of the Company's Development Costs and Oyu Tolgoi assets were \$163,000 and \$386,000 respectively, as at December 31, 2024. As more fully described in Note 4 to the consolidated financial statements, the Company determines whether an impairment indicator is identified, and if so, management tests for impairment. The Company determined there were no indicators of impairment.

The principal considerations for our determination that the assessment of impairment of the Development Costs and Oyu Tolgoi assets is a key audit matter are potential variances between management's assumptions and estimations, and the market conditions, could have a material effect in the future on the Company's financial position and results of operations. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the Development Costs and Oyu Tolgoi assets.



Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Evaluating management's assessment of impairment indicators.
- Reviewing of costs being allocated to the Development Costs and Oyu Tolgoi assets for accuracy.
- Obtaining confirmation of costs incurred by the Company to the joint venture partner.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

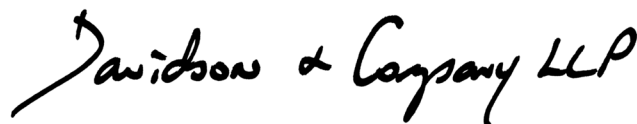
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

March 12, 2025

Entrée Resources Ltd.
Consolidated Statements of Financial Position

As at December 31, 2024 and 2023

(expressed in thousands of U.S. dollars, except where indicated)

	Note	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents		\$ 2,378	\$ 6,091
Receivables and prepaid expenses		329	176
Prepaid licence fees		145	157
Deposits		12	12
		2,864	6,436
Non-current assets			
Property and equipment	5	445	419
Oyu Tolgoi assets	6	386	360
		831	779
Total assets		\$ 3,695	\$ 7,215
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	17	\$ 145	\$ 199
Current portion of lease liabilities	7	104	114
		249	313
Non-current liabilities			
Lease liabilities	7	244	359
Loan payable to Oyu Tolgoi LLC	8	15,934	12,289
Deferred revenue	9	58,575	58,873
		74,753	71,521
Total liabilities		75,002	71,834
Shareholders' deficiency			
Share capital	10	187,238	186,774
Reserves		23,252	22,269
Accumulated other comprehensive income		6,832	646
Deficit		(288,629)	(274,308)
Total shareholders' deficiency		(71,307)	(64,619)
Total liabilities and shareholders' deficiency		\$ 3,695	\$ 7,215

Nature of operations (Note 1)

Commitments and contingencies (Note 16)

Subsequent events (Note 18)

The accompanying notes are an integral part of these consolidated financial statements.

Entrée Resources Ltd.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2024 and 2023

(expressed in thousands of U.S. dollars, except where indicated)

	Note	2024	2023
Expenses			
Project expenditures	12	\$ 1,539	\$ 1,393
General and administrative		1,970	2,002
Share-based compensation	10, 17	1,208	1,039
Depreciation	5	118	115
Operating loss		4,835	4,549
Foreign exchange loss (gain)		1,417	(157)
Interest income		(213)	(333)
Interest expense	8	478	402
Loss from equity investee	6	3,067	653
Finance costs		43	50
Deferred revenue finance costs	9	4,694	4,415
Loss for the year		14,321	9,579
Other comprehensive (gain) loss			
Foreign currency translation		(6,186)	1,372
Total comprehensive loss		\$ 8,135	\$ 10,951
Net loss per common share			
Basic and diluted		\$ (0.07)	\$ (0.05)
Weighted average number of common shares outstanding			
Basic and diluted (000's)		203,528	199,538
Total common shares issued and outstanding (000's)	10	204,799	203,345

The accompanying notes are an integral part of these consolidated financial statements.

Entrée Resources Ltd.

Consolidated Statements of Changes in Shareholders' Deficiency

For the years ended December 31, 2024 and 2023

(expressed in thousands of U.S. dollars, except where indicated)

	Note	Number of Shares (000's)	Share capital	Reserves	Accumulated other comprehensive income (loss)	Deficit	Total
Balance at December 31, 2023		203,345	\$ 186,774	\$ 22,269	\$ 646	\$ (274,308)	\$ (64,619)
Loss and comprehensive income		-	-	-	6,186	(14,321)	(8,135)
Share-based compensation	10	-	-	1,208	-	-	1,208
Issuance of share capital – share options	10	1,454	464	(225)	-	-	239
Balance at December 31, 2024		204,799	\$ 187,238	\$ 23,252	\$ 6,832	\$ (288,629)	\$ (71,307)
Balance at December 31, 2022		198,135	\$ 182,668	\$ 22,509	\$ 2,018	\$ (264,729)	\$ (57,534)
Loss and comprehensive loss		-	-	-	(1,372)	(9,579)	(10,951)
Share-based compensation		-	-	1,039	-	-	1,039
Issuance of share capital – share options		2,760	1,299	(772)	-	-	527
Issuance of share capital – deferred share units		110	53	(53)	-	-	-
Issuance of share capital – warrants		5,139	2,754	(454)	-	-	2,300
Shares returned to treasury		(2,799)	-	-	-	-	-
Balance at December 31, 2023		203,345	\$ 186,774	\$ 22,269	\$ 646	\$ (274,308)	\$ (64,619)

The accompanying notes are an integral part of these consolidated financial statements.

Entrée Resources Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(expressed in thousands of U.S. dollars, except where indicated)

	Note	2024	2023
Cash flows used in operating activities			
Net loss		\$ (14,321)	\$ (9,579)
Items not affecting cash:			
Depreciation	5	118	115
Share-based compensation	10	1,208	1,039
Loss from equity investee	6	3,067	653
Interest expense	8	478	402
Finance cost, net		56	51
Unrealized foreign exchange loss (gains)		1,377	(146)
Deferred revenue finance costs	9	4,694	4,415
		(3,323)	(3,050)
Changes in non-cash operating working capital:			
Increase in receivables and prepaids		(153)	(18)
Decrease in accounts payable and accrued liabilities		(54)	(28)
		(3,530)	(3,096)
Cash flows from financing activities			
Repayment of lease liability	7	(122)	(127)
Proceeds from issuance of common shares – share options	10	239	527
Proceeds from issuance of common shares – warrants	10	-	2,300
		117	2,700
Decrease in cash and cash equivalents		(3,413)	(396)
Cash and cash equivalents - beginning of year		6,091	6,409
Effect of exchange rate changes on cash and cash equivalents		(300)	78
Cash and cash equivalents - end of year		\$ 2,378	\$ 6,091
Cash and cash equivalents is represented by:			
Cash		\$ 2,200	\$ 5,898
Cash equivalents		178	193
Total cash and cash equivalents		\$ 2,378	\$ 6,091
Supplemental non-cash information			
Capitalized development costs included in loan payable		\$ 161	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

Entrée Resources Ltd.

Notes to Consolidated Financial Statements

For the year ended December 31, 2024

(tabular amounts expressed in thousands of U.S. dollars, except per share amounts and where indicated)

1 Nature of operations

Entrée Resources Ltd., together with its subsidiaries (collectively referred to as the “Company” or “Entrée”), is focused on the development and exploration of mineral property interests. The Company is principally focused on its Entrée/Oyu Tolgoi JV Property in Mongolia (Note 6).

The Company has its primary listing in Canada on the Toronto Stock Exchange (“TSX”) and its common shares also trade in the United States on the Over-the-Counter OTCQB Venture Market (“OTCQB”) under the symbol “ERLFF”.

The Company’s registered office is at Suite 2900, 550 Burrard Street, Vancouver, BC, V6C 0A3, Canada.

All amounts are expressed in United States dollars, except for certain amounts denoted in Canadian dollars (“C\$”).

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company estimates it has adequate financial resources to satisfy its obligations over the next 12 month period and beyond.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a going concern basis, and in making the assessment that the Company is a going concern, management have taken into account all available information about the future, which is at least, but is not limited to, twelve months from December 31, 2024.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 12, 2025.

3 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

Significant estimates and judgements used in the preparation of these consolidated financial statements include: determination of functional currencies; recoverable amount of property and equipment; title to mineral properties; share-based compensation; and income taxes. Estimates that have the most significant effect on the amounts recognized in the Company’s consolidated financial statements are as follows:

a) Determination of functional currencies

The determination of the Company’s functional currency is a matter of judgment based on an assessment of the specific facts and circumstances relevant to determining the primary economic environment of each individual entity within the group. The Company reconsiders the functional currencies used when there is a change in events and conditions considered in determining the primary economic environment of each entity.

b) Income taxes

The Company must make significant estimates in respect of the provision for income taxes and the composition of its deferred income tax assets and deferred income tax liabilities. The Company’s operations are, in part, subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question which may, on resolution in the future, result in adjustments to the amount of current or deferred income tax assets or liabilities, and those adjustments may be material to the Company’s statement of financial position and results of operations.

Entrée Resources Ltd.

Notes to Consolidated Financial Statements

For the year ended December 31, 2024

(tabular amounts expressed in thousands of U.S. dollars, except per share amounts and where indicated)

The determination of the ability of the Company to utilize tax losses carried forward to offset income taxes payable in the future and to utilize temporary differences which will reverse in the future requires management to exercise judgment and make assumptions about the Company's future performance. Management is required to assess whether the Company is more likely than not to be able to benefit from these tax losses and temporary differences. Changes in the timing of project completion, economic conditions, metal prices and other factors having an impact on future taxable income streams could result in revisions to the estimates of benefits to be realized or the Company's assessments of its ability to utilize tax losses before expiry. These revisions could result in material adjustments to the consolidated financial statements.

e) Share-based compensation

The Company uses the Black-Scholes option pricing model for the valuation of share-based compensation. Option pricing models require the input of the subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and reserves.

d) Recoverability of capitalized development cost

The carrying value and recoverability of exploration and evaluation assets and mineral property and equipment requires management to make certain estimates, judgments and assumptions about its project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project

4 Material accounting policies

The accounting policies set out below have been applied consistently by the Company and all of its wholly owned subsidiaries and to all periods presented in these consolidated financial statements.

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company's significant subsidiaries are Entrée LLC and Entrée Resources LLC.

Wholly owned subsidiaries are entities in which the Company has direct or indirect control, where control is defined as the investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany transactions and balances have been eliminated on consolidation.

b) Foreign currency translation

The functional currency of Entrée Resources Ltd. is the Canadian dollar. Accordingly, monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the statement of financial position date while non-monetary assets and liabilities denominated in a foreign currency are translated at historical rates. Revenue and expense items denominated in a foreign currency are translated at exchange rates prevailing when such items are recognized in the statement of comprehensive loss. Exchange gains or losses arising on translation of foreign currency items are included in the statement of comprehensive loss. The functional currency of Entrée Resources Ltd.'s significant subsidiaries is the United States dollar. Upon translation into Canadian dollars for consolidation, assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Revenue and expense items are translated at exchange rates prevailing when such items are recognized in the statement of comprehensive loss. Exchange gains or losses arising on translation of foreign currency items are included in the statement of comprehensive loss.

The Company follows the current rate method of translation with respect to its presentation of these consolidated financial statements in the reporting currency, which is the United States dollar. Accordingly, assets and liabilities are translated into United States dollars at the period-end exchange rates while revenue and expenses are translated at the prevailing exchange rates during the period. Related exchange gains and losses are included in a separate component of shareholders' deficiency as accumulated other comprehensive loss / income.

Entrée Resources Ltd.

Notes to Consolidated Financial Statements

For the year ended December 31, 2024

(tabular amounts expressed in thousands of U.S. dollars, except per share amounts and where indicated)

c) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company’s financial instruments:

Financial assets / liabilities	Classification
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost
Loan payable to Oyu Tolgoi LLC	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss / income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss.

Financial assets at FVTOCI

Financial assets at FVTOCI are initially recorded at fair value adjusted for transaction costs. Dividends are recognized as income in the consolidated statements of comprehensive loss / income unless the dividend clearly represents a recovery of part of the cost of the investment. Gains or losses recognized on the sale of the equity investment are recognized in other comprehensive loss / income and are never reclassified to profit or loss.

Impairment

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Entrée Resources Ltd.

Notes to Consolidated Financial Statements

For the year ended December 31, 2024

(tabular amounts expressed in thousands of U.S. dollars, except per share amounts and where indicated)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss / income.

d) Cash and cash equivalents

Cash and cash equivalents include cash in banks, money market funds, and certificates of term deposits with maturities of less than three months from inception, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of loss in value.

e) Exploration and evaluation assets

All direct costs related to the acquisition of mineral property interest are capitalized in the period incurred.

Exploration and evaluation costs are charged to profit or loss in the period incurred until such time as it has been determined that a mineral property has proven and probable reserves and the property is economically viable, in which case subsequent evaluation costs incurred to develop a mineral property are considered for capitalization.

The carrying values of capitalized amounts are reviewed annually or when indicators of impairment are present. The review is based on the intentions for the development of such a property. If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount.

f) Property and equipment

Mineral property interests and mine development costs

All exploration and evaluation expenditures and property maintenance costs incurred for projects outside the boundary of a known mineral deposit containing proven and probable reserves are expensed as incurred to the date of establishing that property costs are economically recoverable.

Development expenditures are those incurred subsequent to the establishment of economic recoverability and after a number of key development milestones have been achieved. These milestones include obtaining sufficient financial resources, permits, and licences to develop the mineral property. Development costs are capitalized and included in the carrying amount of the related property.

Mineral property and mine development costs capitalized are amortized using the units-of-production method over the estimated life of the proven and probable reserves.

Equipment

Items of equipment are recorded at cost less accumulated depletion and amortization. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management, including estimated decommissioning and restoration costs and, where applicable, borrowing costs. If significant parts of an item of equipment have different useful lives, then they are accounted for as separate items (major components) of equipment.

Depreciation is recorded on a declining balance basis at rates ranging from 20% to 30% per annum.

No depletion and amortization is recorded until the asset is substantially complete and available for its intended use.

Impairment of non-current assets

The Company reviews the carrying amounts of its non-financial assets every reporting period. If there is any indication that the assets or cash-generating unit ("CGU") may not be fully recoverable, the recoverable amount of the asset or CGU is estimated in order to determine the extent of the impairment loss, if any.

Entrée Resources Ltd.

Notes to Consolidated Financial Statements

For the year ended December 31, 2024

(tabular amounts expressed in thousands of U.S. dollars, except per share amounts and where indicated)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or CGU are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs to sell is estimated using a discounted cash flow approach with inputs and assumptions consistent with those at market. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset until the asset is substantially complete and ready for its intended use. All other borrowing costs are expensed as incurred.

g) Long-term investments

Long-term investments in companies in which the Company has voting interests of 20% or more or where the Company has the ability to exercise significant influence, are accounted for using the equity method. Under this method, the Company's share of the investees' earnings and losses is included in operations and its investments therein are adjusted by a like amount. Dividends received are credited to the long-term investment accounts.

h) Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

i) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred taxes are recognized in the consolidated statements of comprehensive loss / income except to the extent that they relate to items recognized directly in equity or in other comprehensive loss / income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of unused tax losses and credits, as well as temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on enacted or substantively enacted laws at the reporting date.

The Company computes the provision for deferred income taxes under the liability method. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profits will be available against which they can be utilized. Future taxable profits are estimated using an income forecast derived from cash flow projections, based on detailed life-of-mine plans and corporate forecasts. Where applicable, the probability of utilizing tax losses or credits is evaluated by considering risks relevant to future cash flows, and the expiry dates after which these losses or credits can no longer be utilized.

Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and joint arrangements to the extent that it is probable that they will not reverse in the foreseeable future.

The Company is subject to assessments by various taxation authorities, who may interpret tax legislation differently from the Company. The final amount of taxes to be paid depends on a number of factors, including the outcomes of audits, appeals

Entrée Resources Ltd.

Notes to Consolidated Financial Statements

For the year ended December 31, 2024

(tabular amounts expressed in thousands of U.S. dollars, except per share amounts and where indicated)

or negotiated settlements. Such differences are accounted for based on management's best estimate of the probable outcome of these matters.

The Company must make significant estimates and judgments in respect of its provision for income taxes and the composition and measurement of its deferred income tax assets and liabilities. The Company's operations are, in part, subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question that may, upon resolution in the future, result in adjustments to the amount of deferred income tax assets and liabilities; those adjustments may be material.

j) Share-based compensation

The Company's stock option plan allows the Company's directors, officers, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Where options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Share-based compensation expense is recognized over the tranche's vesting period by a charge to profit or loss. Compensation expense for share options granted to non-employees is recognized over the contract services period or, if none exists, from the date of grant until the options vest. Compensation associated with unvested options granted to non-employees is re-measured on each statement of financial position date.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based compensation. Otherwise, share-based compensation is measured at the fair value of goods or services received.

k) Deferred share units

The Company has established a deferred share unit plan under which deferred share units ("DSUs") are granted to directors and officers of the Company as part of long-term incentive compensation. DSUs are classified as equity settled share-based payment transactions as the participants will receive either common shares of the Company or payment of cash, or any combination of the foregoing, as determined by the Company in its sole discretion, following a redemption event. As such, the Company recognizes the expense based on the quoted market price of the Company's common shares at the grant date and a corresponding increase in equity for the eventual redemption when the DSUs are issued.

l) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shares by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average common shares outstanding are increased to include additional shares for the assumed exercise of share options and share purchase warrants, if dilutive. The number of additional common shares is calculated by assuming that outstanding share options and equity settled instruments were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods.

m) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or significant influence. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

n) Right-of-use assets and lease liability

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially

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all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

o) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued based on the relative fair value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

p) Standards issued or amended but not yet effective

In October 2023, the IASB issued amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Noncurrent Liabilities with Covenants. These amendments increase the disclosure required to enable users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within 12 months. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company determined that these amendments didn't have a material effect on its consolidated financial statements.

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q) New standards issued and not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2024.

On April 9, 2024, the IASB issued a new standard – IFRS 18, “Presentation and Disclosure in Financial Statements” with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. Adoption of IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its ‘operating profit or loss’. The Company is currently assessing the impact the new standard will have on its financial statements.

5 Property and equipment

	Equipment and other	Right-of-use assets	Development costs	Total
Cost				
Balance, January 1, 2023	\$ 122	\$ 823	\$ -	\$ 945
Foreign exchange	2	16	-	18
Balance at December 31, 2023	124	839	-	963
Additions	-	-	162	162
Capitalized finance cost	-	-	1	1
Foreign exchange	(10)	(70)	-	(80)
Balance at December 31, 2024	\$ 114	\$ 769	\$ 163	\$ 1,046
Accumulated depreciation				
Balance, January 1, 2023	\$ (78)	\$ (344)	\$ -	\$ (422)
Depreciation	(12)	(103)	-	(115)
Foreign exchange	2	(9)	-	(7)
Balance at December 31, 2023	(88)	(456)	-	(544)
Depreciation	(10)	(108)	-	(118)
Foreign exchange	7	54	-	61
Balance at December 31, 2024	\$ (91)	\$ (510)	\$ -	\$ (601)
Net book value				
December 31, 2023	\$ 36	\$ 383	\$ -	\$ 419
December 31, 2024	\$ 23	\$ 259	\$ 163	\$ 445

Development Costs

The application of the Company’s accounting policy for the capitalization of mineral property development costs required determination that key development milestones have been achieved. These milestones include obtaining sufficient financial

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resources, permits, and licences to develop the mineral property. The Company considered the start of development activities on the first lift (“Lift 1”) of the Oyu Tolgoi underground block cave mining operation on the Entrée/Oyu Tolgoi JV Property (see Note 6) as having achieved the development milestone. Accordingly, the Company began capitalizing the Lift 1 development costs incurred on the Hugo North Extension deposit on the Entrée/Oyu Tolgoi JV Property on October 2024.

6 Oyu Tolgoi assets

Entrée/Oyu Tolgoi JV Property

The Company has a carried 20% participating joint venture interest in two of the Oyu Tolgoi project deposits, and a carried 20% or 30% participating joint venture interest (depending on the depth of mineralization) in the surrounding land package located in the South Gobi region of Mongolia (the “Entrée/Oyu Tolgoi JV Property”). During fiscal 2024, the Entrée/Oyu Tolgoi JV Property comprised the eastern portion of the Shivee Tolgoi mining licence, which hosts the Hugo North Extension copper-gold deposit, and all of the Javkhlant mining licence, which hosts the majority of the Heruga copper-gold-molybdenum deposit. The Shivee Tolgoi and Javkhlant mining licences were granted by the Mineral Resources and Petroleum Authority of Mongolia in October 2009. Title to the two licences is held by the Company.

In October 2004, the Company entered into an arm’s-length Equity Participation and Earn-In Agreement with Turquoise Hill Resources Ltd. (“Turquoise Hill”), as amended in November 2004 (the “Earn-In Agreement”). Under the Earn-In Agreement, Turquoise Hill agreed to purchase equity securities of the Company and was granted the right to earn an interest in what is now the Entrée/Oyu Tolgoi JV Property. Most of Turquoise Hill’s rights and obligations under the Earn-In Agreement were subsequently assigned by Turquoise Hill to what was then its wholly-owned subsidiary, Oyu Tolgoi LLC (“OTLLC”). The Government of Mongolia subsequently acquired a 34% interest in OTLLC from Turquoise Hill.

On June 30, 2008, OTLLC gave notice that it had completed its earn-in obligations by expending a total of \$35 million on exploration of the Entrée/Oyu Tolgoi JV Property. OTLLC earned an 80% participating interest in all minerals extracted below a sub-surface depth of 560 metres from the Entrée/Oyu Tolgoi JV Property and a 70% participating interest in all minerals extracted from surface to a depth of 560 metres from the Entrée/Oyu Tolgoi JV Property. In accordance with the Earn-In Agreement, the Company and OTLLC formed a joint venture (the “Entrée/Oyu Tolgoi JV”) and entered into the Joint Venture Agreement (the “JVA”) appended to the Earn-In Agreement effective June 30, 2008.

The portion of the Shivee Tolgoi mining licence outside of the Entrée/Oyu Tolgoi JV Property, Shivee West, was 100% owned by the Company, subject to a right of first refusal by OTLLC. In October 2015, the Company entered into a License Fees Agreement with OTLLC, pursuant to which the parties agreed to negotiate in good faith to amend the JVA to include Shivee West in the definition of Entrée/Oyu Tolgoi JV Property. The parties also agreed that the annual licence fees for Shivee West would be for the account of each joint venture participant in proportion to their respective interests, with OTLLC contributing the Company’s 20% share charging interest at prime plus 2% (Note 8).

The conversion of the original Shivee Tolgoi and Javkhlant exploration licences into mining licences was a condition precedent to the Investment Agreement (the “Oyu Tolgoi Investment Agreement”) between Turquoise Hill, OTLLC, the Government of Mongolia and Rio Tinto International Holdings Limited. The licences are part of the contract area covered by the Oyu Tolgoi Investment Agreement, although the Company is not a party to the Oyu Tolgoi Investment Agreement. The Shivee Tolgoi and Javkhlant mining licences were each issued for a 30 year term and have rights of renewal for two further 20 year terms.

As of December 31, 2024, the Entrée/Oyu Tolgoi JV had expended approximately \$57.7 million (December 31, 2023 - \$41.9 million) to advance the Entrée/Oyu Tolgoi JV Property. Under the terms of the JVA, OTLLC contributed on behalf of the Company its required participation amount charging interest at prime plus 2% (Note 8).

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Investment – Entrée/Oyu Tolgoi JV Property

For accounting purposes, the Company treats its interest in the Entrée/Oyu Tolgoi JV as a 20% equity investment. Historically, all Company expenditures related to its interest in the Entrée/Oyu Tolgoi JV have been expensed as incurred through the statement of comprehensive loss or recognized as part of the Company's share of the loss of the joint venture.

Beginning in October 2024, the Company has capitalized expenditures relating to development costs for Hugo North Extension Lift 1 on the Entrée/Oyu Tolgoi JV Property (Note 5).

The Company's share of the loss of the joint venture was \$3.1 million for the year ended December 31, 2024 (December 31, 2023 - \$0.7 million). The joint venture has nominal current assets and liabilities, \$0.5 million of non-current assets and \$57.7 million of non-current liabilities. The loss for the joint venture for the year ended December 31, 2024 was \$15.8 million (2023 – \$3.7 million).

The Entrée/Oyu Tolgoi JV investment carrying value at December 31, 2024 was \$0.4 million (December 31, 2023 - \$0.4 million) and was recorded in Oyu Tolgoi assets in the statement of financial position.

7 Leases

Lease liability

	December 31, 2024	December 31, 2023
Lease liability	\$ 348	\$ 473
Less: current portion	(104)	(114)
Long-term portion	\$ 244	\$ 359

Undiscounted lease payments

	December 31, 2024	December 31, 2023
Less than one year	\$ 122	\$ 133
One to five years	234	377
	\$ 356	\$ 510

In March 2022, the Company renewed its existing office lease for an additional 5 year period and calculated the right-of-use asset and lease liability as \$0.6 million based on the net present value of the future lease payments over the term of the lease using a discount rate of 10%.

Interest expense on the lease liability amounted to \$0.04 million for the year ended December 31, 2024 (2023 - \$0.05 million). During the year ended December 31, 2024, lease payments made amounted to \$0.12 million (2023 - \$0.18 million).

8 Loan payable to Oyu Tolgoi LLC

Under the terms of the JVA (Note 6), Entrée has elected to have OTLLC contribute funds to approved joint venture programs and budgets on the Company's behalf. Interest on each loan advance shall accrue at an annual rate equal to OTLLC's actual cost of capital or the prime rate of the Royal Bank of Canada, plus two percent (2%) per annum, whichever is less, as at the date of the advance. The loan is non-recourse and will be repayable by the Company monthly from ninety percent (90%) of the Company's share of available cash flow from the Entrée/Oyu Tolgoi JV. In the absence of available cash flow, the loan will not be repayable. The loan is not expected to be repaid within one year.

During the year ended December 31, 2024, the Company recorded interest expense of \$0.5 million in connection with the loan (2023 - \$0.4 million).

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9 Deferred revenue

In February 2013, the Company entered into an equity participation and funding agreement (the “2013 Agreement”) with Sandstorm Gold Ltd. (“Sandstorm”) whereby Sandstorm provided an upfront deposit (the “Deposit”) of \$40.0 million. The Company will use future payments that it receives from its mineral property interests to purchase and deliver metal credits to Sandstorm, in amounts that are indexed to the Company’s share of gold, silver and copper production from the Entrée/Oyu Tolgoi JV Property. Upon the delivery of metal credits, Sandstorm will also make the cash payment outlined below. In addition, the 2013 Agreement provided for a partial refund of the Deposit and a pro rata reduction in the number of metal credits deliverable to Sandstorm in the event of a partial expropriation of Entrée’s economic interest, contractually or otherwise, in the Entrée/Oyu Tolgoi JV Property.

On February 23, 2016, the Company and Sandstorm entered into an Agreement to Amend, whereby the Company refunded 17% of the Deposit (\$6.8 million) (the “Refund”) in cash and shares thereby reducing the Deposit to \$33.2 million for a 17% reduction in the metal credits that the Company is required to deliver to Sandstorm. At closing on March 1, 2016, the parties entered into an Amended and Restated Equity Participation and Funding Agreement (the “Amended Sandstorm Agreement”). Under the terms of the Amended Sandstorm Agreement, the Company will purchase and deliver gold, silver and copper credits equivalent to:

- 28.1% of Entrée’s share of gold and silver, and 2.1% of Entrée’s share of copper, produced from the Shivee Tolgoi mining licence (excluding Shivee West); and
- 21.3% of Entrée’s share of gold and silver, and 2.1% of Entrée’s share of copper, produced from the Javkhlant mining licence.

Upon the delivery of metal credits, Sandstorm will make a cash payment to the Company equal to the lesser of the prevailing market price and \$220 per ounce of gold, \$5 per ounce of silver and \$0.50 per pound of copper (subject to inflation adjustments). After approximately 8.6 million ounces of gold, 40.3 million ounces of silver and 9.1 billion pounds of copper have been produced from the Entrée/Oyu Tolgoi JV Property the cash payment will be increased to the lesser of the prevailing market price and \$500 per ounce of gold, \$10 per ounce of silver and \$1.10 per pound of copper (subject to inflation adjustments). To the extent that the prevailing market price is greater than the amount of the cash payment, the difference between the two will be credited against the Deposit (the net amount of the Deposit being the “Unearned Balance”).

Under the Amended Sandstorm Agreement, Sandstorm has a right of first refusal, subject to certain exceptions, on future production-based funding agreements. The Amended Sandstorm Agreement also contains other customary terms and conditions, including representations, warranties, covenants and events of default. The initial term of the Amended Sandstorm Agreement is 50 years, subject to successive 10-year extensions at the discretion of Sandstorm.

In addition, the Amended Sandstorm Agreement provides that the Company will not be required to make any further refund of the Deposit if Entrée’s economic interest is reduced by up to and including 17%. If there is a reduction of greater than 17% up to and including 34%, the Amended Sandstorm Agreement provides the Company with the ability to refund a corresponding portion of the Deposit in cash or common shares of the Company or any combination of the two at the Company’s election, in which case there would be a further corresponding reduction in deliverable metal credits. If the Company elects to refund Sandstorm with common shares of the Company, the value of each common share shall be equal to the volume weighted average price for the five (5) trading days immediately preceding the 90th day after the reduction in Entrée’s economic interest. In no case will Sandstorm become a “control person” under the Amended Sandstorm Agreement. In the event an issuance of shares would cause Sandstorm to become a “control person”, the maximum number of shares will be issued, and with respect to the value of the remaining shares, 50% will not be refunded (and there will not be a corresponding reduction in deliverable metal credits) and the remaining 50% will be refunded by the issuance of shares in tranches over time, such that the number of shares that Sandstorm holds does not reach or exceed 20%. All shares will be priced in the context of the market at the time they are issued.

In the event of a full expropriation, the remainder of the Unearned Balance after the foregoing refunds must be returned in cash.

For accounting purposes, the Deposit is accounted for as deferred revenue on the statement of financial position and the original Deposit was recorded at the historical amount of C\$40.0 million. As a result of the Amended Sandstorm Agreement,

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the deferred revenue amount was adjusted to reflect the \$6.8 million Refund which was recorded at the foreign exchange amount at the date of the Refund resulting in a net balance of C\$30.9 million. This amount is subject to foreign currency fluctuations upon conversion to U.S. dollars at each reporting period.

The \$6.8 million Refund was paid with \$5.5 million in cash and the issuance of \$1.3 million of common shares of the Company. On March 1, 2016, the Company issued 5,128,604 common shares to Sandstorm at a price of C\$0.3496 per common share pursuant to the Agreement to Amend.

The Deposit contains a significant financing component and, as such, the Company recognizes a financing charge at each reporting period and grosses up the deferred revenue balance to recognize the significant financing element that is part of this contract at a discount rate of 8%. For the year ended December 31, 2024, the deferred revenue finance costs totaled \$4.7 million (2023 - \$4.4 million).

10 Share capital

a) Common shares

The Company's authorized share capital consists of unlimited common shares without par value. At December 31, 2024, the Company had 204,799,393 (December 31, 2023 – 203,344,954) shares issued and outstanding.

On May 9, 2017, the Company completed a spin-out of its U.S. assets into Mason Resources Corp. ("Mason") through a plan of arrangement under Section 288 of the Business Corporations Act (British Columbia) (the "Arrangement"). Shareholders received common shares of Mason by way of a share exchange. On May 9, 2023, 2,799,079 common shares were cancelled and returned to the Company's treasury for no consideration as a consequence of the expiry of the six-year period.

b) Net loss per common share

Net loss per common share is computed by dividing net loss attributable to common shares by the weighted average number of common shares outstanding during the reporting period. All share options and equity settled instruments outstanding at each period end have been excluded from the weighted average common share calculation as they are anti-dilutive.

c) Share options

The Company provides share-based compensation to its directors, officers, employees, and consultants through grants of share options.

The Company has adopted a stock option plan (the "Plan") to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding shares of the Company. Options granted can have a term of up to ten years and an exercise price typically not less than the Company's closing share price on the TSX on the last trading day before the date of grant. Vesting is determined at the discretion of the Board of Directors.

Under the Plan, an option holder may elect to terminate an option, in whole or in part and, in lieu of receiving shares to which the terminated option relates (the "Designated Shares"), receive the number of shares, disregarding fractions, which, when multiplied by the weighted average trading price of the shares on the TSX during the five trading days immediately preceding the day of termination (the "Fair Value" per share) of the Designated Shares, has a total dollar value equal to the number of Designated Shares multiplied by the difference between the Fair Value and the exercise price per share of the Designated Shares.

The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the share options. Since the Company has not paid and does not anticipate paying dividends on its common shares, the expected dividend yield is assumed to be zero. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of nil in determining the expense recorded in profit or loss.

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Share option transactions are summarized as follows:

	Number of share options (000's)	Weighted average exercise price C\$
Outstanding – January 1, 2023	8,537	0.59
Granted	647	1.28
Exercised	(2,760)	0.54
Cancelled	(1,010)	0.52
Outstanding – December 31, 2023	5,414	0.71
Granted	297	2.06
Exercised	(1,454)	0.40
Cancelled	(152)	0.37
Expired / Forfeited	(10)	0.37
Outstanding – December 31, 2024	4,095	0.94

At December 31, 2024, the following share options were outstanding and exercisable:

Number of share options (000's)	Exercise price per share option C\$	Expiry date
1,255	0.51	Dec 2025
899	0.77	Dec 2026
1,022	0.82 – 1.14	April - Nov 2027
622	1.28	Nov 2028
297	2.06	Nov 2029
4,095		

	December 31, 2024
Weighted average exercise price for exercisable options	C\$0.94
Weighted average share price for options exercised	C\$2.06
Weighted average years to expiry for exercisable share options	2.34 years

For the year ended December 31, 2024, the total share-based compensation charges relating to 297,496 options granted to officers, employees and consultants was \$0.2 million (2023 - \$0.3 million).

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The weighted average fair value at date of grant for the options granted during the year ended December 31, 2024 was C\$0.92 (2023 – C\$0.61). The following weighted average assumptions were used for the Black-Scholes valuation of share options granted:

	2024	2023
Risk-free interest rate	3.09%	3.94%
Expected life of options (years)	5.0	5.0
Expected volatility	47%	50%
Expected dividend	0.00%	0.00%

d) Share purchase warrants

During fiscal 2023, share purchase warrants to purchase 5,139,000 common shares with an exercise price of C\$0.60 were exercised resulting in gross proceeds of C\$3.1 million being received by the Company.

Share purchase warrant transactions are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price C\$
Outstanding – December 31, 2022	5,139,000	0.60
Exercised	(5,139,000)	0.60
Outstanding – December 31, 2023 and 2024	-	-

No warrants were granted during fiscal 2024.

e) Deferred share units

DSUs are granted to the Company's directors and executives as a part of compensation under the terms of the Company's deferred share unit plan (the "DSU Plan"). DSUs vest when certain conditions as stated in the DSU Plan are met, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control.

At December 31, 2024, the following DSUs were outstanding:

	Number of DSUs (000's)
Outstanding – January 1, 2023	1,553
Granted	833
Redeemed	(110)
Outstanding – December 31, 2023	2,276
Granted	696
Outstanding – December 31, 2024	2,972

During the year ended December 31, 2024, the Company granted 695,613 DSUs (2023 – 833,000) to the Company's directors and executives. The Company recorded share-based compensation of \$1.0 million (2023 - \$0.7 million) related to the DSUs granted in the year ended December 31, 2024. Each vested DSU entitles the holder to receive one common share of the Company or a cash payment equivalent to the closing price of one common share of the Company on the TSX on the last trading day preceding the DSU's redemption date. The DSUs granted in 2024 and 2023 vested immediately.

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The weighted average fair value per DSU granted during fiscal 2024 was determined to be C\$2.05 (2023 – C\$1.21) which is determined by the share price of the Company on the grant dates.

11 Segmented information

The Company operates in one business segment being the development and exploration of mineral property interests. The Company had current and non-current assets and liabilities located geographically as follows:

	2024	2023
Canada and other		
Current assets	\$ 2,505	\$ 6,118
Non-current assets	284	418
	2,789	6,536
Current liabilities	229	299
Non-current liabilities	74,753	71,521
	\$ 74,982	\$ 71,820
Mongolia		
Current assets	\$ 359	\$ 318
Non-current assets	547	361
	906	679
Current liabilities	20	14
Non-current liabilities	-	-
	\$ 20	\$ 14

Non-current assets in the 'Mongolia' category includes the Company's investment in the Entrée/Oyu Tolgoi JV Property in Mongolia (Note 6).

12 Project expenditures

	2024	2023
Mongolia	\$ 1,530	\$ 1,383
Other	9	10
	\$ 1,539	\$ 1,393

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13 Income tax

	2024	2023
Loss for the year before income taxes	\$ (14,321)	\$ (9,579)
Statutory rate	27.00%	27.00%
Expected income tax recovery	(3,867)	(2,587)
Permanent differences and other	5,077	(383)
Difference in foreign tax rates	61	54
Effect of change in future tax rates	-	-
Expiry of tax losses	23	47
Change in deferred tax assets not recognized	(1,294)	2,869
Total income tax recovery	\$ -	\$ -

	2024	2023
Current income tax recovery	\$ -	\$ -
Deferred income tax expense	-	-
Total income taxes	\$ -	\$ -

The Company's deferred income tax liability consisted of:

	2024	2023
Deferred income tax assets:		
Non-capital loss carryforward	\$ 12,214	\$ 12,457
Resource expenditures	2,117	2,235
Equipment	177	191
Lease liability	231	-
Share issue and legal costs	-	5
Other	17,160	18,207
	31,899	33,195
Unrecognized tax assets	(31,899)	(33,195)
Net deferred income tax assets	-	-
Deferred income tax liabilities:		
Foreign exchange on loan	-	-
Mineral property interests	-	-
Net deferred income tax liabilities	\$ -	\$ -
Net deferred income tax	\$ -	\$ -

Entrée Resources Ltd.

Notes to Consolidated Financial Statements

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The Company has available for deduction against future taxable income non-capital losses of approximately \$44.7 million (2023: \$45.7 million) in Canada, \$1.2 million (2023: \$1.1 million) in Mongolia and \$0.1 million (2023: \$0.1 million) in Australia. These losses, if not utilized, will expire through 2042. Subject to certain restrictions, the Company also has foreign resource expenditures available to reduce taxable income in future years. Deferred tax benefits which may arise as a result of these losses, resource expenditures, equipment, share issue and legal costs have not been recognized in these consolidated financial statements.

14 Financial instruments

a) Fair value classification of financial instruments

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices). Level 3 inputs are for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash and cash equivalents, receivables, deposits, accounts payable and accrued liabilities, loan payable and lease liabilities.

The carrying values of cash and cash equivalents, receivables, deposits and accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity.

The following table summarizes the classification and carrying values of the Company's financial instruments at December 31, 2024 and 2023:

December 31, 2024	FVTPL	Amortized cost (financial assets)	Amortized cost (financial liabilities)	Total
Financial assets				
Cash and cash equivalents	\$ -	\$ 2,378	\$ -	\$ 2,378
Receivables	-	226	-	226
Deposits	-	12	-	12
Total financial assets	\$ -	\$ 2,616	\$ -	\$ 2,616
Financial liabilities				
Accounts payable and accrued	\$ -	\$ -	\$ 145	\$ 145
Lease liabilities	-	-	348	348
Loan payable	-	-	15,934	15,934
Total financial liabilities	\$ -	\$ -	\$ 16,427	\$ 16,427

Entrée Resources Ltd.

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(tabular amounts expressed in thousands of U.S. dollars, except per share amounts and where indicated)

December 31, 2023	FVTPL	Amortized cost (financial assets)	Amortized cost (financial liabilities)	Total
Financial assets				
Cash and cash equivalents	\$ -	\$ 6,091	\$ -	\$ 6,091
Receivables	-	71	-	71
Deposits	-	12	-	12
Total financial assets	\$ -	\$ 6,174	\$ -	\$ 6,174
Financial liabilities				
Accounts payable and accrued	\$ -	\$ -	\$ 199	\$ 199
Lease liabilities	-	-	473	473
Loan payable	-	-	12,289	12,289
Total financial liabilities	\$ -	\$ -	\$ 12,961	\$ 12,961

b) Financial risk management

i) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables.

The Company limits its credit exposure on cash and cash equivalents held in bank accounts by holding its key transactional bank accounts and investments with large, highly rated financial institutions.

The Company's receivables balance was not significant and, therefore, was not exposed to significant credit risk.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

ii) Liquidity risk

The Company manages liquidity risk by trying to maintain enough cash balances to ensure that it is able to meet its short term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

The Company's operating results may vary due to fluctuation in commodity price, inflation, and foreign exchange rates.

iii) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents and on loan payable which is at variable rates (Note 8). As at December 31, 2024, with other variables unchanged, a 1% increase in the interest rate applicable to loan payable would result in an insignificant change in net loss. Deposits are invested on a short-term basis to enable adequate liquidity for payment of operational and exploration expenditures. The Company does not believe that it is exposed to material interest rate risk on its cash and cash equivalents.

As at December 31, 2024, the Company has not entered into any contracts to manage interest rate risk.

Entrée Resources Ltd.

Notes to Consolidated Financial Statements

For the year ended December 31, 2024

(tabular amounts expressed in thousands of U.S. dollars, except per share amounts and where indicated)

iv) Foreign exchange risk

The functional currency of the parent company is C\$. The functional currency of the significant subsidiaries and the reporting currency of the Company is the United States dollar.

As at December 31, 2024, the Company has not entered into contracts to manage foreign exchange risk.

The Company is exposed to foreign exchange risk through the following assets and liabilities:

	December 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 2,378	\$ 6,091
Accounts payable and accrued liabilities	(145)	(199)
	\$ 2,233	\$ 5,892

As at December 31, 2024, with other variables unchanged, a 10% increase or decrease in the value of the USD against the currencies to which the Company is normally exposed (C\$) would result in an increase or decrease of approximately \$0.2 million to net loss for the year ended December 31, 2024.

15 Capital management

The Company considers items included in shareholders' deficiency as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing, and industry conditions. There are no external restrictions on management of capital and the Company did not change its approach to capital management during the year.

16 Commitments and contingencies

As at December 31, 2024, the Company had the following commitments:

	Total	Less than 1 year	1 - 3 years	3-5 years	More than 5 years
Lease commitments	\$ 356	\$ 122	\$ 234	\$ -	\$ -

Under the terms of the Amended Sandstorm Agreement, the Company may be subject to a contingent liability if certain events occur (Note 9).

Entrée Resources Ltd.

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17 Related party transactions

The Company's related parties include key management personnel and directors. Direct remuneration paid to the Company's directors and key management personnel during the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Directors' fees	\$ 200	\$ 216
Salaries and benefits	\$ 995	\$ 951
Share-based compensation	\$ 1,199	\$ 1,010

As of December 31, 2024, included in the accounts payable and accrued liabilities balance on the consolidated statement of financial position is \$0.04 million (December 31, 2023 - \$0.04 million) due to the Company's directors and key management personnel.

Upon a change of control of the Company, amounts totaling \$1.3 million (December 31, 2023 - \$1.4 million) will become payable to certain officers and management personnel of the Company.

18 Subsequent events

Subsequent to December 31, 2024, the following transactions occurred:

- On January 24, 2025, the Company closed a non-brokered private placement issuing 2,577,700 units at a price of C\$2.21 per unit for aggregate gross proceeds of C\$5.7 million. Each unit consists of one common share of the Company and one-half of one non-transferable common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to acquire one additional common share of the Company at a price of C\$3.00 per share for a period of 2 years. No finder's fees were paid in connection with the private placement.
- Stock options to purchase 23,843 common shares with an exercise price of C\$2.06 were exercised and the Company received gross proceeds of C\$49,117.
- On February 3, 2025, the JVA, with an effective date of June 30, 2008, as amended on February 3, 2025, was formally executed and delivered by the Company and OTLLC. In conjunction with the formal execution and delivery of the JVA, the Company assigned to OTLLC an 80% or 70% (depending on the depth of mineralization) beneficial interest in Shivee West and the JVA was amended to include Shivee West for all purposes under the JVA.