

Letter to Shareholders – June 2024

Dear Fellow Shareholders,

The past year was transformative for Erdene with the signing of our Strategic Alliance with Mongolian Mining Corporation (“MMC”), the commencement of construction at the Bayan Khundii Gold Project (“Project”) and continued exploration success across the Khundii Minerals District (“KMD”). With first gold from Bayan Khundii expected in 2025, it is extremely gratifying to see the vision of Erdene’s founders coming to fruition after more than twenty years of effort in southwestern Mongolia.

Powerful Alliance – Uniting Erdene with Mongolia’s leading miner backed by one of the Country’s largest business groups

In early 2024, we finalized the strategic alliance with MMC to develop the KMD. MMC, Mongolia’s largest independent mining company, has invested US\$40 million for a 50% interest in our main Mongolian subsidiary, Erdene Mongol LLC (“EM”). These funds are being used for construction of the Bayan Khundii Gold Project. We have retained a 50% equity interest in EM, which holds the Khundii and Altan Nar mining licenses and the Ulaan exploration license. In addition, we have a 5% Net Smelter Return (“NSR”) royalty on production from these licenses and any properties acquired within five kilometres, that begins after the first 400,000 ounces of gold production. Erdene also maintains sole ownership of the Zuun Mod copper-molybdenum project.

MMC is a member of the MCS Group, one of Mongolia’s leading business conglomerates. MCS has operated in Mongolia for over 30 years and is a national leader in engineering and construction, energy, communications, property, mining, consumer goods, health, and hospitality. MCS has approximately 13,000 employees in Mongolia and is one of the Country’s largest private taxpayers.



Bayan Khundii Site visit – Erdene, MMC and EM Management – May 2024

MCS Property, MCS Group's construction company, is acting as the Engineering, Procurement and Construction ("EPC") contractor, managing the build of the Bayan Khundii Project infrastructure. MCS International, MCS's power contractor, and one of Mongolia's leading private energy companies, will provide electricity for the KMD through the construction of an overhead transmission line.

Our partnership with MMC has been instrumental in advancing Bayan Khundii towards production.

Bayan Khundii Gold Mine – One of the highest-grade open-pit mines under development globally

With the completion of early works in late 2023, Erdene and MMC announced a construction decision for Bayan Khundii in January 2024. Mobilization for full construction began in February 2024 and in mid-April the Project reached the 1,000,000-person hour milestone without a lost time incident. Construction has proceeded largely to schedule and budget, with approximately 25% of the total build now complete.

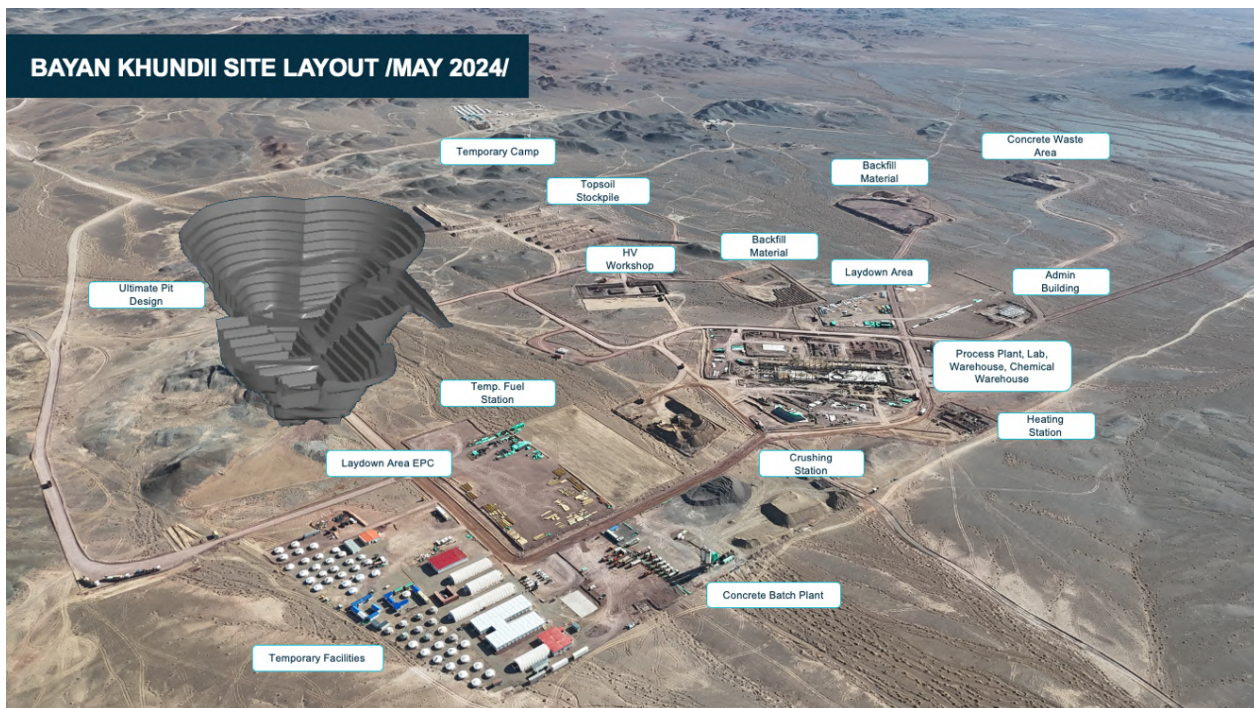


Bayan Khundii 1,000,000-hour LTI Free Celebration – April 2024

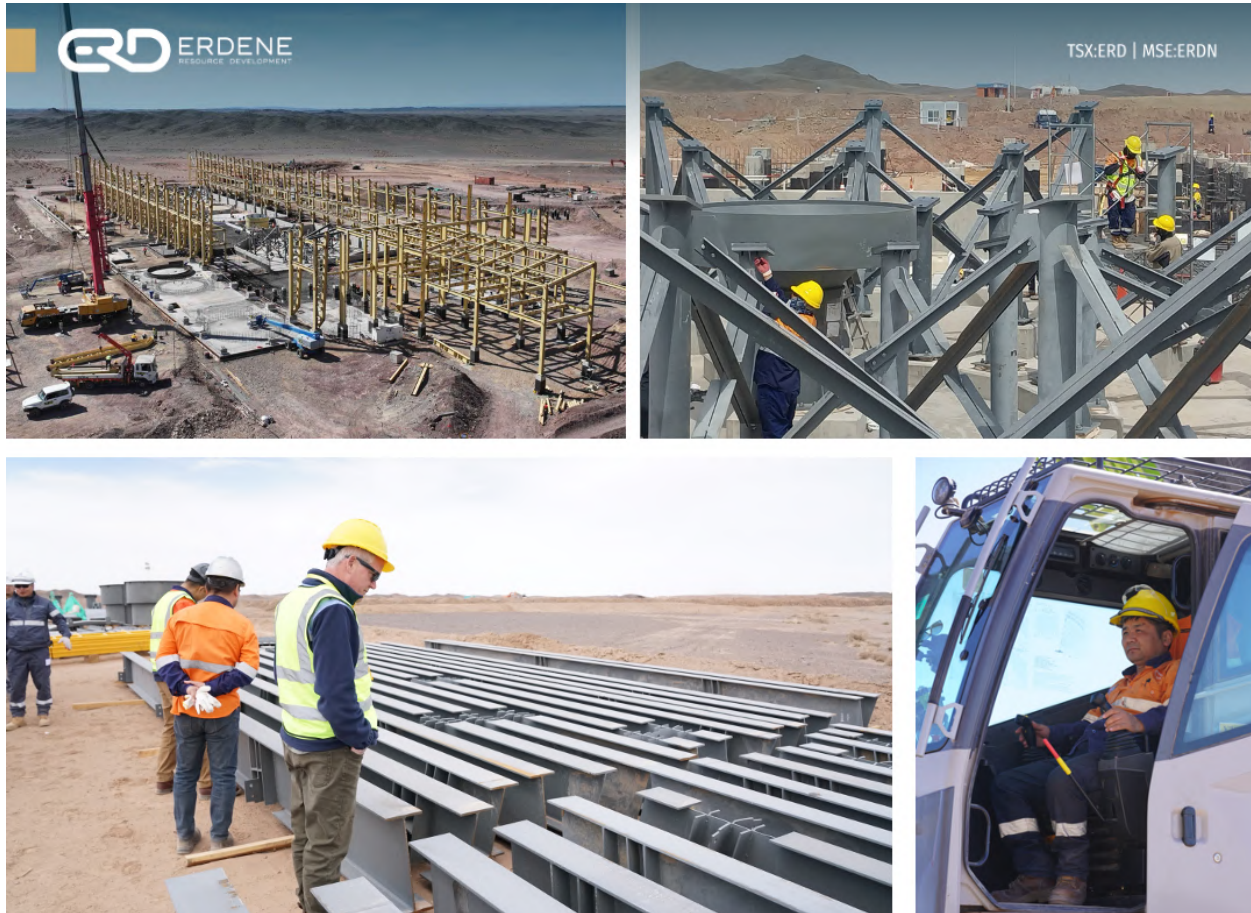
Works to date have focused on civil and structural works, particularly for the process plant, the Project's critical path facility. The mine and process plant will have a capacity of 650,000 tonnes per annum and we are targeting production of 85,000 ounces of gold per year. All major components of the process plant are either on site or in transit, with the mill shells arriving in the last few weeks. With the arrival of the major pieces of mechanical equipment, effort will shift to the installation of these key components, including the jaw crushers, mills, leaching tanks, filters, conveyors and their associated electrical, instrumentation and communication technology ("EICT") systems. Concurrently, work is underway on non-process infrastructure, including the accommodation village, workshops, warehouse and laboratory.



MCS Property EPC Team – Bayan Khundii – May 2024



Bayan Khundii Site Layout with Superimposed Open-Pit – May 2024



Bayan Khundii Structural Steel Erection – May 2024

Construction activity is scheduled to peak in August when 650 personnel will be on site, and is planned to be substantially complete by year-end. Commissioning and final government approvals, including receipt of permits to import and use chemicals for processing gold, will take place in the first and second quarters of 2025, with first gold pour forecast in mid-2025. Commercial production is anticipated to be achieved in Q3 2025, once Bayan Khundii is operating at 60% of projected production and 90% of forecast gold recovery.

In mid-2023, an updated feasibility study was prepared for Bayan Khundii, confirming the Project's very strong economics. The updated feasibility study estimated capital costs at US\$100 million, including contingency, and all in sustaining operating costs at US\$869 per ounce of recovered gold. The Project's cash flows are closely tied to changes in gold prices, with each US\$100/oz change impacting the Project's net present value, calculated using a 5% discount rate, by approximately US\$25 million.¹

¹ See "Bayan Khundii Gold Project Feasibility Study Update, NI 43-101 Technical Report", dated September 25, 2023, and with an effective date of August 15, 2023, filed on SEDAR+, for further details.

Multi-million ounce District potential – Gold discoveries adjacent to Bayan Khundii

The Bayan Khundii deposit lies within the greater Khundii-Ulaan alteration zone, which also includes the Dark Horse deposit and the Ulaan Southeast gold prospect, as well as several untested targets. This alteration zone has all the hallmarks of a multi-million ounce system, which provides several potential sources of ore to add ounces to Bayan Khundii's reserves, which will support additional annual production or extend the mine's life.



Bayan Khundii Deposit Reserve Open-Pit and US\$2,000/oz Resource Shells²

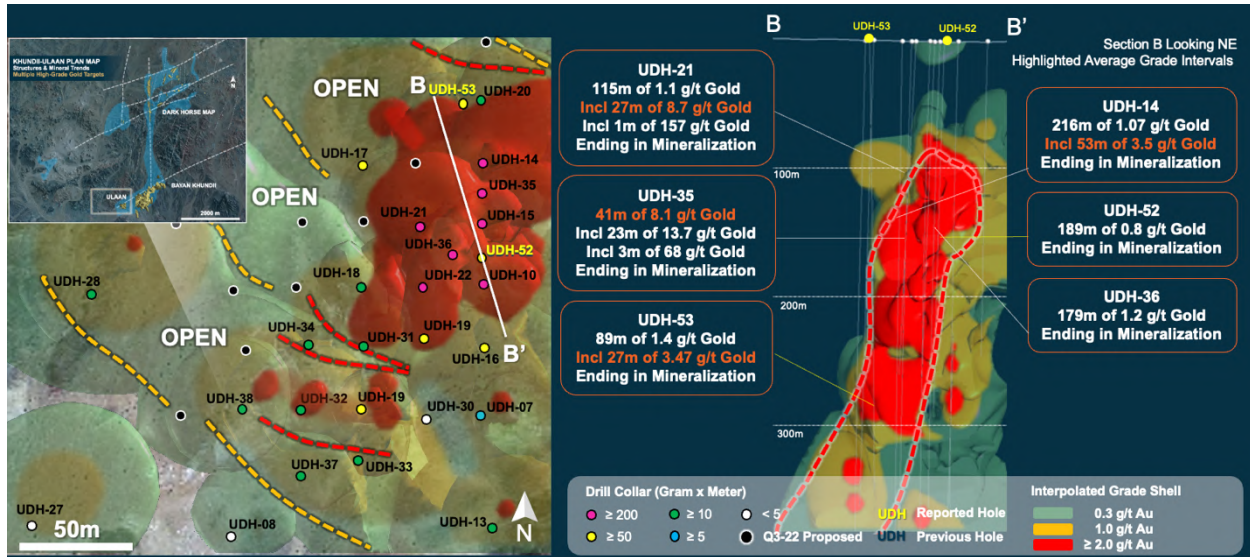
The first source of potential additional gold is the areas immediately outside the economic pits. Bayan Khundii gold reserves were modeled using an US\$1,800/ounce gold price, reflecting metal prices at the time of the study. With current gold prices of around US\$2,300/ounce, resources on the edges of the pit, as shown above, will likely become economic.

Just north of the Bayan Khundii deposit, our team discovered a very high grade, near-surface resource at Dark Horse Mane South in 2021. Our 2023 Bayan Khundii Feasibility Study incorporated Dark Horse Mane South into reserves, but the North Dark Horse Mane, East Mane and Altan Arrow targets in the Greater Dark Horse area remain under-explored and show potential to host gold mineralization that would be processed at Bayan Khundii.

Immediately west of Bayan Khundii, our team discovered Ulaan Southeast in 2021. Since discovery, multiple drill holes have returned hundreds of meters (up to 354 meters) of gold mineralization, often ending in mineralization, over an area 200 metres by 250 metres. Given the depth of mineralization at Ulaan Southeast, only a portion of the mineralization is likely to be economically mined in an open pit. However, studies are now

² See "Bayan Khundii Gold Project Feasibility Study Update, NI 43-101 Technical Report", dated September 25, 2023, and with an effective date of August 15, 2023, filed on SEDAR+, for further details.

underway to assess underground development opportunities at Ulaan, as well as at the Bayan Khundii deposit.

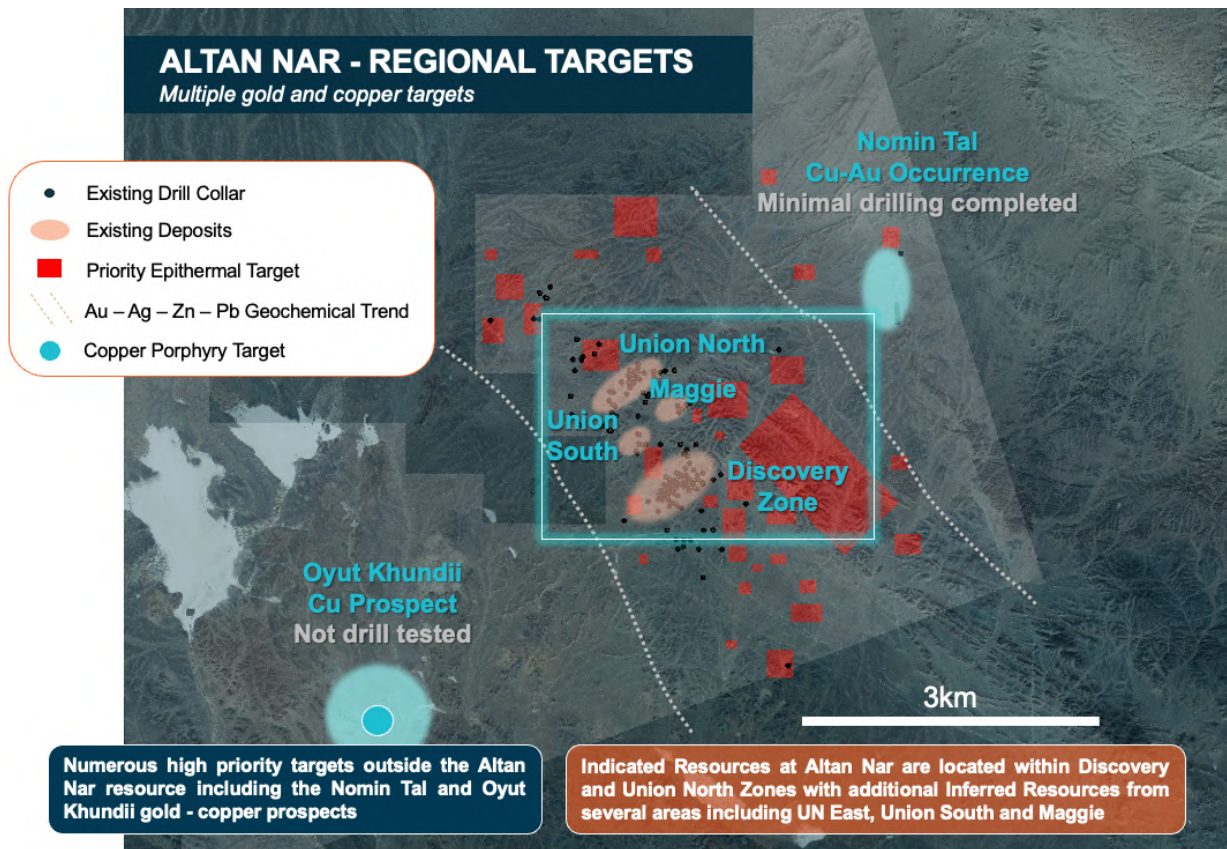


Ulaan Southeast Prospect and Highlight Intersections

We’ve recently developed a five-year strategic exploration plan to guide our efforts to expand reserves. While we will complete modest work this year, we will become more active with our efforts once Bayan Khundii is in production. In addition to our existing licences there are target areas in the vicinity that could be considered for acquisition through the tendering system or other transactions.

Altan Nar – A second “golden” act in the KMD

Sixteen kilometres north of the Khundii-Ulaan complex lies our Altan Nar deposit. Altan Nar is an intermediate sulphidation, carbonate-base metal gold (“CBMG”) deposit that is open at depth and along the system’s known 5.6 kilometre mineralized trend. CBMG deposits include Barrick Gold’s Porgera mine (Papua New Guinea), Rio Tinto’s formerly producing Kelian mine (Indonesia), Lundin’s Fruta Del Norte mine (Ecuador), and Zijin’s Buritica project (Colombia). CBMG deposits generally occur adjacent to porphyry intrusions in arc settings and may extend more than 500 meters vertically.



Altan Nar Mineralized Trend and Exploration Targets

Altan Nar hosts an Indicated resource of 5.0 million tonnes at 2.8 g/t AuEq for 453,000 ounces gold equivalent (“AuEq”) and an Inferred resource of 3.4 million tonnes at 2.5 g/t AuEq for 277,000 ounces AuEq, as estimated by RPM Global in 2018³. However, significant exploration potential remains with 90% of this resource within 150 meters of surface and the Indicated resource contained within only two of the 18 targets along the trend of known mineralization. In addition, the Altan Nar license hosts the Oyut Khundii copper prospect and Nomin Tal copper-gold prospect.

Altan Nar has received limited exploration over the past few years as we have focused on the Bayan Khundii area. With a mining license received for Altan Nar in March 2020, we have secured the property for future exploration and development. While studies in 2019 and 2021 considered developing Altan Nar in conjunction with Bayan Khundii, we anticipate that there sufficient resources will be discovered at Altan Nar to support a stand-alone processing plant. Once Bayan Khundii is in production, we will look to more aggressively advance Altan Nar.

³ See "Altan Nar Gold-Polymetallic Project, Bayankhongor Aimag, Southwest Mongolia, National Instrument 43-101 Technical Report" dated March 29, 2021, filed on SEDAR+, for further details.

Molybdenum and Copper Porphyry Potential – KMD

Epithermal and CBMG deposits, characteristic of our Khundii Minerals District, host many of the world's largest precious metals deposits. These deposits are commonly near-surface expression of deeper rooted, magmatic arc-related hydrothermal systems. Such systems often host large copper, gold and molybdenum porphyry mineralization, which can extend to a depth of up to 4 kilometres, characterized by overlapping pulses of mineralization. Oyu Tolgoi, Rio Tinto's world-class copper-gold deposit in southeastern Mongolia, is an example of this type of deposit, where the mineral endowment was enhanced through multiple phases of mineralization including high sulphidation gold overprinting porphyry copper mineralization. Within the KMD, the mineralization and alteration seen at surface suggests that there may be a large porphyry centre, or multiple centres, at depth, that remain undiscovered. Further exploration, including deeper geophysics and drilling, will be required to identify any porphyry centres at depth and to determine their mineral potential.

Located 35 kilometers east of Bayan Khundii, and within 200 kilometers of China's border with Mongolia, Erdene's wholly owned Zuun Mod porphyry complex hosts one of Asia's largest undeveloped molybdenum-copper deposits. In May 2023, we completed a 4,100-metre drill program at this property. Results from multiple drill holes along the current resource boundary expanded mineralization, and intersections within the core of the deposit confirmed or improved upon the mineralization in the current resource model. Additionally, the discovery of resource-grade mineralization in an exploration hole 1.7 kilometres north of the deposit further demonstrates the upside of this large copper-molybdenum porphyry complex, which remains open in all directions. Peripheral to the molybdenum deposit are a number of copper targets that require further evaluation. Erdene intends to complete further market, technical and economic studies to advance the project, building upon a conceptual assessment of the project completed by RPMGlobal in late 2021.

Molybdenum prices reached all-time highs in early 2023, before settling around US\$30/lb where it currently trades. Used primarily in the manufacture of stainless steel, molybdenum has been deemed a Critical Mineral by the Canadian and Australian governments, as well as the World Bank and International Energy Agency. Strong demand is expected from renewables, clean energy systems and potentially next generation computer chips. Production cuts, delays in commissioning, and depletion of current mines have resulted in recent molybdenum market shortages with an additional 50 million pounds of deficit expected in the moly market over the next three years.

Regional Development – An emerging mining hub

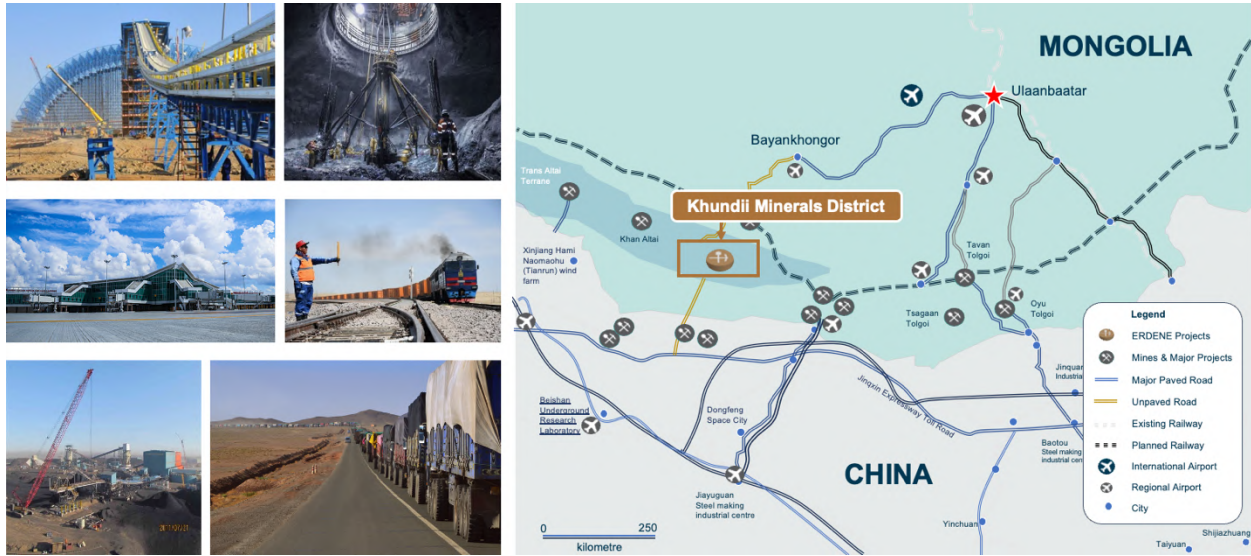
On my arrival in Mongolia in the mid 1990's, the Khundii region was extremely isolated and had seen little systematic geologic exploration. In a report published about a decade after I first visited the area, the United States Geological Survey (“USGS”), in a note highlighting the excellent gold and copper prospectivity of the region, stated “Remoteness, harsh terrain, and lack of infrastructure impeded exploration in many areas, with the western end of the tract having not received much attention”.⁴



Erdene's Exploration Team – 2006

However, the past twenty years have seen tremendous development in Mongolia. Blacktop highways and fibre optic cable reach all provincial centres, and road, rail, and border networks have been improved significantly between Mongolia and its largest trading partner, China. The electricity grid is being extended to power the expansion of the mining sector and Mongolia's ports have been upgraded to facilitate cross border trade. The development of this infrastructure supports Bayan Khundii and also increases the feasibility of bulk commodity projects like our Zuun Mod development.

⁴ “Porphyry Copper Assessment of the Mesozoic of East Asia—China, Vietnam, North Korea, Mongolia, and Russia”, Scientific Investigations Report, 2010-5090-G, USGS.



Mongolia's Infrastructure Improvements

Mongolia's real treasure – its people and culture

Our Company has been based in Mongolia for more than two decades and I have been privileged to spend almost 30 years working in the country. Since my arrival, the country has transitioned to a strong, free-market democracy, supported by a vibrant mining industry with world class copper, coal and gold mines. The government has been largely supportive of foreign investment, which has led to the development of the Oyu Tolgoi copper-gold mine, on track to be one of the most productive globally.



Erdene Mongol's Community Team

At our Bayan Khundii Gold Project, every effort has been made to manage environmental effects including a commitment to minimizing water usage, through recycling and treatment, as well as dewatering of tailings. EM has made significant investments in endemic vegetation at its greenhouses north of the mine site and has supported community agriculture at the Ekhiin Gol oasis. EM is also working with the Mongolian Ministry of Environment to support protection of habitat for the endangered Gobi Bear, located within a special reserve area approximately 100 kilometres from our licenses.



Bayan Khundii Vegetation Trials – May 2024

Erdene Mongol is currently employing indirectly close to 700 people, of which over 99% are Mongolian citizens. Approximately 30% of staff are residents of Bayankhongor province, a significant portion of whom reside in Shinejinst, the closest settlement to the Bayan Khundii Project. Of Bayan Khundii's direct employees, 28% are female. Bayan Khundii will be the first major mine in the Country built almost exclusively by Mongolians. This team is critical to the success of our business and the development of the broader Mongolian economy.



1,000,000 LTI FREE MAN-HOURS

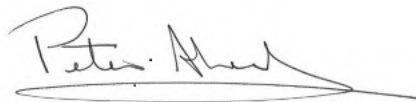
Bayan Khundii Construction and Operational Readiness Team – May 2024

Conclusion

Over the past year Erdene has made great strides in the transition from explorer to producer. With construction at Bayan Khundii well underway, we will see gold production commence in 2025, providing funding for further exploration and future development in our KMD. In a world with increasing demand for the precious and base metals that are abundant in our KMD, Erdene is positioned for success. We look forward to sharing the benefits generated from the KMD with all stakeholders in the years to come.

In closing, I'd like to thank our team for their hard work and fellow shareholders for your continued support. We are looking forward to great success in the year ahead.

Sincerely,



Peter C. Akerley
President and CEO
June 2024



Qualified Person

Peter Dalton, P.Geo. (Nova Scotia), Senior Geologist for Erdene, is the Qualified Person as that term is defined in National Instrument 43-101 and has reviewed and approved the technical information contained in this Letter to Shareholders.

Forward Looking Statements

Certain information regarding Erdene contained herein may constitute forward-looking statements within the meaning of applicable securities laws. All statements in this Letter to Shareholders, other than statements of historical fact, including statements concerning the timing of production at Bayan Khundii, construction and commissioning timelines and expectations that address reserve potential, exploration drilling, exploitation activities, budgeted financial results, and events or developments that the Corporation expects, are forward-looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions (including, but not limited to, assumptions in connection with the continuance of the Corporation and its subsidiaries as a going concern, general economic and market conditions, mineral prices, and the accuracy of mineral resource estimate), such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration and evaluation results, continued availability of capital and financing and general economic, market or business conditions.

The risk factors identified above are not intended to represent a complete list of the factors which could affect the Corporation. Additional factors are noted under “Risk Factors” in the Corporation’s latest Annual Information Form, a copy of which is available on the Corporation’s SEDAR+ document page at www.sedarplus.ca.

Any financial outlook or future-oriented financial information in this Letter to Shareholders, as defined by applicable securities legislation, has been approved by management of the Corporation as of the date of this Letter to Shareholders. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such outlook or information should not be used for purposes other than for which it is disclosed.