

Letter to Shareholders – June 22, 2023

Dear Fellow Shareholders,

The past year has been one of great success for our Company. We entered a Strategic Alliance to bring the Bayan Khundii (“BK”) Gold Project (the “Project”) to production, while continuing to see exploration success in our Khundii Minerals District (“KMD” or “District”) in southwestern Mongolia. We achieved these accomplishments through the hard work of our team and with the backing of supportive shareholders.

In Mongolia more generally, we saw the commissioning of the underground phase of the Oyu Tolgoi copper-gold mine earlier this year, positioning this development to become the fourth-largest copper mine globally. Recognizing this value, Rio Tinto, the world’s second largest mining company, consolidated public ownership of Oyu Tolgoi with the privatization of Turquoise Hill Resources, implying a total project value of approximately US\$10 billion.

I see many similarities between southeastern Mongolia, where Oyu Tolgoi is located, and our KMD. Southeastern Mongolia was undeveloped and largely unexplored when I arrived in Mongolia in the 1990’s, much like southwestern Mongolia is today. These districts lie within the same geologic belt that hosts large, high-grade gold, molybdenum and copper deposits.

The opportunity for Erdene is to be the catalyst for history to repeat itself in southwestern Mongolia. We have defined large, high-grade gold and base metals deposits in the District, we are the leaders in exploration and discovery in the region, and we have secured an experienced mining partner affiliated with one of Mongolia’s leading conglomerates. We have an exceptionally robust initial project from which to springboard into additional and progressively larger developments. Through our partner’s relationships, we have the wherewithal to support a major infrastructure build-out in the KMD, a region adjacent to the world’s largest consumer of metals.

I’m confident we have created the strongest platform for growth, and I am excited about what is set to unfold for our Company. In this letter, I will outline our 2023 plans and long-term strategy to deliver value to all stakeholders.

Strategic Alliance – Uniting Mongolia’s Pre-Eminent Explorer and Leading Miner

In early 2023, our Company forged a Strategic Alliance with an established Mongolian partner, Mongolian Mining Corporation (“MMC”), to develop the gold assets in our KMD and brought our high-grade BK Gold Project to the cusp of a construction decision.

MMC is the largest, privately held producer and exporter of high-quality steel making coal in Mongolia, owning and operating the Ukhaa Khudag and Baruun Naran mines in South Gobi Province. MMC’s partnership with Erdene represents a significant step toward their goal of expanding and diversifying their business portfolio and revenue sources into other commodities. The shares of MMC are listed on the main board of the Hong Kong Stock Exchange (HKEx: 975), and the company has a market capitalization of approximately US\$300 million.

The Strategic Alliance provides MMC with a 50% equity interest in Erdene’s Mongolian operating subsidiary, Erdene Mongol LLC, with our Company maintaining a 50% interest. Erdene retains a 5% royalty on future developments and acquisitions within the 700 km² area surrounding the BK Gold Project, following the initial 400,000 ounces of gold production. With this royalty, we estimate that we have retained approximately 60% of the long-term value in the KMD. In addition, our Company continues to hold a 100% interest in Anian Resources LLC, Erdene’s other Mongolian subsidiary, whose primary asset is the very large Zuun Mod molybdenum and copper deposit, as well as multiple untested targets.

EXPOSURE TO MONGOLIAN PRECIOUS AND BASE METALS

Khundii Minerals District holds Proven Gold, Copper and Molybdenum Resources



Note: Upon completion of Strategic Alliance, Mongolian Mining Corporation will own 50% equity interest of Erdene Mongol LLC
 * Cash
 ** (after initial 400,000oz Au production)

Figure 1: The ERD-MMC Strategic Alliance

MMC’s largest beneficial shareholder is MCS Group, one of Mongolia’s leading conglomerates. MCS has operated in Mongolia for 30 years and has businesses in engineering, energy, communications, real estate, mining, consumer goods, health, and

hospitality. MCS employs approximately 10,000 staff and is one of the country's largest private taxpayers.

Taken together, Erdene's exploration and pre-development capabilities, MMC's mining and operational expertise, and the ability of MCS Group companies to provide complimentary infrastructure and energy solutions creates the ideal platform to develop the KMD.

The rationale for entering the Alliance is multi-faceted – securing the equity component of the BK Gold Project capital, adding construction and operating experience, and strengthening domestic relationships.

To date, MMC has advanced US\$10 million to Erdene Mongol LLC to finance an updated BK Feasibility Study ("FS"), commence early construction works and continue exploration, currently focused on shallow, high-grade targets at the Dark Horse prospect. The final close of the Strategic Alliance is expected in Q3, along with the delivery of the FS, which will trigger a formal BK Gold Project construction decision.

Bayan Khundii Gold Project – High-Grade Development

The construction of the BK Gold Project continues to be the Company's highest near-term priority and the Project is rapidly moving towards breaking ground. BK is one of the highest-grade, open-pit gold projects globally, with an industry-leading projected return on investment.

The updated FS is being prepared, principally, by the same consortium of consultants as the independent feasibility study prepared in 2020 ("2020 FS"). The FS will incorporate updated reserves from BK as well as recently discovered, near surface, reserves from the Dark Horse Mine prospect. The FS will bring forward grade, targeting a 15-25% increase in average annual gold production over the initial five years compared to the 2020 FS. Additional design and value engineering work has also been started with the goal to optimize the plant throughput, targeting 650,000 tonnes per annum, alongside capital and operating cost updates. Working with MMC, Erdene continues to update quotations for major plant equipment and non-process infrastructure items, and consistent with macro-economic trends, expects cost increases of 25% to 50% compared to the 2020 FS, though steel, copper and fuel prices have eased with the reopening of land borders with China.

Most recently, Erdene executed a contract with MCS Property ("MCSP"), a subsidiary of MCS Group, to commence early site works. This contract includes on and off-site roads, site grading, set-up of an aggregate crusher and concrete batch plant, and the installation of temporary construction support facilities. This agreement will lay the groundwork for a full Engineering, Procurement and Construction ("EPC") contract with MCSP for the BK Project.



Figure 2: Bayan Khundii Construction and Exploration Facilities

We continue to work with Export Development Canada and other international financial institutions to secure the debt component of the BK Gold Project finance. This work is progressing well and is expected to be finalized following the delivery and final review of the updated FS. This debt financing, along with MMC's final investment of US\$30 million, is expected to fully fund the BK Project to first gold.

The past few years presented many challenges, as well as opportunities, for our BK Gold Project. Despite the obstacles brought on by the pandemic during 2020 and 2021, we were able to complete the majority of the engineering and permitting work during this period to bring the Project to a "shovel ready" state. Assuming we reach a construction decision in Q3 2023, we expect to commission the Project in late 2024 and reach commercial production in early 2025.

Khundii Gold-Copper Prospects – Multi-Million Ounce Potential

Over the past year, our exploration team continued expanding resources across our KMD, located in an under-explored part of the one of the world's great gold belts, within 200 kilometres of rail and highways leading to the world's largest consumer. The KMD is along Mongolia's Tran Altai Terrane ("TAT"), within the Central Asian Orogenic Belt ("CAOB"). The world's largest gold deposit, Muruntau, in Uzbekistan, anchors the western extension of the CAOB and Rio Tinto's Oyu Tolgoi copper-gold deposit, on track to become one of the four largest copper mines globally, sits at the eastern edge of the CAOB in southeastern Mongolia. Our District holds large gold, silver, lead, zinc, molybdenum, and copper resources, discovered through relatively little exploration. It is highly probable that our District hosts several million ounces of gold and large base metal deposits.

MAJOR GOLD-COPPER DEPOSITS OF THE EASTERN CENTRAL ASIAN OROGENIC BELT

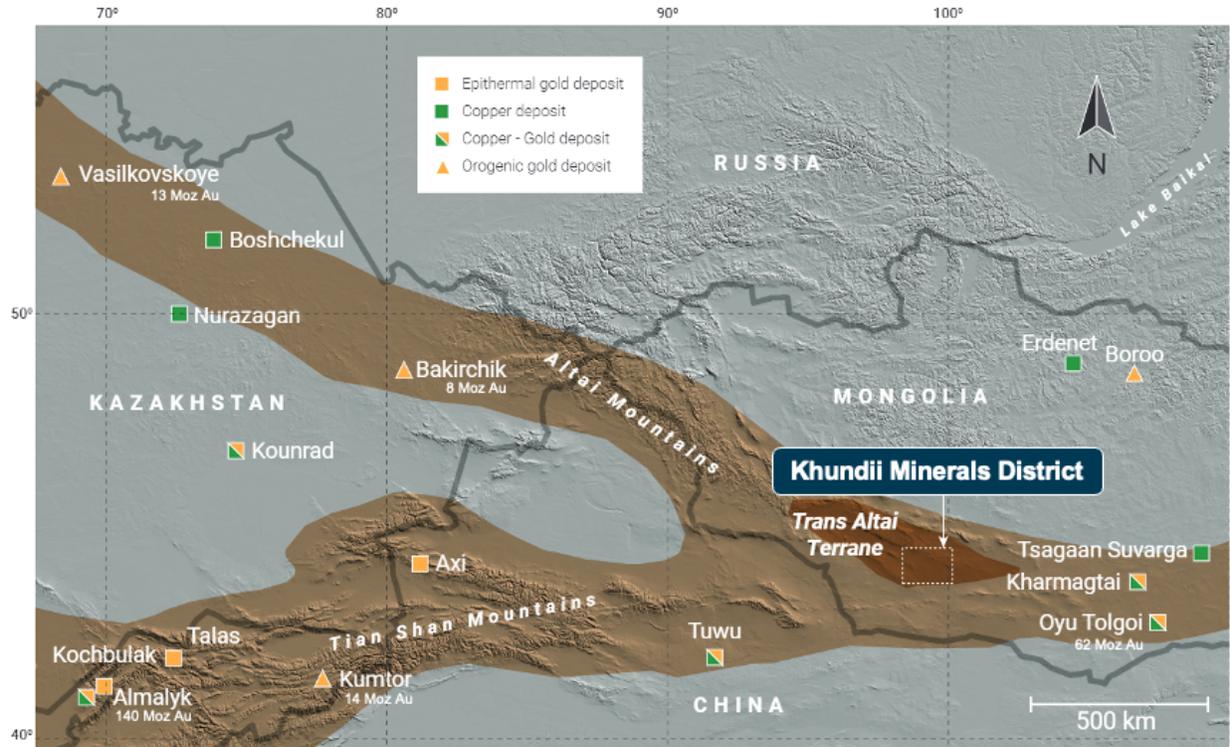


Figure 3: The KMD and Major Deposits of the CAOB

Over the past 20 years, our technical team has evaluated thousands of prospects on hundreds of tenements across Mongolia, the 18th largest country globally, by landmass. These efforts have been complemented by satellite interpretation, regional field programs and consultations with geologic experts. From this work, we believe that the TAT is amongst the highest probability locations on the planet to host world-class gold and copper deposits. The attractiveness of this region is further supported by relatively limited historical exploration, low population density, and proximity to planned infrastructure developments, including rail to the Chinese border.

To date, we have established three deposits with supporting NI 43-101 technical reports for mineral resources, as outlined below, and multiple prospects that are expected to have reportable mineral resources over the coming years. We believe we are just scratching the surface, as the District has seen almost no exploration at depth.

THE KHUNDII MINERALS DISTRICT – MULTI-MILLION OUNCE POTENTIAL

Four Gold Discoveries, Molybdenum Copper Deposit and Multiple High-Priority Targets

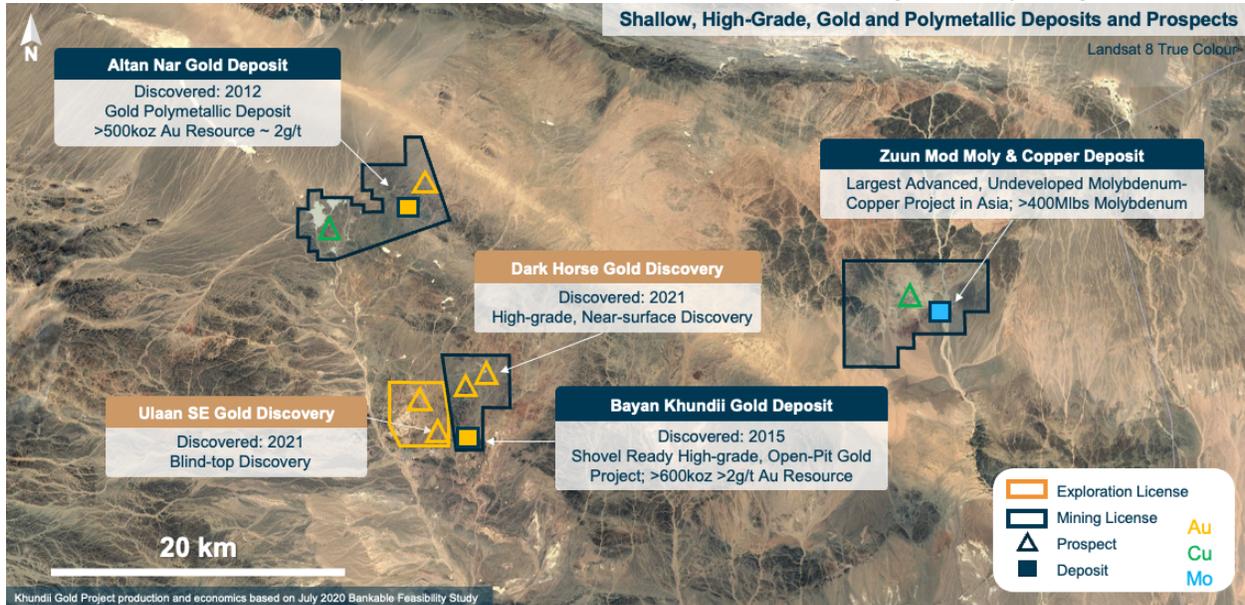


Figure 4: Deposits and Prospects of the KMD

Our flagship Bayan Khundii gold deposit is a very high-grade, open-pittable gold deposit which will be the first significant mine in the District. Current gold reserves stand at approximately 400,000ⁱ ounces at an average grade of 3.7 g/t gold, and a more than 200,000ⁱⁱ additional ounces of gold resources surround the economic pit. Assuming gold prices remain robust, it is expected that the BK mine life will be extended by incorporating a significant portion of these resources, particularly those located on the western boundary of the license.

Approximately 300 metres west of BK, gold mineralization has been confirmed on the Ulaan exploration license. Maiden drilling of the southeast corner of this license in mid-2021 intersected significant gold mineralization, interpreted as a continuation of the BK deposit. Starting at 80 metres, mineralization has been traced to 450 metres below surface and remains open at depth. Drilling in 2022 intercepted some of the thickest zones of mineralization encountered to date in the KMD (UDH-21 intersected 335 metres of 1.1 g/t gold, including 8.7 g/t gold over 27 metres within 77 metres of 3.2 g/t gold) including an interpreted high-grade feeder zone (UDH-35 intersected 23 metres of 13.7 g/t gold). Although further drilling is required to define the ultimate extent and depth of mineralization, there is the potential for open-pit and/or underground development.

Also in 2021, Erdene's exploration team reported an interval of 45 metres of 6 g/t gold, beginning near surface, marking the discovery of the Dark Horse prospect. Since this initial discovery, high-grade gold has been traced along a 1.5 km mineralized trend, referred to as Dark Horse Mane, located just two kilometres north of the BK deposit on

the Khundii mining license. Erdene has defined a modest, but extremely high-grade resource at Dark Horse Mane that will be incorporated into the updated FS.

Gold has also been discovered in multiple parallel structures across the 20 km² greater Dark Horse prospect area. Our recently launched 2023 gold exploration program includes 18 shallow holes totaling approximately 1,000 metres to test for near-surface oxide related gold mineralization, similar to the Dark Horse Mane deposit, across this prospect area. In conjunction with the diamond drill program, we are also completing a gradient array IP geophysical survey covering a 9 km² area, over the core of the greater Dark Horse prospect. Results are expected from this work in mid Q3-2023 followed by additional drilling later in 2023.

KHUNDII MINERALS DISTRICT EXPLORATION

Two Recent High-Grade Gold Discoveries Within 2.4 KM of Bayan Khundii



Figure 4: The Bayan Khundii Deposit Incorporating Ulaan and Dark Horse

Exploration results suggest that the Bayan Khundii, Ulaan and Dark Horse deposits, and related prospects, are part of a single Khundii-Ulaan alteration trend, that bears all the hallmarks of a multi-million-ounce system.

Approximately 16 kilometres northwest of the Khundii-Ulaan alteration trend is our Altan Nar project area. Altan Nar is comprised of three separate prospects – the very large Altan Nar gold, silver, lead and zinc system that stretches along a 6 km by 1.5 km mineralized corridor, as well as the narrow, high-grade, Nomin Tal copper-gold prospect and the untested Oyut Khundii copper porphyry prospect.

Altan Nar was Erdene's first gold discovery in the KMD, and in 2015 the Company published its maiden resource estimate for the project. With the discovery of Bayan Khundii in 2016, Altan Nar has received only modest recent exploration. However, we have delineated 450,000 ounces of indicated and a further 277,000 ounces of inferred gold equivalent resources at equivalent grades exceeding 2.5 g/t goldⁱⁱⁱ. Metallurgical test work has shown that a significant portion of the Altan Nar mineral resource is amenable

to the planned CIP plant at BK. We intend to return to exploration at Altan Nar after we ramp up construction at BK.

Beyond the deposits and prospects on license, we see several opportunities to expand resources through acquisition or partnership in the District. As the longest established Company operating in southwest Mongolia, and through partnership with MMC, we are well positioned to expand our license holdings in this highly prospective terrain.

Zuun Mod Molybdenum-Copper Porphyry Complex – A Sleeping Giant

In addition to the gold-focused projects that will be jointly held with MMC, Erdene wholly owns one of the largest undeveloped copper-molybdenum projects in Asia, Zuun Mod. Erdene acquired the early stage Zuun Mod prospect in 2005, as part of an inventory of copper targets, and in 2011, the same year open pit production began at Oyu Tolgoi, we established a large molybdenum-copper resource, along with multiple copper and molybdenum prospects, within a 16 kilometre circumference porphyry complex.

Molybdenum has been one of the best performing commodities during the first part of 2023, as strong demand from Chinese stainless-steel producers, and supply disruptions at Latin American mines, led to shortages. Consequently, the price of molybdenum oxide rose to US\$45 per pound earlier this year, compared to approximately US\$20 per pound at the end of 2022 and US\$7.25 per pound in 2017. Prices have since settled around US\$25 per pound, a level at which our Zuun Mod project should be very profitable.

In April and May, the Company completed a 4,000-metre drill program to identify areas at the fringes of the currently defined Measured and Indicated resource, where larger scale expansion drill programs could materially increase resources. Drilling also tested the continuity of higher-grade molybdenum zones and explored new targets west and north of the existing deposit. Results are expected in the coming weeks.

Erdene will complete further market, technical and economic studies, as well as permitting work, in the coming months that will build upon a conceptual assessment of the project completed by RPMGlobal in late 2021. Based on the studies, as well as the results from the exploration program underway, Erdene anticipates preparing an updated ZM technical report in the near future.

As one of the Asia's largest undeveloped molybdenum and copper deposits, located within 200 kilometres of the Chinese border, we believe it is inevitable that Zuun Mod will become a mine. With the molybdenum market in a supply deficit and strong copper demand forecast, it is an ideal time to return to Zuun Mod and continue to build our project pipeline alongside our flagship BK Gold Project. As the 5.91 billion Yuan (US\$815 million) acquisition by Zijin of a Chinese molybdenum project in late 2022 demonstrates, there is appetite for securing supplies of this important metal, used primarily to make high-strength and stainless steels. Additionally, the license shows strong potential to host

significant copper mineralization, which is increasingly in demand to support the green transition.



Figure 6: Zuun Mod Molybdenum Mineralization

People – A Growing Team of Mongolian Leaders

Erdene's success is a direct result of our team's efforts. I am proud to lead a senior management team experienced in all aspects of our sector and an in-country team of approximately 50 Mongolian professionals in geology, engineering, finance, administration and community relations.

Through our partnership with MMC, and in preparation for the construction of the Bayan Khundii Gold Project, we are building out the management team of our Mongolian subsidiary, Erdene Mongol LLC ("EM"). Under the terms of the Strategic Alliance, we will appoint EM's Chief Executive Officer and Chief Development Officer, and have selected, Bilguun Ankhbayar and Jon Lyons, respectively, to fill these roles. Both have worked with Erdene in Mongolia for over a decade and have a deep understanding of our culture and the BK Gold Project. The BK construction team is expected to peak at approximately 500 in mid-2024, the vast majority of whom will be Mongolian citizens. Once we reach the operating stage, we plan to create approximately 450 direct jobs. We are prioritizing local hiring, and we recently sent the first cohort of 20 local residents to heavy machinery operator training at MMC's mine in South Gobi, preparing these folks for employment at BK.

We are also working closely with the communities located closest to Bayan Khundii on projects to benefit residents. Although the site is approximately 80 kilometres from Shinejinst, the nearest sub-province centre, and there are no permanent residents within 10 kilometres of the mine, we are actively engaged with the people of Bayankhongor Province. Earlier this year, I travelled with MMC's CEO, Dr. Battsengel Gotov, to open a representative office in Bayankhongor city. During the same trip we travelled to Shinejinst to hold an open house community meeting and consultation. We are establishing a safe supply of drinking water in Shinejinst soum and funding repairs to a local kindergarten. Most recently, we committed to sponsor a park-ranger training program that will see 15 Mongolians employed by the Mongolian Department of Environment travel to Canada for education.

We are committed to making a difference in Mongolia, through shared benefits, transparency, and education. As the longest established foreign-owned mining company in the country, we have been part of Mongolia's development of a vibrant free-market economy which is true to its history and culture. During this time, we have witnessed the discovery, and recently the commissioning of the underground development, of the Oyu Tolgoi copper-gold mine, one of the worlds largest mineral deposits, demonstrating how modern mining can co-exist with Mongolia's rich history and culture.



Figure 5: ERD-MMC Open House Shinejinst Community Centre

Capital Strength – Long-Term, Supportive Investors

One of Erdene's key strengths is the support of our loyal shareholders. Almost two-thirds of our stock is held by long-term investors who support our strategy to create value.

Since the Company's founding in 2002, investors from Eastern Canada, where our head office is located, have provided a large portion of the capital that has enabled us to grow

to where we are today, on the verge of opening a gold mine. Approximately one-third of our current investors hail from Atlantic Canada. Additionally, management, directors and employees, as well as former members of management and the board, several of whom hail from Atlantic Canada, hold a further 10% of the Company's shares.

More recently, we welcomed Eric Sprott to our shareholder register. Since his initial purchase of shares in mid-2020, he has made several follow-on investments, most recently increasing his ownership of Erdene to approximately 18% of the Company in December 2022.

Approximately five years ago, we became the first, and so far only, dual-listed company, trading on the Mongolian and Toronto stock exchanges. Today we have over 6,000 Mongolian shareholders, including thousands of residents of our local communities.

With the BK Gold Project forecast to generate significant cash-flow for Erdene's benefit, starting in 2025, we expect to be able to return capital to shareholders in the near future, while continuing to advance our pipeline of projects.

Summary

The past year has been transformative for our Company. Our Strategic Alliance with MMC positions us to build the BK Gold Project over the next 18 months with first gold planned for early 2025.

While focused on bringing BK to production, we continue to expand resources across our KMD. We see multiple opportunities to move prospects to economic reserves and have many drill targets in front of us to meaningfully grow resources in the ground. Our partnership with MMC also positions us for acquisitions of gold assets in the 700 km² area of interest. Based on recent exploration success, we feel increasingly confident that the Khundii-Ulaan trend, and greater KMD, will prove to be a world-class precious and base metal mineral district.

Additionally, we see significant value in our wholly owned Zuun Mod molybdenum-copper project and will continue to advance opportunities to generate value from this asset.

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 2023

ⁱ P&P: 165,000 ounces of 4.4 g/t gold Proven and 256,000 ounces of 3.4 g/t gold Probable; For details of the Mineral Reserves see Khundii Gold Project NI 43-101 Technical Report, Tetra Tech December 4, 2019 available on the Company's website or SEDAR.

ⁱⁱ For details of the BK Mineral Resources see Erdene's Q2/2021 results press release, dated August 16, 2021, and the Company's Q2 2021 MD&A, available on the Company's website or SEDAR.

ⁱⁱⁱ For details of the Altan Nar Mineral Resources see "Altan Nar Gold-Polymetallic Project NI 43-101 Technical Report" with an effective date of December 31, 2020 and a report date of March 29, 2021, prepared by Michael MacDonald, P.Geo (N.S), Jeremy Clark, AusAIG, RPM Global, Andrew Kelly, P.Eng., Blue Coast Research Ltd (the "Altan Nar Technical Report"), available on the Company's website or SEDAR.