ENTRÉE RESOURCES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in United States dollars)

Three month period ended March 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORTING

The accompanying condensed consolidated interim financial statements of Entrée Resources Ltd. (the "Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed consolidated interim financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by a company's auditor.

Entrée Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2021 and December 31, 2020 (Unaudited)

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

	Note	March 31, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		**$ 6,881**	$ 7,260
Receivables and prepaid expenses		**124**	130
Prepaid licence fees		**115**	162
		7,120	7,552
Non-current assets			
Property and equipment		**212**	220
Oyu Tolgoi asset	3	**195**	177
Deposits and other		**12**	12
		419	409
Total assets		**$ 7,539**	$ 7,961
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**$ 108**	$ 124
Current portion of lease liabilities	4	**109**	108
		217	232
Non-current liabilities			
Lease liabilities	4	**74**	100
Loan payable to Oyu Tolgoi LLC	5	**9,701**	9,615
Deferred revenue	6	**49,800**	48,222
		59,575	57,937
Total liabilities		**59,792**	58,169
Shareholders' deficiency			
Share capital	7	**176,279**	176,221
Reserves		**23,182**	23,205
Accumulated other comprehensive loss		**(2,159)**	(1,521)
Funds received in advance		**5**	-
Deficit		**(249,560)**	(248,113)
Total shareholders' deficiency		**(52,253)**	(50,208)
Total liabilities and shareholders' deficiency		**$ 7,539**	$ 7,961

Nature of operations (Note 1)

Commitments and contingencies (Note 9)

Subsequent events (Note 11)

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

Entrée Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three months ended March 31, 2021 and 2020 (Unaudited)

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

	Note	March 31, 2021	March 31, 2020
Expenses			
Project expenditures		**$ 87**	$ 34
General and administrative		**339**	320
Depreciation		**30**	26
Operating loss		**456**	380
Foreign exchange (gain) loss		**(93)**	632
Interest income		**(8)**	(24)
Interest expense	5	**85**	87
Loss from equity investee	3	**35**	54
Finance costs		**4**	5
Deferred revenue finance costs	6	**968**	833
Loss for the period		**1,447**	1,967
Other comprehensive loss (income)			
Foreign currency translation		**638**	(4,050)
Total comprehensive loss (income)		**$ 2,085**	$ (2,083)
Net loss per common share			
Basic and fully diluted		**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding			
Basic and fully diluted (000's)		**186,623**	174,470
Total common shares issued and outstanding (000's)	7	**186,660**	175,470

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

Entrée Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

For the three months ended March 31, 2021 and 2020 (Unaudited)

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

	Note	Number of Shares (000's)	Share capital	Reserves	Accumulated other comprehensive income (loss)	Funds received in advance	Deficit	Total
Balance at December 31, 2020		186,530	$ 176,221	$ 23,205	$ (1,521)	$ -	$ (248,113)	$ (50,208)
Net loss and comprehensive loss		**-**	**-**	**-**	**(638)**	**-**	**(1,447)**	**(2,085)**
Funds received in advance	11	**-**	**-**	**-**	**-**	**5**	**-**	**5**
Issuance of share capital – share options exercised		**130**	**58**	**(23)**	**-**	**-**	**-**	**35**
Balance at March 31, 2021		**186,660**	**$ 176,279**	**$ 23,182**	**$ (2,159)**	$ 5	**$ (249,560)**	**$ (52,253)**
Balance at December 31, 2019		175,470	$ 173,095	$ 22,445	$ (407)	$ -	$ (242,113)	$ (46,980)
Net loss and comprehensive income		-	-	-	4,050	-	(1,967)	2,083
Balance at March 31, 2020		175,470	$ 173,095	$ 22,445	$ 3,643	$ -	$ (244,080)	$ (44,897)

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

Entrée Resources Ltd.

Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2021 and 2020 (Unaudited)

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

	Note	March 31, 2021	March 31, 2020
Cash flows used in operating activities			
Net loss		**$ (1,447)**	$ (1,967)
Items not affecting cash:			
Depreciation		**30**	26
Loss from equity investee	3	**35**	54
Interest expense	5	**85**	87
Finance cost, net		**4**	5
Unrealized foreign exchange (gains) losses		**(95)**	540
Deferred revenue finance costs	6	**968**	833
		(420)	(422)
Changes in non-cash operating working capital:			
Decrease in receivables and prepaids		**6**	53
Decrease in accounts payable and accrued liabilities		**(18)**	(16)
		(432)	(385)
Cash flows used in investing activities			
Purchase of equipment		**(24)**	-
		(24)	-
Cash flows from (used in) financing activities			
Funds received in advance – warrant exercise	11	**5**	-
Repayment of lease liability	4	**(29)**	(22)
Proceeds from issuance of common shares – share options	7	**34**	-
		10	(22)
Decrease in cash and cash equivalents		**(446)**	(407)
Cash and cash equivalents - beginning of period		**7,260**	5,380
Effect of exchange rate changes on cash and cash equivalents		**67**	(203)
Cash and cash equivalents - end of period		$ 6,881	$ 4,770
Cash and cash equivalents is represented by:			
Cash		**$ 6,847**	$ 4,738
Cash equivalents		**34**	32
Total cash and cash equivalents		**$ 6,881**	$ 4,770

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

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 3).

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 condensed consolidated interim 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.

2 Basis of presentation

The Company prepares its condensed consolidated interim financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation of the International Reporting Interpretations Committee ("IFRIC"). These should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2020 ("annual financial statements"). The accounting policies and critical estimates applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements, unless otherwise stated.

The condensed consolidated interim financial statements were approved by the Audit Committee of the Board of Directors on May 13, 2021.

3 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"). The Entrée/Oyu Tolgoi JV Property is comprised of the eastern portion of the Shivee Tolgoi mining licence, which hosts the Hugo North Extension copper-gold deposit, and all of the Javhlant mining licence, which hosts the majority of the Heruga copper-gold-molybdenum deposit. The Shivee Tolgoi and Javhlant 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 (the "Earn-In Agreement") with Turquoise Hill Resources Ltd. ("Turquoise Hill"). 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% interest in all minerals extracted below a sub-surface depth of 560 metres from the Entrée/Oyu Tolgoi JV Property and a 70% 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") on terms annexed to the Earn-In Agreement (the "JVA").

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

The portion of the Shivee Tolgoi mining licence outside of the Entrée/Oyu Tolgoi JV Property, Shivee West, is 100% owned by the Company, but is 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 5).

The conversion of the original Shivee Tolgoi and Javhlant 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 Javhlant mining licences were each issued for a 30 year term and have rights of renewal for two further 20 year terms.

As of March 31, 2021, the Entrée/Oyu Tolgoi JV had expended approximately $34.2 million (December 31, 2020 - $34.2 million) to advance the Entrée/Oyu Tolgoi JV Property. Under the terms of the Entrée/Oyu Tolgoi JV, OTLLC contributed on behalf of the Company its required participation amount charging interest at prime plus 2% (Note 5).

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.

The Company's share of the loss of the joint venture was $0.0 million for the three months ended March 31, 2021 (2020 - $0.0 million). The joint venture has nominal current assets and liabilities, approximately $0.3 million of non-current assets and approximately $34.2 million of non-current liabilities. The loss for the joint venture for the three months ended March 31, 2021 was approximately $0.0 million (2020 – approximately $0.1 million).

The Entrée/Oyu Tolgoi JV investment carrying value at March 31, 2021 was $0.2 million (December 31, 2020 - $0.2 million) and was recorded in Oyu Tolgoi assets in the statement of financial position.

4 Leases

Lease liability

	March 31, 2021	December 31, 2020
Lease liability	**$ 183**	$ 208
Less: current portion	**(109)**	(108)
Long-term portion	**$ 74**	$ 100

Undiscounted lease payments

	March 31, 2021	December 31, 2020
Less than one year	**$ 155**	$ 124
One to five years	**86**	97
	$ 241	$ 221

Interest expense on the lease liability amounted to $0.0 million for the three months ended March 31, 2021 (2020 - $0.0 million). During the three months ended March 31, 2021, lease payments made amounted to $0.0 million (2020 - $0.0 million).

5 Loan payable to Oyu Tolgoi LLC

Under the terms of the Entrée/Oyu Tolgoi JV (Note 3), 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 three months ended March 31, 2021, the Company recorded interest expense of $0.1 million in connection with the loan (2020 - $0.1 million).

6 Deferred revenue

The Company has an agreement to use future payments that it receives from its mineral property interests to purchase and deliver gold, silver and copper credits to Sandstorm Gold Ltd. ("Sandstorm") (the "Sandstorm Agreement").

Under the terms of the Sandstorm Agreement, Sandstorm provided the Company with a net deposit of C$30.9 million (the "Deposit") in exchange for the future delivery of 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 Javhlant 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 entire current 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 Deposit has been accounted for as deferred revenue on the statement of financial position and is subject to foreign currency fluctuations upon conversion to US dollars at each reporting period. 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%.

This arrangement does not require the delivery of actual metal, and the Company may use revenue from any of its assets to purchase the requisite amount of metal credits.

7 Share capital

a) **Common shares**

The Company's authorized share capital consists of unlimited common shares without par value. At March 31, 2021, the Company had 186,660,002 (December 31, 2020 – 186,530,002) shares issued and outstanding.

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

b) **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. Under the Plan, the maximum number of shares issuable pursuant to options awarded under the Plan and outstanding from time to time, combined with the number of shares issuable under all other security based compensation agreements of the Company, shall not exceed 10% of the issued and outstanding shares of the Company from time to time. 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 transform 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 the accompanying statements of comprehensive loss.

Share option transactions for the three months ended March 31, 2021 are summarized as follows:

	Number of share options (000's)	**Weighted average exercise price C$**
Outstanding – December 31, 2020	10,550	0.46
Exercised	**(130)**	**0.34**
Outstanding – March 31, 2021	**10,420**	**0.46**

At March 31, 2021, the following share options were outstanding and exercisable:

Number of share options (000`s)	**Exercise price per share option C$**	**Expiry date**
2,080	0.36	Nov 2021
1,880	0.52 – 0.62	May – Oct 2022
2,265	0.55 – 0.63	Feb – Dec 2023
2,290	0.365	Dec 2024
1,905	0.51	Dec 2025
10,420		

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

	March 31, 2021
Weighted average exercise price for exercisable options	**C$0.46**
Weighted average share price for options exercised	**C$0.56**
Weighted average years to expiry for exercisable share options	**2.66 years**

c) **Share purchase warrants**

At March 31, 2021, the following common share purchase warrants ("Warrants") were outstanding:

Number of share purchase warrants (000's)	Exercise price per share purchase warrant C$	Expiry date
8,655	0.55	January 10, 2022
610	0.55	January 12, 2022
5,139	0.60	September 13, 2023
14,404		

There has been no exercise or cancellation of Warrants as at March 31, 2021.

d) **Deferred share units**

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"). Typically, 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.

As at March 31, 2021, the Company has granted a total of 450,000 DSUs to the Company's directors and executives, which were all granted in 2020 (the "2020 Grants"). 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 2020 Grants will vest in full upon the date of the TSX's acceptance of the DSU Plan or the shareholder approval date, whichever is the last to occur. The 2020 Grants may not vest or be redeemed prior to the Company obtaining shareholder approval of the DSU Plan and ratification of the 2020 Grants. If shareholder approval of the DSU Plan and ratification of the 2020 Grants is not obtained at the next annual general meeting, the 2020 Grants will be null and void and will be deemed to have been rescinded. The 2020 Grants are expected to fully vest in fiscal 2021. As at March 31, 2021, no DSUs have vested.

8 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.

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

The carrying values of receivables and accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity. Cash and cash equivalents are measured at fair value using Level 1 inputs.

The following table summarizes the classification and carrying values of the Company's financial instruments at March 31, 2021:

March 31, 2021	FVTPL	Amortized cost (financial assets)	Amortized cost (financial liabilities)	Total
Financial assets				
Cash and cash equivalents	$ 6,881	$ -	$ -	$ 6,881
Receivables	-	33	-	33
Deposits	-	12	-	12
Total financial assets	$ 6,881	$ 45	$ -	$ 6,926
Financial liabilities				
Accounts payable and accrued liabilities	$ -	$ -	$ 108	$ 108
Lease liabilities	-	-	183	183
Loan payable	-	-	9,701	9,701
Total financial liabilities	$ -	$ -	$ 9,992	$ 9,992

9 Commitments and contingencies

As at March 31, 2021, the Company had the following commitments:

	Total	Less than 1 year	1 - 3 years	3-5 years	More than 5 years
Lease commitments	$ **241**	$ 155	$ 86	$ -	$ -

Under the terms of the Amended Sandstorm Agreement, the Company may be subject to a contingent liability if certain events occur (Note 6).

10 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 three months ended March 31, 2021 and 2020 are as follows:

	2021	2020
Directors' fees	**$ 42**	$ 38
Salaries and benefits	**$ 182**	$ 140

As of March 31, 2021, included in the accounts payable and accrued liabilities balance on the condensed consolidated interim statement of financial position is $0.0 million (December 31, 2020 - $0.0 million) due to the Company's directors and key management personnel.

Upon a change of control of the Company, amounts totaling $1.2 million (December 31, 2020 - $1.1 million) may become payable to certain officers and management personnel of the Company.

11 Subsequent events

Subsequent to March 31, 2021, Warrants to purchase $1,151,768 common shares with an exercise price of C$0.55 were exercised and the Company received gross proceeds of C$633,472.40.