

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

### Part I Reporting Issuer

1 Issuer's name <b>Entree Resources Ltd. (formerly Entree Gold Inc.)</b>		2 Issuer's employer identification number (EIN) <b>None</b>	
3 Name of contact for additional information <b>Duane Lo</b>	4 Telephone No. of contact <b>604-687-4777</b>	5 Email address of contact <b>dlo@entreeresourcesltd.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>Suite 1650 - 1066 West Hastings Street</b>		7 City, town, or post office, state, and Zip code of contact <b>Vancouver, British Columbia, Canada V6E 3X1</b>	
8 Date of action <b>May 9, 2017</b>		9 Classification and description <b>Common Shares</b>	
10 CUSIP number <b>29384J103</b>	11 Serial number(s) <b>N/A</b>	12 Ticker symbol <b>TSX: ETG NYSE MKT: EGI</b>	13 Account number(s) <b>N/A</b>

### Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On May 9, 2017 Entree Resources Ltd. ("Entree"), its shareholders, and Mason Resources Corp. ("Mason"), a wholly-owned subsidiary of Entree, entered into an arrangement (the "Arrangement"). Specifically, in the Arrangement, each Entree common share was exchanged for one new Entree common share and 0.45 of a Mason common share and the old Entree common shares were thereafter cancelled.**

**Upon completion of the Arrangement, Entree shareholders held new Entree common shares, and also held Mason common shares.**

**The Arrangement is described in full in the Information Circular of Entree, dated March 20, 2017, which is available on [www.sedar.com](http://www.sedar.com).**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **Entree believes that the Arrangement will likely be treated as (i) a tax deferred exchange under Sections 368(a)(1)(E) and 1036 by Entree shareholders of their Entree common shares for new Entree common shares combined with (ii) a taxable distribution of Mason common shares. As a result, and subject to certain passive foreign investment company rules, Entree shareholders should have a basis in the new Entree common shares received in the Arrangement equal to such shareholder's aggregate tax basis in the Entree common shares exchanged. In addition, the holding period for the new Entree common shares received in the Arrangement should include such shareholder's holding period for the exchanged Entree common shares. Shareholders should include the fair market value of the Mason shares received in the Arrangement in their gross income as a distribution subject to tax under the passive foreign investment company rules. A shareholder's basis in the Mason common shares received should equal the fair market value of the Mason shares received on May 9, 2017, and the holding period for such shares should begin on May 9, 2017. Shareholders should consult with their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement, including the application of the passive foreign investment company rules.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **A shareholder's basis in the Mason common shares received should equal the fair market value of the Mason common shares on May 9, 2017. On May 9, 2017, the Mason common shares had an estimated fair market value of US\$0.11 based on the average trading price on May 12, 2017, the first day the Mason common shares were traded.**

**Shareholders should consult with their own tax advisors regarding the determination of the fair market value of the Mason common shares.**

**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ The U.S. federal income tax consequences to Mason shareholders should be determined under Internal Revenue Code Sections 1036, 368, and 301.

In addition, if Entree were to be classified as a passive foreign investment company as defined under Code Section 1297 (a "PFIC"), then Code Sections 1291-98 would be applicable. Entree believes that it was a PFIC in prior years and expects to be one at the time of the Arrangement, so shareholders should consult with their own tax advisors regarding the application of the PFIC rules and certain elections that may apply.

18 Can any resulting loss be recognized? ▶ No.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ In general, any gain recognized should be reported by shareholders for the taxable year which includes May 9, 2017 (e.g., a calendar year shareholder would report the transaction on his or her federal income tax return filed for the 2017 calendar year).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ Duo Date ▶ 9 June 2017  
Print your name ▶ Duane Lo Title ▶ Chief Financial Officer

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
<u>John Hollnake</u>	<u>John Hollnake</u>	<u>8 Jun 2017</u>		<u>PO1568530</u>
Firm's name ▶ <u>Dorsey &amp; Whitney LLP</u>	Firm's address ▶ <u>Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, Washington 98104</u>		Firm's EIN ▶	<u>41-0223337</u>
			Phone no.	<u>(206)903-8812</u>

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054