

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 40-F**

- REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

Commission file number: 001-32570



**ENTRÉE GOLD INC.**

(Exact Name of Registrant as Specified in its Charter)

**British Columbia**

**1040**

**N/A**

(Province or other jurisdiction of incorporation or organization)

(Primary Standard Industrial Classification Code)

(I.R.S. Employer Identification No.)

**Suite 1201 – 1166 Alberni Street  
Vancouver, British Columbia, Canada V6E 3Z3  
(604) 687-4777**

(Address and Telephone Number of Registrant's Principal Executive Offices)

**National Registered Agents, Inc.  
1090 Vermont Avenue NW, Suite 910  
Washington, DC 20005  
(888) 505-5229**

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Copies to:  
**Kenneth G. Sam  
Dorsey & Whitney LLP  
1400 Wewatta Street, Suite 400  
Denver, Colorado 80202  
(303) 629-3400**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:

Name of Each Exchange On Which Registered:

**Common Shares, no par value**

**NYSE Amex**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **N/A**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **N/A**

For annual reports, indicate by check mark the information filed with this form:

Annual Information Form

Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at December 31, 2010, **114,354,925** common shares of the Registrant were issued and outstanding.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

## EXPLANATORY NOTE

Entrée Gold Inc. (the “Company” or the “Registrant”) is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. The Company is a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act. The equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

## FORWARD-LOOKING STATEMENTS

This annual report on Form 40-F and the exhibits attached hereto contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern the Company’s anticipated results and developments in the Company’s operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Forward-looking statements include, but are not limited to, the future price of copper, gold and molybdenum, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, cost and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. While the Company has based these forward-looking statements on its expectations about future events as at the date that such statements were prepared, the forward-looking statements are not a guarantee of the Company’s future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements.

Such factors and assumptions include, amongst others, the effects of general economic conditions, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations and misjudgements in the course of preparing forward-looking statements. In addition, there are also known and unknown risk factors which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper, gold and molybdenum; possible variations in ore reserves, grade recovery and rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining government approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled “Risk Factors” in the Company’s Annual Information Form (“AIF”), filed as Exhibit 1 to this annual report on Form 40-F and incorporated herein by reference.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be

no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, readers should not place undue reliance on forward-looking statements.

#### **NOTE TO UNITED STATES READERS- DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES**

The Company is permitted, under the multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission (the “SEC”), to prepare this annual report in accordance with Canadian disclosure requirements, which differ from those of the United States.

#### **RESOURCE AND RESERVE ESTIMATES**

The Company’s AIF, filed as Exhibit 1 to this annual report on Form 40-F, has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) - *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1993, as amended (the “Securities Act”). Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this annual report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

#### **CURRENCY**

Unless otherwise indicated, all dollar amounts in this annual report on Form 40-F are in United States dollars. The exchange rate of Canadian dollars into United States dollars, on December 31, 2010, based upon the noon rate of exchange as quoted by the Bank of Canada was U.S.\$1.00 = Cdn.\$0.9946.

## ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2010 is filed as Exhibit 1 and incorporated by reference in this annual report on Form 40-F.

### AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2010 and 2009, including the report of the independent auditor with respect thereto, are filed as Exhibit 2 and incorporated by reference in this annual report on Form 40-F.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis ("MD&A") is filed as Exhibit 3 and incorporated by reference in this annual report on Form 40-F.

### TAX MATTERS

Purchasing, holding, or disposing of the Company's securities may have tax consequences under the laws of the United States and Canada that are not described in this annual report on Form 40-F.

### CONTROLS AND PROCEDURES

#### *Disclosure Controls and Procedures*

At the end of the period covered by this annual report for the fiscal year ended December 31, 2010, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Company's CEO and CFO have concluded that the disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### *Management's Report on Internal Control over Financial Reporting*

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or

disposition of the company's assets that could have a material effect on the financial statements. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management, including the CEO and CFO, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that, as of December 31, 2010, the Company's internal control over financial reporting was effective and no material weaknesses in the Company's internal control over financial reporting were discovered.

The Company is required to provide an auditor's attestation report on its internal control over financial reporting for the fiscal year ended December 31, 2010. In this annual report, the Company's independent registered auditor, Davidson & Company LLP, must state its opinion as to the effectiveness of the Company's internal control over financial reporting for the fiscal year ended December 31, 2010. Davidson & Company has audited the Company's financial statements included in this annual report on Form 40-F and has issued an attestation report on the Company's internal control over financial reporting.

#### *Auditor's Attestation Report*

Davidson & Company's attestation report on the Company's internal control over financial reporting is included in the audited consolidated financial statements of the Company for the years ended December 31, 2010 and 2009, which are filed as Exhibit 2 and are incorporated by reference in this annual report on Form 40-F.

#### *Changes in Internal Control over Financial Reporting*

There have been no changes in the Company's internal control over financial reporting during its fiscal year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **CORPORATE GOVERNANCE**

The Company's Board of Directors (the "Board") is responsible for the Company's Corporate Governance policies and has a separately designated standing Compensation Committee, Corporate Governance and Nominating Committee, Audit Committee, and Technical Committee. The Board has determined that all the members of the Compensation Committee, Corporate Governance and Nominating Committee, and Audit Committee are independent, based on the criteria for independence and unrelatedness prescribed by section 803A of the NYSE Amex Company Guide.

#### *Compensation Committee*

The primary objective of the Compensation Committee is to discharge the Board's responsibilities relating to compensation and benefits of the executive officers and directors of the Company to ensure that such compensation realistically reflects the responsibilities and risks of such positions. In addition, the Compensation Committee makes recommendations for grants made under the Company's Stock Option Plan, determines the recipients of, and the nature and size of share compensation awards granted from time to time, and determines any bonuses to be awarded from time to time. The Company's

Compensation Committee is comprised of Michael Howard (chairman), Mark Bailey and Peter G. Meredith. The Company's CEO cannot be present during the Committee's deliberations or vote.

#### *Corporate Governance and Nominating Committee*

The Corporate Governance and Nominating Committee is appointed by the Board to: (1) assist the Board, on an annual basis, by identifying individuals qualified to become Board members, and to recommend to the Board the director nominees for the next annual meeting of shareholders; (2) to assist the Board in the event of any vacancy on the Board by identify individuals qualified to become Board members, and to recommend to the Board qualified individuals to fill any such vacancy; and (3) to recommend to the Board, on an annual basis, director nominees for each Board committee. The members of the Corporate Governance and Nominating Committee are James L. Harris (chairman), Michael Howard and Peter G. Meredith.

#### *Technical Committee*

As at December 31, 2010, the Technical Committee consisted of Mark Bailey, Lindsay Bottomer and Gregory Crowe, each of whom is a professional geologist. Subsequent to year end, Alan Edwards, a mining engineer, was also appointed to the Technical Committee. Neither Mr. Crowe, the President and Chief Executive of the Company, nor Mr. Bottomer, the Vice-President, Corporate Development of the Company, is an independent director. The mandate of the Technical Committee is to exercise all the powers of the Board (except those powers specifically reserved by law to the Board itself) during intervals between meetings of the Board pertaining to the Company's mining properties, programs, budgets, and other related activities and the administration thereof.

### **AUDIT COMMITTEE**

The Company has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Company's Audit Committee is comprised of Peter Meredith (chairman), Mark Bailey and Michael Howard.

**Peter Meredith:** Mr. Meredith has been a director of the Company since November 24, 2004. He was originally nominated by Ivanhoe Mines Ltd. ("Ivanhoe Mines") as its representative on the Company's Board, as per the terms of an Equity Participation and Earn-in Agreement effective November 9, 2004, as amended, between the Company and Ivanhoe Mines. Mr. Meredith is a seasoned executive with a strong background in corporate management and in key facets of the mining industry, including exploration, mine construction, financing and operations. Mr. Meredith is Ivanhoe Mines' Deputy Chairman, overseeing the company's business development and corporate relations. Mr. Meredith joined the Ivanhoe group in 1996 and was Chief Financial Officer of Ivanhoe Mines prior to his appointment as Deputy Chairman. He is Chairman of SouthGobi Energy Resources. Mr. Meredith is also currently a director of Great Canadian Gaming Corporation, Ivanhoe Energy Inc., Ivanhoe Mines Ltd., and Ivanhoe Australia Ltd. Prior to joining Ivanhoe Mines, Mr. Meredith, a Chartered Accountant, was a partner and director of Deloitte & Touche. Mr. Meredith has over 35 years of experience as a business advisor, specializing in regulatory compliance and corporate finance. He is also a member of the Canadian Institute of Chartered Accountants.

**Mark Bailey:** Mr. Bailey has been a director of the Company since June 28, 2002. Mr. Bailey is an exploration geologist with more than 35 years of industry experience. Since 1995, he has been the President and Chief Executive Officer of Minefinders Corporation Ltd. ("Minefinders"), a precious metals mining company whose

shares are listed for trading on the Toronto Stock Exchange and the NYSE Amex. Minefinders operates the multi-million ounce Dolores gold and silver mine in Mexico. Before joining Minefinders, Mr. Bailey held senior positions with Equinox Resources Inc. and Exxon Minerals. Since 1984, Mr. Bailey has worked as a consulting geologist with Mark H. Bailey & Associates LLC. Mr. Bailey is also currently a director of Minefinders, Dynasty Metals & Mining Inc. and Northern Lion Gold Corp.

Michael Howard: Lord Howard has been a director of the Company since May 16, 2007 and was appointed non-executive Deputy Chairman on the same day. He is the former leader of the Conservative Party in Britain, a distinguished lawyer, and served as a Member of Parliament in Britain for 27 years. He filled many government posts, including Home Secretary, Secretary of State for Employment and Secretary of State for the Environment, as well as Shadow Foreign Secretary and Shadow Chancellor. After his retirement from the House of Commons at the 2010 General Election, Mr. Howard was created a Life Peer. Lord Howard is currently a director of Orca Exploration Group and Helphire Group plc.

In the opinion of the Company's Board of Directors, all members of the Audit Committee are independent (as determined under Rule 10A-3 of the Exchange Act and section 803A of the NYSE Amex Company Guide) and are financially literate. Additionally, the Audit Committee meets the composition requirements set forth by section 803(B)(2) of the NYSE Amex Company Guide.

The members of the Audit Committee are appointed or reappointed on an annual basis by the Board.

The Audit Committee meets with the President and CEO, the CFO and the Company's independent auditors to review and inquire into matters affecting financial reporting, the system of internal accounting and financial controls, as well as audit procedures and audit plans. The Audit Committee also recommends to the Board which independent registered public auditing firm should be appointed by the Company. In addition, the Audit Committee reviews and recommends to the Board for approval the annual financial statements, the MD&A, and undertakes other activities required by exchanges on which the Company's securities are listed and by regulatory authorities to which the Company is held responsible.

The full text of the Company's Audit Committee Charter is attached to the Company's AIF, filed as Exhibit 1 and incorporated by reference in this annual report on Form 40-F.

#### *Audit Committee Financial Expert*

The Company's Board of Directors has determined that Peter Meredith qualifies as a financial expert (as defined in Item 407(d)(5) of Regulation S-K under the Exchange Act), is financially sophisticated, as determined in accordance with Section 803B(2)(iii) of the NYSE Amex Company Guide, and is independent (as determined under Exchange Act Rule 10A-3 and section 803A of the NYSE Amex Company Guide).

### **PRINCIPAL ACCOUNTING FEES AND SERVICES – INDEPENDENT AUDITORS**

The following table shows the aggregate fees billed to the Company by Davidson & Company LLP, Chartered Accountants, the Company's independent registered public auditing firm, and its affiliates, in each of the last two years.

	<b>2010</b>	<b>2009</b>
Audit Fees <sup>(1)</sup>	\$170,529	\$122,189
Audit Related Fees <sup>(2)</sup>	-	-
Tax Fees <sup>(3)</sup>	\$18,448	\$23,704
All other fees <sup>(4)</sup>	\$73,565-	-
<b>Total:</b>	<b>\$262,542</b>	<b>\$145,892</b>

- (1) Audits of the Company's consolidated financial statements, meetings with the Audit Committee and management with respect to quarterly filings, consulting and accounting standards and transactions, issuance of consent in connection with Canadian and US securities filings.
- (2) Audit-related fees were paid for assurance and related services by the auditors that were reasonably related to the performance of the audit or the review of the Company's financial statements that are not included in *Audit Fees*.
- (3) Tax compliance, taxation advice and tax planning for international operations.
- (4) Audit fees associated with the June 30, 2010 acquisition of PacMag Metals Limited.

### **PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES PROVIDED BY INDEPENDENT AUDITORS**

The Audit Committee pre-approves all audit services to be provided to the Company by its independent auditors. Non-audit services that are prohibited to be provided to the Company by its independent auditors may not be pre-approved. In addition, prior to the granting of any pre-approval, the Audit Committee must be satisfied that the performance of the services in question will not compromise the independence of the independent auditors. All non-audit services performed by the Company's auditor for the fiscal year ended December 31, 2010 were pre-approved by the Audit Committee of the Company. No non-audit services were approved pursuant to the *de minimis* exemption to the pre-approval requirement.

### **OFF-BALANCE SHEET TRANSACTIONS**

The Company does not have any off-balance sheet financing arrangements or relationships with unconsolidated special purpose entities.

### **CODE OF ETHICS**

The Company has adopted a Code of Ethics (the "Code") for the Company's Chief Executive Officer, Chief Financial Officer and Controller, which was previously filed with the SEC as Exhibit 14.1 to the Company's Form 10-KSB for the year ended December 31, 2004 and is incorporated herein by reference.

A copy of the Code is available to any person, without charge, by written request to the Company at its principal executive office, located at Suite 1201 – 1166 Alberni Street, Vancouver, British Columbia, Canada V6E 3Z3.

During the fiscal year ended December 31, 2010, the Company did not substantively amend, waive or implicitly waive any provision of the Code with respect to any of the directors, executive officers or employees subject to it.

### **CONTRACTUAL OBLIGATIONS**

The following table lists as of December 31, 2010 information with respect to the Company's known contractual obligations.



	<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More than 5 Years</b>	<b>Total</b>
Office Leases	\$154,434	\$236,824	\$252,042	\$196,483	\$839,783
<b>Total</b>	<b>\$154,434</b>	<b>\$236,824</b>	<b>\$252,042</b>	<b>\$196,483</b>	<b>\$839,783</b>

### **NOTICES PURSUANT TO REGULATION BTR**

There were no notices required by Rule 104 of Regulation BTR that the Registrant sent during the year ended December 31, 2010 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

### **NYSE AMEX CORPORATE GOVERNANCE**

The Company's common shares are listed on the NYSE Amex. Section 110 of the NYSE Amex Company Guide permits the NYSE Amex to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE Amex listing criteria, and to grant exemptions from NYSE Amex listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE Amex standards is as follows:

*Shareholder Meeting Quorum Requirement:* The NYSE Amex minimum quorum requirement for a shareholder meeting is one-third of the outstanding shares of common stock. In addition, a company listed on the NYSE Amex is required to state its quorum requirement in its bylaws. The Company's quorum requirement is set forth in Articles. A quorum for a meeting of members of the Company is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the shares entitled to be voted at the meeting.

*Proxy Delivery Requirement:* The NYSE Amex requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies shall be solicited pursuant to a proxy statement that conforms to SEC proxy rules. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act, and the equity securities of the Company are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. The Company solicits proxies in accordance with applicable rules and regulations in Canada.

*Shareholder Approval of Certain Transactions:* The NYSE Amex Company Guide requires shareholder approval in connection with the establishment of an equity compensation arrangement pursuant to which options or stock may be acquired by officers, directors, employees, or consultants of a company. The Company will follow the shareholder approval requirements of the Toronto Stock Exchange in connection with the establishment of equity compensation arrangements pursuant to which its officers, directors, employees, or consultants may acquire options or common shares.

The foregoing are consistent with the laws, customs and practices in Canada.

In addition, the Company may from time-to-time seek relief from NYSE Amex corporate governance requirements on specific transactions under Section 110 of the NYSE Amex Company Guide by providing written certification from independent local counsel that the non-complying practice is not

prohibited by our home country law, in which case, the Company shall make the disclosure of such transactions available on the Company's website at [www.entreegold.com](http://www.entreegold.com) and/or in its annual report on Form 40-F. Information contained on its website is not part of this annual report.

### **MINE SAFETY DISCLOSURE**

Pursuant to Section 1503(a) of the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the fiscal year ended December 31, 2010, the Company had no such specified health and safety violations, orders or citations, related assessments or legal actions, mining-related fatalities, or similar events in relation to the Company's United States operations requiring disclosure pursuant to Section 1503(a) of the Dodd-Frank Act.

### **UNDERTAKING**

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

### **CONSENT TO SERVICE OF PROCESS**

The Company filed an Appointment of Agent for Service of Process and Undertaking on Form F-X with the SEC on Form 10-SB on October 12, 2004, with respect to the class of securities in relation to which the obligation to file this annual report on Form 40-F arises.

### **EXHIBIT INDEX**

The following exhibits have been filed as part of the annual report on Form 40-F:

<b>Exhibit</b>	<b>Description</b>
----------------	--------------------

<b>Annual Information</b>	
---------------------------	--

- |      |   |
|------|---|
| 99.1 | Annual Information Form of the Company for the year ended December 31, 2010   |
| 99.2 | The following audited consolidated financial statements of the Company, are exhibits to and form a part of this annual report: <ul style="list-style-type: none"><li>Independent Registered Public Accounting Firm's Report on Consolidated Financial Statements and Attestation on Internal Control Over Financial Reporting</li><li>Consolidated Balance Sheets as of December 31, 2010 and 2009</li><li>Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2010, 2009 and since inception (July 19, 1995 to December 31, 2010);</li><li>Consolidated Statement of Stockholders' Equity since the Date of Inception, including Balances as of July 19, 1995, April 30, 1996, April 30, 1997, April 30, 1998, April 30, 2000, April 30, 2001, April 30, 2002, April 30, 2003, December 31, 2003, December 31, 2004, December 31, 2005, December 31, 2006, December 2007, December 31, 2008, December 31, 2009 and December 31, 2010</li></ul> |

Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009  
and since inception (July 19, 1995 to December 31, 2010);

Notes to Consolidated Financial Statements

99.3 Management's Discussion and Analysis

**Certifications**

99.4 Certificate of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act

99.5 Certificate of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act

99.6 Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted  
pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.7 Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted  
pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**Consents**

99.8 Consent of Davidson & Company LLP, Chartered Accountants

99.9 Consent of John Vann, Quantitative Geoscience Pty Ltd

99.10 Consent of Scott Jackson, Quantitative Geoscience Pty Ltd

99.11 Consent of AMEC Minproc Limited

99.12 Consent of Wardrop Engineering Inc.

99.13 Consent of Robert M. Cann, Entrée Gold Inc.

99.14 Consent of Stantec Consulting International LLC

99.15 Consent of Dean David, AMEC Minproc Limited

99.16 Consent of Owen Cullingham, O.R. Cullingham Resource Consultant Ltd.

99.17 Consent of Bernard Peters, AMEC Minproc Limited

99.18 Consent of George Stephen, Stantec Consulting International LLC

99.19 Consent of Albert Chance, Golder Associates Ltd.

99.20 Consent of Jarek Jakubec, SRK Consulting Inc.

99.21 Consent of Bruce Brown, Rio Tinto Technology and Innovation

99.22 Consent of Robert Morrison, Wardrop Engineering Inc.

## SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

### ENTRÉE GOLD INC.

By: *Gregory G. Crowe*

Name: Gregory G. Crowe

Title: Chief Executive Officer

Date: March 25, 2011



Entrée Gold Inc.

**ENTRÉE GOLD INC.**

Annual Information Form

FOR THE YEAR ENDED  
DECEMBER 31, 2010

DATED March 25, 2011

## TABLE OF CONTENTS

DATE OF INFORMATION .....	3
FORWARD LOOKING STATEMENT .....	3
CURRENCY AND EXCHANGE.....	4
DEFINED TERMS AND ABBREVIATIONS .....	4
CANADIAN DISCLOSURE STANDARDS FOR MINERAL RESOURCES AND MINERAL RESERVES.....	4
CORPORATE STRUCTURE .....	5
NAME, ADDRESS AND INCORPORATION .....	5
INTERCORPORATE RELATIONSHIPS .....	6
GENERAL DEVELOPMENT OF THE BUSINESS .....	7
THREE YEAR HISTORY .....	7
SIGNIFICANT ACQUISITIONS.....	8
DESCRIPTION OF THE BUSINESS.....	9
GENERAL .....	9
ENTRÉE -OTLLC JOINT VENTURE.....	10
ENVIRONMENTAL COMPLIANCE.....	13
COMPETITION .....	14
EMPLOYEES .....	14
MATERIAL MINERAL PROPERTIES .....	14
MONGOLIA .....	14
LOOKOUT HILL PROPERTY.....	14
HISTORY .....	16
PROPERTY LOCATION AND ACCESSIBILITY .....	16
CLIMATE .....	17
REGIONAL GEOLOGY.....	17
MONGOLIAN GOVERNMENT .....	17
JOINT VENTURE PROPERTY – MINERAL RESOURCES.....	18
JOINT VENTURE PROPERTY - MINERAL RESERVES.....	20
INTEGRATED DEVELOPMENT PLAN 2010.....	22
RECENT DEVELOPMENTS – ENTREE-OTLLC JOINT VENTURE PROPERTY.....	25
SHIVEE WEST.....	25
UNITED STATES .....	26
ANN MASON PROPERTY.....	26
LOCATION, ACCESSIBILITY, CLIMATE AND LOCAL RESOURCES .....	26
HISTORY .....	27
MINERAL RESOURCE ESTIMATE.....	28
SAMPLING AND ANALYSIS.....	28
CURRENT EXPLORATION PROGRAM .....	29
NON-MATERIAL PROJECTS .....	30
MONGOLIA - TOGOOT – NOMKHON BOHR.....	30
USA – BLACKJACK AND ROULETTE - NEVADA.....	30
AUSTRALIA.....	31
OTHER PROPERTIES.....	31

<b>RISK FACTORS .....</b>	<b>32</b>
<b>DIVIDENDS.....</b>	<b>41</b>
<b>CAPITAL STRUCTURE .....</b>	<b>41</b>
<b>MARKET FOR SECURITIES .....</b>	<b>42</b>
<b>ESCROWED SECURITIES .....</b>	<b>43</b>
<b>DIRECTORS AND OFFICERS .....</b>	<b>43</b>
<b>PROMOTERS .....</b>	<b>49</b>
<b>LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....</b>	<b>50</b>
<b>INTEREST IN MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....</b>	<b>50</b>
<b>TRANSFER AGENTS AND REGISTRARS .....</b>	<b>50</b>
<b>MATERIAL CONTRACTS .....</b>	<b>50</b>
<b>INTEREST OF EXPERTS .....</b>	<b>51</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>51</b>

**APPENDIX**

## **ENTRÉE GOLD INC. ANNUAL INFORMATION FORM**

### **DATE OF INFORMATION**

Unless otherwise specified in this Annual Information Form (the "AIF"), the information herein is presented as at December 31, 2010, the last date of the Company's most recently completed financial year.

### **FORWARD LOOKING STATEMENT**

This AIF and documents incorporated by reference herein contain "forward-looking statements" and "forward looking information" (together the "forward looking statements") within the meaning of securities legislation and the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this AIF or, in the case of documents incorporated by reference herein, as of the date of such documents and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws.

Forward-looking statements include, but are not limited to, the future price of copper, gold and molybdenum, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, cost and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". While the Company has based these forward-looking statements on its expectations about future events as at the date that such statements were prepared, the statements are not a guarantee of the Company's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors and assumptions include, amongst others, the effects of general economic conditions, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations and misjudgements in the course of preparing forward-looking statements. In addition, there are also known and unknown risk factors which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper, gold and molybdenum; possible variations in ore reserves, grade recovery and rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining government approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this AIF. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.



## CURRENCY AND EXCHANGE

The Company's financial statements are stated in United States dollars and are prepared in conformity with United States Generally Accepted Accounting Principles.

In this AIF, all dollar amounts are expressed in United States dollars unless otherwise specified. Because the Company's principal executive office is located in Canada, many of its obligations are and will continue to be incurred in Canadian dollars (including, by way of example, salaries, rent and similar expenses). Where the disclosure is not derived from the annual financial statements for the year ended December 31, 2010, the Company has not converted Canadian dollars to United States dollars for purposes of making the disclosure in this AIF.

## DEFINED TERMS AND ABBREVIATIONS

As used in this AIF, the terms "we", "us", "our", the "Company" and "Entrée" mean Entrée Gold Inc. and its wholly-owned subsidiaries.

## CANADIAN DISCLOSURE STANDARDS FOR MINERAL RESOURCES AND MINERAL RESERVES

Canadian disclosure standards for the terms "mineral reserve," "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"), which adopts the definitions of the terms ascribed by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") in the *CIM Standards on Mineral Resources and Mineral Reserves*, as may be amended from time to time by the CIM.

The definitions of proven and probable reserves used in NI 43-101 differ from the definitions in the United States Securities and Exchange Commission ("SEC") Industry Guide 7. Under SEC Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" may only be separately disclosed, have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases.

Accordingly, information contained in this AIF and the documents incorporated by reference herein containing descriptions of our mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

Entrée Gold Inc. is an exploration stage company with an interest in a development state project, engaged in the exploration of mineral resource properties located in Mongolia, the United States, Peru and Australia. The Company's principal executive office is located at:

Suite 1201 - 1166 Alberni Street  
Vancouver, British Columbia, Canada V6E 3Z3  
Phone: (604) 687-4777  
Fax: (604) 687-4770  
Website: [www.entreegold.com](http://www.entreegold.com).

Information contained on the Company's website does not form part of this AIF. The Company's registered and records office is located at 2900-550 Burrard Street, Vancouver, British Columbia, Canada V6C 0A3 and its agent for service of process in the United States of America is National Registered Agents, Inc., 1090 Vermont Avenue NW, Suite 910, Washington, DC 20005.

The Company maintains an administrative office in Ulaanbaatar, the capital of Mongolia, to support Mongolian operations. The address of the Mongolian office is:

Jamyang Gun Street-5  
Ar Mongol Travel Building  
Suite #201, #202,  
Sukhbaatar District, 1st Khoroo,  
Ulaanbaatar, Mongolia  
Phone: 976.11.318562 / 330953  
Fax: 976.11.319426

The Company maintains an administrative office in Golden, Colorado to support United States operations at the following address:

2221 East Street, Suite 210,  
Golden, CO 80401

Our Company was incorporated in British Columbia, Canada, on July 19, 1995, under the name Timpete Mining Corporation. On February 5, 2001, we changed our name to Entrée Resources Inc. On October 9, 2002 we changed our name from Entrée Resources Inc. to Entrée Gold Inc. and, on January 22, 2003, we changed our jurisdiction of domicile from British Columbia to the Yukon Territory by continuing our company into the Yukon Territory. On May 27, 2005, the Company changed the governing jurisdiction from the Yukon Territory to British Columbia by continuing into British Columbia under the *Business Corporation Act* (British Columbia).

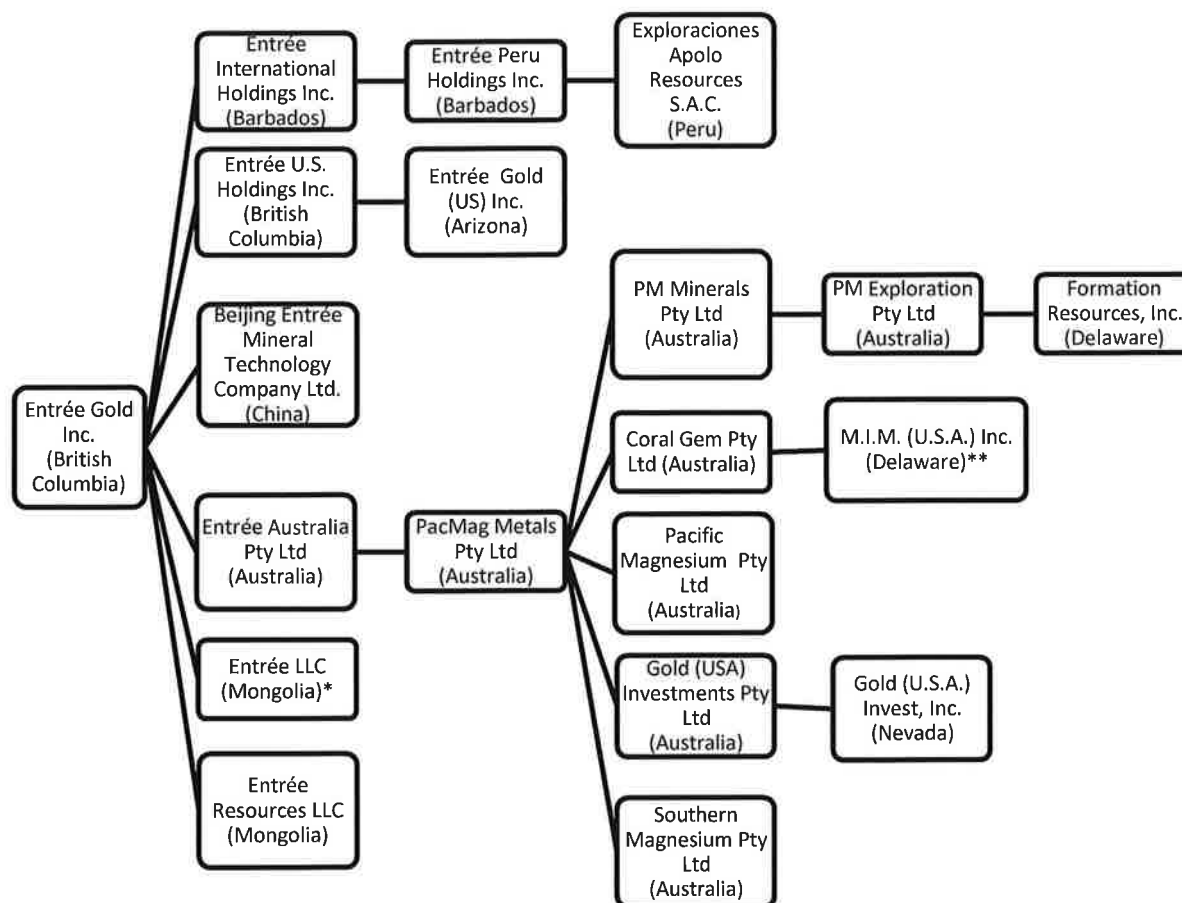
At inception our Memorandum and Articles authorized us to issue up to 20 million common shares without par value. On September 30, 1997, we subdivided our authorized capital on a two new shares for one old share basis, resulting in authorized capital of 40 million common shares without par value. On February 5, 2001, we subdivided our common shares on a four new shares for one old share basis, thus increasing our authorized capital to 160 million common shares without par value and simultaneously reduced our authorized capital to 100 million common shares without par value. On October 9, 2002 we consolidated our authorized capital, both issued and unissued, on the basis of one new share for each two old shares, resulting in authorized capital of 50 million common shares without par value and simultaneously increased the authorized capital from 50 million common shares without par value to 100 million common shares without par value. On May 20, 2004, we received approval from our shareholders to increase our authorized share capital from 100 million common shares without par value

to an unlimited number of common shares, all without par value (the “Common Shares”). This increase became effective June 16, 2004, the date we filed the amendment to our Articles.

Our Common Shares traded on the TSX Venture Exchange until April 24, 2006. On April 24, 2006, our Common Shares began trading on the Toronto Stock Exchange (“TSX”) under the symbol “ETG”. Our Common Shares also trade on the NYSE Amex under the symbol “EGI” and on the Frankfurt Stock Exchange under the symbol “EKA”.

### Intercorporate Relationships

We own our property interests through the 19 subsidiaries set out in our organizational chart below. All of our subsidiaries are 100% owned.



\*Entrée LLC holds the Shivee Tolgoi and Javhlant mining licences in Mongolia. A portion of the Shivee Tolgoi mining licence area and all of the Javhlant mining licence area are held beneficially for a joint venture between Entrée and Oyu Tolgoi LLC (“OTLLC”). OTLLC is owned as to 66% by Ivanhoe Mines Ltd. (“Ivanhoe Mines”), and as to 34% by the Government of Mongolia. See “Summary Description of the Business” below. The balance of the Shivee Tolgoi mining licence area is 100% owned by Entrée.

\*\*M.I.M. (U.S.A.) Inc. holds the Ann Mason property in Nevada, United States. The property is 100% owned by Entrée.

## GENERAL DEVELOPMENT OF THE BUSINESS

The Company is actively engaged in looking for properties to acquire and manage, which are complementary to its existing projects, particularly large tonnage base and precious metal targets in eastern Asia and the Americas.

The commodities the Company is most likely to pursue include copper, gold and molybdenum, which are often associated with large tonnage, porphyry related environments. Our material properties are the Lookout Hill property in Mongolia, and the Ann Mason property in Nevada, United States. We also have interests in early exploration stage properties in Mongolia, United States, Australia and Peru.

Smaller, higher grade systems will be considered by the Company if they demonstrate potential for near-term production and cash-flow. If the Company is able to identify smaller, higher grade bodies that may be indicative of concealed larger tonnage mineralized systems, it may negotiate and enter into agreements to acquire them.

### Three Year History

The following is a timeline summarizing Company activities in the last three years, with reference to further discussion in relevant sections contained within this AIF:

<b>January 2008</b>	The Company entered into a second option agreement with Empirical Discovery, LLC ("Empirical") to explore on licences near Bisbee, Arizona.	--
<b>March 2008</b>	The Company announced the first Heruga deposit resource estimate, Lookout Hill property, Mongolia.	--
<b>June 2008</b>	OTLLC completed its earn-in requirements, including expenditures of \$35 million, resulting in the formation of a joint venture on a portion of the Lookout Hill property.	Pg 10
<b>August 2008</b>	Discovery of coal at Nomkhon Bohr on the Company's Togoot exploration licence in Mongolia.	Pg 30
<b>January 2009</b>	Discovery of porphyry style mineralization at Lordsburg, New Mexico pursuant to the Company's first option agreement with Empirical.	--
<b>July 2009</b>	The Company entered into an agreement with Honey Badger Exploration Inc. ("Honey Badger") to acquire up to an 80% interest in the Blackjack property in Nevada.	Pg 30
<b>July 2009</b>	Certain rights and obligations of Rio Tinto Exploration Canada Inc. ("Rio Tinto") under its equity participation agreement with the Company expired; however, Rio Tinto retained a pre-emptive right to maintain its ownership percentage in the Company.	Pg 12
<b>September, 2009</b>	The Company entered into an agreement with Bronco Creek Exploration Inc. (now a wholly owned subsidiary of Eurasian Minerals Ltd.) ("Eurasian Minerals") to acquire up to an 80% interest in the Roulette property in Nevada.	Pg 31
<b>October 2009</b>	The Investment Agreement (the "Investment Agreement") is signed in Mongolia (by Ivanhoe Mines, OTLLC and Rio Tinto International Holdings Ltd., subject to 10 conditions precedent to be satisfied before it is finalized.	Pg 17
<b>October 2009</b>	Shivee Tolgoi and Javhlant (Lookout Hill) mining licences were granted to Entrée LLC.	Pg 14
<b>November 2009</b>	The Company entered into a Scheme Implementation Agreement with PacMag Metals Limited ("PacMag"), to acquire all outstanding shares and cancel all outstanding options of PacMag through Australian Schemes of Arrangement.	Pg 8

<b>March 2010</b>	The Company announced an updated Heruga deposit resource estimate, Lookout Hill property, Mongolia.	Pg 18
<b>March 2010</b>	The conditions precedent included in the Investment Agreement were satisfied and the Investment Agreement took legal effect.	Pg 17
<b>May 2010</b>	The Company announced the first NI 43-101 compliant ore reserves defined on the Hugo North Extension deposit and the release of the 2010 Integrated Development Plan by Ivanhoe Mines.	Pg 20
<b>June 2010</b>	The Company announced that it had commenced drilling programs on the Blackjack and Roulette copper properties in Nevada, United States.	Pg 30
<b>June 2010</b>	The Company announced the filing of a comprehensive NI 43-101 compliant technical report for Lookout Hill, which includes information from Ivanhoe Mines' 2010 Integrated Development Plan.	Pg 16
<b>June 2010</b>	The Company announced that it has completed its acquisition of PacMag.	Pg 8
<b>July 2010</b>	The Company announced the receipt of its Togoot mining licence, which includes the Nomkhon Bohr coal discovery.	Pg 30
<b>August 2010</b>	The Company commenced core drilling on the Ann Mason deposit, Nevada.	Pg 29
<b>September 2010</b>	The Company announced an agreement to acquire a majority interest in the Lukkacha project in Peru.	--
<b>September 2010</b>	The Company announced an agreement to option the iron ore rights of the Blue Rose joint venture to Bonython Metals Group Pty Ltd.	Pg 31
<b>September 2010</b>	The Company announced the discovery of a new porphyry system on the Roulette property, Nevada.	Pg 30
<b>November 2010</b>	The Company announced that results of reverse circulation (RC) drilling on the Blue Hill target, Ann Mason property, Nevada, confirmed a zone of shallow copper oxide mineralization and additional deeper sulphide mineralization.	Pg 29
<b>November 2010</b>	The Company announced the filing of a short form base shelf prospectus in Canada and shelf registration statement in the United States.	Pg 12
<b>November 2010</b>	The Company announced new copper zones and expanded potential on its Blackjack and Roulette copper properties in Nevada.	Pg 30
<b>December 2010</b>	The Company terminated its option agreement with Taiga Consultants Inc. on the Crystal property, British Columbia and its agreement with Zhejiang No. 11 Geological Brigade on the Huaixi property in China.	--

### Significant Acquisitions

In June 2010, the Company closed a transaction with PacMag Metals Limited ("PacMag"), whereby the Company acquired all of the outstanding shares and cancelled all of the outstanding options of PacMag through Australian Schemes of Arrangement (the "Schemes"). Implementation of the Schemes was approved by the shareholders and optionholders of PacMag on June 4, 2010 and final approval was granted by the Federal Court of Australia on June 15, 2010, with the Schemes becoming effective on June 16, 2010. All regulatory and administrative matters were addressed and the transaction closed on June 30, 2010 (the "Effective Date"). Consideration for the PacMag shares was a combination of Common Shares and cash. Each PacMag shareholder received 0.1018 Common Shares and C\$0.0415 (AUD\$0.0469) cash for each PacMag share. The aggregate consideration paid by Entrée for all PacMag shares and options was 15,020,801 Common Shares and \$6,160,391. With the acquisition of PacMag, Entrée acquired the Ann Mason property located in the Yerington district of Nevada. The acquisition of PacMag also brought other projects in South Australia, Western Australia, Nevada, North Dakota and Arizona into the Company's portfolio.

A Form 51-102F4 – *Business Acquisition Report* with respect to the acquisition of PacMag was filed by the Company on SEDAR on November 1, 2010.

## DESCRIPTION OF THE BUSINESS

### General

The Company is in the mineral resource business. This business generally consists of three stages: exploration, development and production. Mineral resource companies that are in the exploration stage have not yet found mineral resources in commercially exploitable quantities, and are engaged in exploring land in an effort to discover them. Mineral resource companies that have located a mineral resource in commercially exploitable quantities and are preparing to extract that resource are in the development stage, while those engaged in the extraction of a known mineral resource are in the production stage. The Company is in the exploration stage, but has an interest in a development property.

Mineral resource exploration can consist of several stages. The earliest stage usually consists of the identification of a potential prospect through either the discovery of a mineralized showing on that property or as the result of a property being in proximity to another property on which exploitable resources have been identified, whether or not they are or have in the past been extracted.

After the identification of a property as a potential prospect, the next stage would usually be the acquisition of a right to explore the area for mineral resources. This can consist of the outright acquisition of the land and mineral rights or the acquisition of specific, but limited mineral rights to the land (e.g., a licence, lease or concession). After acquisition, exploration typically begins with a surface examination by a professional geologist with the aim of identifying areas of potential mineralization, followed by detailed sampling and mapping of rock exposures along with possible geophysical and geochemical grid surveys over un-exposed portions of the property (i.e., underground), and possibly trenching in these covered areas to allow sampling of the underlying rock. Exploration also commonly includes systematic regularly-spaced drilling in order to determine the extent and grade of the mineralized system at depth and over a given area, and in sufficiently-advanced properties, gaining underground access by ramping or shafting in order to obtain bulk samples that would allow one to determine the ability to recover various commodities from the rock. Exploration might culminate in a feasibility study to ascertain if the mining of the minerals would be economic. A feasibility study is a study that reaches a conclusion with respect to the economics of bringing a mineral resource to the production stage.

The Company's two principal assets are the Lookout Hill property in Mongolia, which hosts a copper-gold porphyry system and the Ann Mason copper-molybdenum property in Nevada.

The Lookout Hill property in Mongolia is comprised of two mining licences: Shivee Tolgoi and Javhlant. The Shivee Tolgoi and Javhlant mining licences completely surround Oyu Tolgoi LLC's ("OTLLC") Oyu Tolgoi project, and host the Hugo North Extension of the Hugo Dummett North copper-gold deposit and the Heruga copper-gold-molybdenum deposit. These deposits are located within a land area subject to a joint venture between Entrée and OTLLC (the "Entrée-OTLLC Joint Venture").

A map is provided to illustrate the areas of Lookout Hill more clearly, and further detail regarding the Lookout Hill property in Mongolia, under "Material Mineral Properties" below.

The recently acquired Ann Mason property in Nevada is 100% owned by Entrée through its subsidiary, M.I.M. (U.S.A.) Inc. The Ann Mason porphyry deposit, which has an inferred mineral resource, was acquired as part of the PacMag transaction which closed in June 2010. A map which shows the property location and proximity to infrastructure and more information about the Ann Mason property is provided in the "Material Mineral Properties" section below.

Aside from its two material properties, Entrée has exploration properties in Mongolia, the United States, Australia and Peru. Please see the "Non-Material Properties" section for more information.

The Company's exploration activities are under the supervision of Robert Cann, P.Geo., Entrée's Vice President, Exploration. Mr. Cann is a "qualified person" as defined in NI 43-101. Except where otherwise noted, Mr. Cann is also responsible for the preparation of technical information in this AIF.

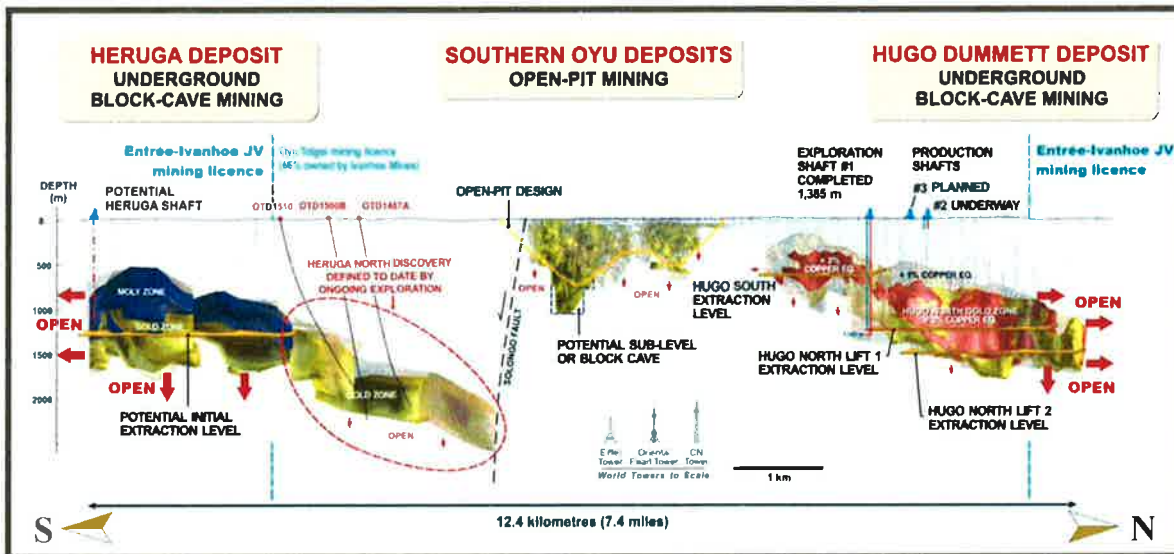
All mineral rock samples from our Mongolian properties are prepared and analyzed by SGS Mongolia LLC in Ulaanbaatar, Mongolia. Coal samples from Mongolia have been prepared and analyzed by SGS Mongolia LLC and by SGS-CSTC Standards Technical Services Co., Ltd., Tianjin, China, and more recently by ACTLABS in Ulaanbaatar. Coal check samples were analyzed at Loring Laboratories Ltd. in Calgary, Canada. Samples from Arizona, New Mexico and Nevada are analyzed at ALS Chemex in Sparks, Nevada, at Skyline Assayer and Laboratories, Tucson, Arizona and at Acme Analytical Laboratories, Vancouver, British Columbia, Canada.

#### ***Entrée -OTLLC Joint Venture***

In October 2004, Entrée entered into an arm's-length Equity Participation and Earn-In Agreement (the "Earn-In Agreement") with Ivanhoe Mines. Under the Earn-In Agreement, Ivanhoe Mines agreed to purchase equity securities of Entrée, and was granted the right to earn a beneficial interest in a 39,864 hectare portion of the Lookout Hill property comprising the eastern portion of the Shivee Tolgoi, and all of the Javhlant mining licence (the "Joint Venture Property"). Most of Ivanhoe Mines' rights and obligations under the Earn-In Agreement were subsequently assigned by Ivanhoe Mines to what was then its wholly-owned subsidiary, OTLLC. The Government of Mongolia subsequently acquired from Ivanhoe Mines a 34% interest in OTLLC, which is also the title holder of the Oyu Tolgoi mining licence located adjacent to, and surrounded by, the Lookout Hill property.

OTLLC's Oyu Tolgoi project is comprised of a series of deposits containing copper, gold, silver and molybdenum. The deposits stretch over 12 kilometres ("km"), from the Hugo Dummett North deposit in the north through the adjacent Hugo Dummett South deposit, through to the Southern Oyu deposits. As part of its earn-in obligations under the Earn-In Agreement, OTLLC undertook an exploration program which also established the presence of two significant deposits on the Joint Venture Property: the Hugo North Extension deposit and the Heruga deposit. The Hugo North Extension deposit is an extension of the Hugo Dummett North deposit into the Shivee Tolgoi mining licence. The Heruga deposit is to the south within the Javhlant mining licence, but mineralization extends north across the licence boundary towards the Southwest Deposit on the Oyu Tolgoi licence. The Joint Venture Property forms part of the Oyu Tolgoi mining complex, and the Hugo North Extension and Heruga deposits are included in Ivanhoe Mines' Integrated Development Plan 2010, discussed under "Material Mineral Properties" below.

Figure 1 - Idealized Profile of Southern Oyu, Hugo Dummett and Heruga Deposits (Section Looking West)



On June 30, 2008, OTLLC gave notice to Entrée that it had completed its earn-in obligations by expending a total of \$35 million on exploration on the Joint Venture Property. OTLLC earned an 80% beneficial ownership interest in all minerals extracted below a sub-surface depth of 560 meters ("m") from the Joint Venture Property and a 70% beneficial ownership interest in all minerals extracted from surface to a depth of 560 m from the Joint Venture Property. In accordance with the Earn-In Agreement, Entrée and OTLLC formed the Entrée-OTLLC Joint Venture on terms annexed to the Earn-In Agreement.

Under the terms of the Entrée-OTLLC Joint Venture, Entrée may be carried through to production, at its election, **by debt financing from OTLLC with interest accruing at OTLLC's actual cost of capital or prime plus 2%, whichever is less, at the date of the advance.** Debt repayment may be made in whole or in part from (and only from) 90% of monthly available cash flow arising from the **sale of Entrée's share of products.** Such amounts will be applied first to payment of accrued interest and then to repayment of principal. Available cash flow means all net proceeds of **sale of Entrée's share of products in a month less Entrée's share of costs of operations for the month.** The debt financing and repayment provisions **prevent dilution of Entrée's interest as the project progresses.** Since formation, and as of December 31, 2010, the Entrée-OTLLC Joint Venture has expended \$8.8 million to advance the Joint Venture Property. OTLLC contributed on Entrée's behalf the required cash participation amount, equal to 20% of the \$8.8 million incurred to date, charging interest at prime plus 2%.

In accordance with the terms of the Joint Venture Agreement appended to the Earn-in Agreement, Entrée and OTLLC have established and appointed representatives to a management committee, to determine overall policies, objectives, procedures, methods and actions of the Entrée-OTLLC Joint Venture. The management committee is required to meet at least quarterly. OTLLC, as manager, prepares proposed programs and budgets and submits them to the management committee for review and consideration. Either joint venture participant may propose modifications or reject any or all of the components of the proposed program and budget, in which case the manager will work with the participants to complete a program and budget acceptable to both participants. Entrée and OTLLC have votes on the management committee in proportion to their respective interests in the Entrée-OTLLC Joint Venture. Decisions are made by a simple majority vote. In March 2011, the Entrée-Ivanhoe Joint Venture management committee approved a budget of \$5.5 million for exploration work which includes 16,000 m of drilling to test extensions to the Hugo North Extension and Heruga deposits. In addition, a budget of \$2.1 million was approved for geotechnical drilling related to future development of underground operations on the Hugo North Extension ore body.



At December 31, 2010, Ivanhoe Mines owned approximately 12.1% of Entrée's issued and outstanding Common Shares acquired pursuant to the Earn-In Agreement. Certain of Ivanhoe Mines' rights and obligations under the Earn-In Agreement, including a right to nominate one member of Entrée's Board of Directors (the "Board"), a pre-emptive right to enable it to preserve its ownership percentage in the Company, and an obligation to vote its shares as Entrée's Board directs on certain matters, expired with the formation of the Entrée-OTLLC Joint Venture. OTLLC's right of first refusal on the western portion of the Shivee Tolgoi licence ("Shivee West") is maintained.

#### ***Investment by Rio Tinto in Entrée***

In June 2005, following the announcement in May 2005 of the discovery of high grade mineralization at Hugo North Extension, Rio Tinto Exploration Canada Inc. (formerly Kennecott Exploration Canada Inc.) ("Rio Tinto") took part in a private placement in the Company and became its largest shareholder. Certain of Rio Tinto's rights and obligations under the equity participation agreement expired in July 2009. Rio Tinto's pre-emptive right to maintain its ownership percentage in the Company (unless Rio Tinto's proportionate share falls below 10% of the issued and outstanding Common Shares or unless Rio Tinto fails to exercise its pre-emptive right in full) is still in effect.

At December 31, 2010, Rio Tinto owned approximately 13.0% of Entrée's issued and outstanding Common Shares.

#### ***Investment by Rio Tinto Holdings in Ivanhoe Mines***

Following Rio Tinto's investment in the Company in June 2005, Rio Tinto plc, through its subsidiary Rio Tinto International Holdings Ltd. ("Rio Tinto Holdings"), invested approximately \$3.0 billion between October 2006 and March 2011 to acquire approximately 42% of Ivanhoe Mines' issued and outstanding shares.

On December 8, 2010, Ivanhoe Mines announced that it had entered into a Heads of Agreement with Rio Tinto Holdings pursuant to which Rio Tinto Holdings may increase its percentage ownership of Ivanhoe Mines to 49%, through a combination of share issuances from treasury and acquisitions from third parties and the open market. This may result in additional direct investments in Ivanhoe Mines of up to approximately \$1.9 billion. Rio Tinto Holdings also agreed to provide up to \$1.8 billion in interim financing. Rio Tinto Holdings' ownership interest in Ivanhoe Mines is capped at 49% until January 18, 2012.

Ivanhoe Mines announced that the agreement is intended to provide funding to complete the accelerated full-scale construction of the first phase of the Oyu Tolgoi mining complex. The parties agreed that Rio Tinto Holdings would be entitled to appoint three of the nine directors of OTLLC (with Ivanhoe Mines appointing three and the Government of Mongolia appointing three) and that Rio Tinto Holdings would assume the management of the building and operation of the Oyu Tolgoi mining complex, which includes the Heruga and Hugo North Extension deposits on the Joint Venture Property. Ivanhoe Mines will continue to directly manage ongoing exploration on the licences outside of the projected life-of-mine area, including the balance of the Joint Venture Property.

#### ***Base Shelf Prospectus***

In order to provide the Company with flexibility to quickly raise funds should the need or opportunity arise, the Company announced on November 19, 2010 that it had filed a short form base shelf prospectus with the securities commissions in each of the provinces of Canada, except Quebec, and a corresponding shelf registration statement with the United States Securities and Exchange Commission on Form F-10/A. These filings will allow the Company to make offerings of Common Shares, warrants, subscription receipts or any combination of such securities up to an aggregate offering price of C\$100,000,000 during the 25-month period that the short form base shelf prospectus remains effective. Net proceeds from the sale of the securities, if any, are expected to be used by the Company for acquisitions, development of acquired mineral properties, working capital requirements and/or for other general corporate purposes.

## **Environmental Compliance**

The Company's current and future exploration and development activities, as well as future mining and processing operations, if warranted, are subject to various federal, state and local laws and regulations in the countries in which we conduct our activities. These laws and regulations govern the protection of the environment, prospecting, development, production, taxes, labour standards, occupational health, mine safety, toxic substances and other matters. Company management expects to be able to comply with those laws and does not believe that compliance will have a material adverse effect on our competitive position. The Company intends to obtain all licenses and permits required by all applicable regulatory agencies in connection with our mining operations and exploration activities. The Company intends to maintain standards of compliance consistent with contemporary industry practice.

### ***Mongolia***

Holders of an exploration or mining licence in Mongolia must comply with environmental protection obligations established in the Environmental Protection Law of Mongolia, Law of Environmental Impact Assessment and the Minerals Law. These obligations include: preparation of an Environmental Impact Assessment (EIA) for exploration and mining proposals; submitting an annual environmental protection plan; posting an annual bond against completion of the protection plan; and submitting an annual environmental report.

Environmental bonds have been paid to the local governments, Khanbogd and Bayan-Ovoo Soums, for restoration and environmental management works required for exploration work undertaken at Lookout Hill. The environmental bond requirements were recently changed with the 2006 amendments to the Minerals Law, with the bonds now required to be paid to the government ministry in charge of environment. Entree is awaiting the implementation of administrative procedures for the new bonding requirements prior to transferring the bonds to the government ministry in charge of environment. Entree pays to the local soums annual fees for water, land and road usage.

2011 exploration work planned on the portion of the Shivee Tolgoi mining licence that is not subject to the Entrée-OTLLC Joint Venture (Shivee West) may include drill pad construction which involves surface disturbance and excavation. Bonds remain in place at Bayan-Ovoo and Khanbogd soums equal to approximately \$900 each. These bonds cover environmental reclamation to the end of 2011. These amounts are refundable to the Company on request once all environmental work has been completed to the satisfaction of the local soum.

As a result of the issuance of the Togoot mining licence in 2010, the Company must submit and have approved a Detailed Environmental Impact Assessment study (DEIA). The Company will be contracting licenced Mongolian consultants to complete this work in 2011.

Development and exploration on the Entrée – OTLLC Joint Venture is controlled and managed by OTLLC, which is responsible for all environmental compliance.

### ***Ann Mason, Nevada***

Exploration permits issued by the appropriate Federal (BLM) and Nevada Department of Environmental Protection are required for all exploration operations that include drilling or result in surface disturbance.

The Nevada State Office of the BLM holds a reclamation bond in the form of a cash payment from our subsidiary M.I.M. (U.S.A.) Inc. in the amount of \$84,132, which will be reimbursed once all reclamation work is complete and the agency has signed off on re-vegetation of drill sites and access roads. The bonded area covers up to 45 acres of disturbance over 10 years within a 2,060 acre project area. Entrée is in the process of increasing the size of the project area. Entree Gold (US) Inc. has been named operator of the Ann Mason project and is now a co-principal on the Ann Mason reclamation bond.

## Competition

The mineral exploration, development, and production industry is largely unintegrated. We compete with other exploration companies looking for mineral resource properties, the resources that can be produced from them and in hiring skilled professionals to direct related activities. While we compete with other exploration companies in the effort to locate and licence mineral resource properties, we do not compete with them for the removal or sale of mineral products from our properties, nor will we do so if we should eventually discover the presence of them in quantities sufficient to make production economically feasible. Readily available markets exist world-wide for the sale of copper, gold and other mineral products. Therefore, we will likely be able to sell any copper, gold or mineral products that we are able to identify and produce. Our ability to be competitive in the market over the long term is dependent upon our ability to hire qualified people as well as the quality and amount of ore discovered, cost of production and proximity to our market. Due to the large number of companies and variables involved in the mining industry, it is not possible to pinpoint our direct competition.

## Employees

At December 31, 2010, the Company had twenty-eight employees working for us on a full-time or part-time basis. Eleven employees are based in Vancouver, five employees are based in Ulaanbaatar, Mongolia, two employees are in our office in Beijing and five employees support each of our Mongolian and United States field programs. During the 2010 field season, the Company also contracted six expatriate geologists, geological technicians, camp support personnel and summer students at the Lookout Hill project. In addition to the expatriate employees, the Company hires up to 100 local personnel, including geologists, labourers, geophysical helpers, geochemical helpers, cooks, camp maintenance personnel, drivers and translators in Mongolia. These local personnel are hired as needed throughout each field season. The number of local hires fluctuates throughout the year, depending on the workload.

In the United States, the Company's field operations are headed by a senior geologist who is supported by four geologists (two of whom moved from the Mongolia projects), two core technicians, an administrative assistant and labourers on an as-needed basis. None of our employees belong to a union or are subject to a collective agreement. We consider our employee relations to be good.

## MATERIAL MINERAL PROPERTIES

Entrée is a Canadian mineral exploration company based in Vancouver, British Columbia, focused on the worldwide exploration of copper, gold and molybdenum prospects. Entrée's expertise is in acquiring prospective ground and exploring for deep and/or concealed porphyry deposits.

The Company has two material properties. The first, the Lookout Hill property in Mongolia, forms an integral part of the development of the Oyu Tolgoi mining complex, part of a developing copper camp in southern Mongolia.

Entrée's other material property, the recently acquired Ann Mason property in Nevada, is 100% owned by Entrée. This property lies within another promising copper camp located near Yerington, Nevada. The property hosts the Ann Mason porphyry deposit, which contains an inferred mineral resource, and the Blue Hill copper target, which is located approximately 3 km northwest of the Ann Mason deposit.

## MONGOLIA

### *Lookout Hill Property*

Lookout Hill is comprised of two mining licences: Shivee Tolgoi and Javhlant. Shivee Tolgoi and Javhlant completely surround OTLLC's Oyu Tolgoi project and host the Hugo North Extension copper-gold deposit and the

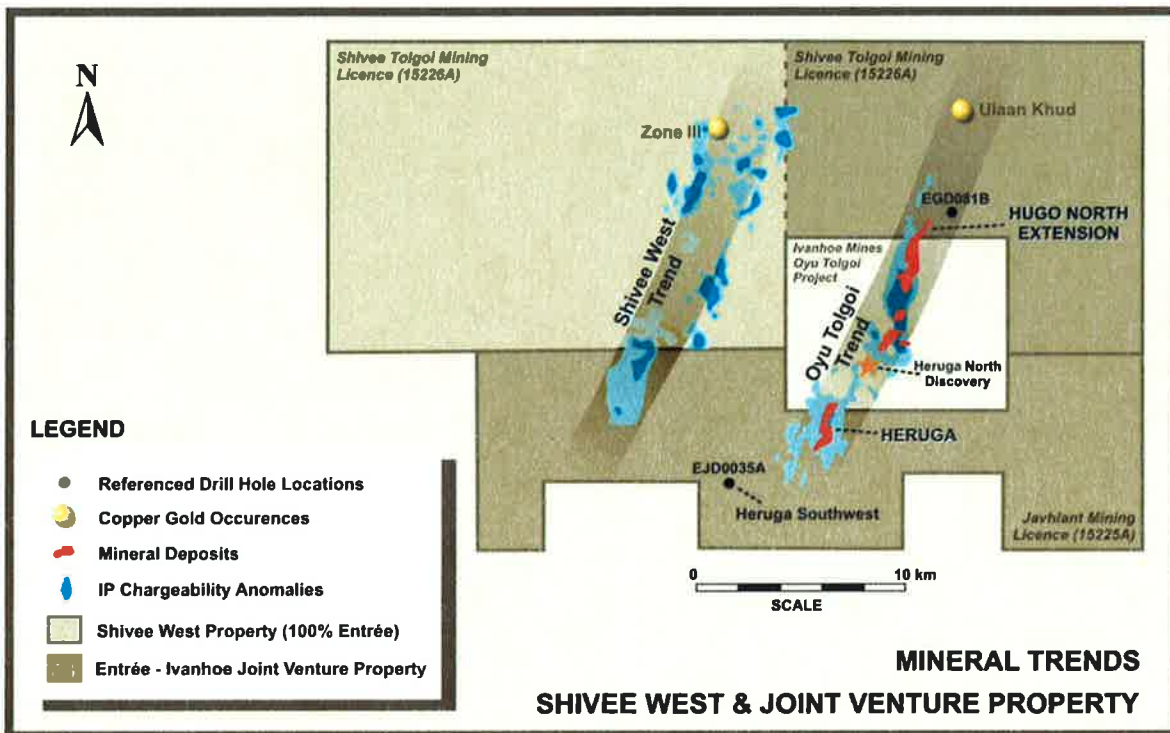
Heruga copper-gold-molybdenum deposits respectively. The licences are held by our wholly owned subsidiary, Entrée LLC.

The beneficial ownership of the Shivee Tolgoi and Javhlant mining licences is divided between Entrée LLC and the Entrée-OTLLC Joint Venture as described below:

- The Entrée-OTLLC Joint Venture beneficially owns 39,864 hectares (“ha”) consisting of the eastern portion of the Shivee Tolgoi and all of the Javhlant mining licence. The Joint Venture Property is contiguous with, and **on three sides (to the north, east and south) surrounds OTLLC’s Oyu Tolgoi project**. The Joint Venture Property hosts the Hugo North Extension deposit and the Heruga deposit. Entrée LLC holds title to the Joint Venture Property in trust for the Entrée-OTLLC Joint Venture.
- The portion of the Shivee Tolgoi mining licence outside of the Joint Venture Property (Shivee West) covers an area of 35,242 ha. Shivee West is 100% legally and beneficially owned by Entrée LLC but is subject to a first right of refusal by OTLLC.

The illustration below depicts the different areas of Lookout Hill:

**Figure 2 – Shivee West and Joint Venture Property**



The Company's Javhlant and Shivee Tolgoi exploration licences were converted to mining licences in October 2009. The total estimated annual fees in order to maintain both the licences in good standing are approximately \$1.1 million. Approximately \$500,000 of the total is recoverable from OTLLC.

A mining licence may be granted for up to 30 years, plus two subsequent 20 year terms (cumulative total of 70 years). After issuance of a mining licence, we are required to pay to the Mongolian Government a licence fee of \$15.00 per hectare per year for gold or base metal projects and \$5.00 per hectare for coal projects.

The following table is a summary of the Lookout Hill mining licences and their renewal status:

<b>Name of Property</b>	<b>License Number</b>	<b>Date Granted</b>	<b>Renewal Date</b>	<b>Expiration Date</b>
<b>Javhlant</b>	15225A	October 27, 2009	October 27, 2039	TBD
<b>Shivee Tolgoi</b>	15226A	October 27, 2009	October 27, 2039	TBD

Ivanhoe Mines announced the release of the Integrated Development Plan 2010 (“IDP10”) on May 11, 2010. IDP10 declares the first underground mineral reserves for the Hugo North deposit, including the Entrée-OTLLC Joint Venture’s Hugo North Extension deposit within the Shivee Tolgoi mining licence. The probable reserve for the Hugo North Extension deposit totals 27 million tonnes (“Mt”) grading 1.85% copper and 0.72 grams per tonne (“g/t”) gold.

On June 11, 2010, the Company filed an updated technical report titled “Lookout Hill Property Technical Report 2010” (the “June 2010 Technical Report”). The June 2010 Technical Report is dated June 9, 2010 and was prepared by AMEC Minproc Limited (“Minproc”) in Perth Australia, a “qualified person” as defined in NI 43-101. Unless stated otherwise, information in this AIF of a scientific or technical nature regarding the Lookout Hill project is summarized, derived or extracted from the June 2010 Technical Report. For a complete description of the assumptions, qualifications and procedures associated with the information in the June 2010 Technical Report, reference should be made to the full text of the June 2010 Technical Report, which is available for review on SEDAR located at [www.sedar.com](http://www.sedar.com).

### ***History***

Entree entered into an option agreement with a private Mongolian mining company, Mongol Gazar Co. Ltd. (“Mongol Gazar”) in 2002, to acquire three exploration licences.

Mongol Gazar was originally awarded the exploration licences by the Mongolian Government in March and April 2001. In November 2003, Entrée entered into a purchase agreement with Mongol Gazar, which replaced the existing option agreement.

In April 2004, Entree reached an agreement with Mongol Gazar, whereby Entree acquired 100% ownership of the title to the exploration licences and was absolved of any rights and obligations to Mongol Gazar.

These exploration licences were subsequently converted, in October 2009, to mining licences and two of them form the Lookout Hill property.

### ***Property Location and Accessibility***

Lookout Hill is located within the Aimag of Omnogovi (also spelled Umnogobi) in the South Gobi region of Mongolia (an “Aimag” is the local equivalent of a state or province), about 570 km south of the capital city of Ulaanbaatar and 80 km north of the border with China.

The city of Ulaanbaatar has the nearest international airport to the property with regularly scheduled commercial flights from various Asian destinations. The flying times from Seoul, Korea and Beijing, China to Ulaanbaatar are about 2.5 and 1.5 hours, respectively. Access to the project by road is possible year round; however, the unpaved road is in poor condition. Short periods of no road access can occur, due to frequent heavy winds and dust storms, or more rarely, snowstorms in the winter. The driving time for the 630 km trip from Ulaanbaatar by 4 wheel drive truck to the site is approximately 10 to 12 hours.

Alternatively, access is possible by air, to Oyu Tolgoi’s private landing strip at the adjacent Oyu Tolgoi site. Although the air strip is designated for use by Ivanhoe Mines, Entrée personnel are permitted to occasionally use charter aircraft to arrive at the site. Flying time from Ulaanbaatar is approximately 1.5 hours.

There are few inhabitants living within the boundaries of Lookout Hill and no towns or villages of significant size. The people who do live there are mostly nomadic herders.

Entrée is currently engaged in a small program of basic infrastructure improvements to assist the nearby communities in the vicinity of the project. In addition, Entrée maintains close contact with the district officials as part of their community relations efforts.

### ***Climate***

The southern Gobi region has a continental, semi-desert climate with cool springs and autumns, hot summers, and cold winters. The average annual precipitation is approximately 80 millimetre ("mm"), 90% of which falls in the form of rain with the remainder as snow. Snowfall accumulations rarely exceed 50 mm. Maximum rainfall events of up to 43 mm have been recorded for short-term storm events. In an average year, rain falls on only 25 to 28 days and snow falls on 10 to 15 days. Local records indicate that thunderstorms are likely to occur between two and eight days a year at the project area, with an average total of 29 hours of electrical activity annually. An average storm will have up to 83 lightning flashes a minute.

Temperatures range from an extreme maximum of about 36°C to an extreme minimum of about -31°C. The air temperature in wintertime fluctuates between -5°C and -31°C. In the coldest month, January, the average temperature is -12°C.

Wind is usually present at the site. Very high winds are accompanied by sand storms that often severely reduce visibility for several hours at a time. The records obtained from nine months of monitoring at the Oyu Tolgoi project weather station show that the average wind speed in April is 5.5 metres per second ("m/s"). However, windstorms with gusts of up to 40 m/s occur for short periods. Winter snowstorms and blizzards with winds up to 40 m/s occur in the Gobi region between five and eight days a year. Spring dust storms are far more frequent, and these can continue through June and July.

### ***Regional Geology***

The Lookout Hill property lies within the Palaeozoic age Gurvansayhan Terrane in southern Mongolia, a component of the Altaid orogenic collage, which is a continental-scale belt dominated by compressional tectonic forces. The Gurvansayhan Terrane consists of highly-deformed accretionary complexes and oceanic island arc assemblages. The island arc terrane is dominated by basaltic volcanics and intercalated volcanogenic sedimentary rocks (Upper Devonian Alagbayan Formation), intruded by pluton-sized, hornblende-bearing granitoids of mainly quartz monzodiorite to possibly granitic composition. Carboniferous-age sedimentary rocks (Sainshandhudag Formation) overlie this assemblage.

Major structures in this area include the Gobi–Tien Shan sinistral strike-slip fault system, which splits eastward into a number of splays in the project area, and the Gobi–Altai Fault system, which forms a complex zone of sedimentary basins overthrust by basement blocks to the north and northwest.

### ***Mongolian Government***

In August 2009, the Mongolian Parliament approved amendments to four laws, including the insertion of a sunset provision to cancel the three-year-old, 68% windfall profits tax on copper and gold effective January 1, 2011. These amendments allowed the Mongolian Government, Ivanhoe Mines and Rio Tinto Holdings to conclude the negotiations necessary to finalise an investment agreement (the "Investment Agreement").

On October 6, 2009, Ivanhoe Mines, OTLLC (then known as Ivanhoe Mines Mongolia Inc.) and Rio Tinto Holdings signed the Investment Agreement with the Mongolian Government. The Investment Agreement regulates the relationship between these parties and stabilises the long term tax, legal, fiscal, regulatory and operating

environment to support the development of the Oyu Tolgoi project. The Investment Agreement specifies that the Government of Mongolia will own 34% of the shares of OTLLC and contemplates the Government of Mongolia obtaining a 34% interest in the rights of OTLLC in respect of the Joint Venture Property. Conditions precedent to the Investment Agreement were satisfied within six months of the signing date, and the Investment Agreement took legal effect on March 31, 2010.

The contract area defined in the Investment Agreement includes the Javhlant and Shivee Tolgoi mining licences, including Shivee West which is 100% owned by Entrée and not currently subject to the Entrée-OTLLC Joint Venture. However, Entrée is not presently a party to the Investment Agreement. Neither Entrée nor Entrée LLC have any rights or benefits under the Investment Agreement, and Entrée's interest in the Joint Venture Property is not affected. OTLLC has agreed, under the terms of the Earn-In Agreement, to use its best efforts to cause Entrée to be brought within the ambit of, made subject to and to be entitled to the benefits of the Investment Agreement. In order to become a party to the Investment Agreement, the Government of Mongolia may require Entrée or the Entrée-OTLLC Joint Venture to agree to certain concessions, including with respect to the ownership of the Entrée-OTLLC Joint Venture or the scope of the lands to be covered by the Investment Agreement.

#### **Joint Venture Property – Mineral Resources**

Exploration on the Joint Venture Property has been minimal subsequent to completion of the previous resource calculations on both the Hugo North Extension and the Heruga deposits early in 2008. One 721 m diamond hole was drilled in 2008 on Ulaan Khud, which lies 7 km northeast of Hugo North Extension, and 11 additional diamond holes were completed on Heruga in 2008 as infill and to test the eastern edge of the deposit. In addition, in late 2008 a detailed magnetometer survey was completed over Heruga and over the Hugo North Extension deposit areas. Exploration in 2009 was restricted to deep penetrating induced polarization (IP) surveys over Hugo North Extension and over Heruga, and a single 229 m diamond hole on Javhlant.

The following Table 1 summarizes the mineral resources for the Hugo North Extension deposit and the Heruga deposit as reproduced in the June 2010 Technical Report. The resource estimate for the Hugo North Extension deposit is effective as of February 20, 2007 and is based on drilling completed to November 1, 2006. The Heruga mineral resource estimate is effective as of March 30, 2010.

Deposit	Tonnage (t)	Copper (%)	Gold (g/t)	CuEq (%)	Contained Metal		
					Copper (000 lb)	Gold (oz)	CuEq (000 lb)
<b>Hugo North Extension Deposit</b>							
Indicated Shivee Tolgoi (Hugo North)	117 000 000	1.80	0.61	2.19	4 640 000	2 290 000	5 650 000
Inferred Shivee Tolgoi (Hugo North)	95 500 000	1.15	0.31	1.35	2 420 000	950 000	2 840 000
<b>Heruga Deposit</b>							
Inferred Heruga Javhlant	910 000 000	0.48	0.49	0.87	9 570 000	14 300 000	17 390 000

#### **Notes:**

- Copper Equivalent (CuEq) has been calculated using assumed metal prices of \$1.35/lb for copper, \$650/oz for gold, and \$10.50 for molybdenum. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and 72% of copper recovery respectively. CuEq was calculated using the formula:  $CuEq\% = Cu\% + ((Au\ g/t * 18.98) + (Mo\ g/t * 0.01586)) / 29.76$ .
- Mo content in Heruga deposit is 141 ppm and included in calculation of CuEq.

- The contained copper, gold and molybdenum in the tables have not been adjusted for metallurgical recovery.
- The 0.6% CuEq cut-off is highlighted as the base case resource for underground bulk mining.
- The mineral reserves are not additive to the mineral resources.
- Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- The Joint Venture Property includes a portion of the Shivee Tolgoi licence and the entire Javhlant licence, which are held by Entrée LLC in trust and are being operated by OTLLC. OTLLC will receive 80% and Entrée will receive 20% of cash flows after capital and operating costs.

#### *Hugo North Extension Deposit*

The Hugo North Extension deposit within the Joint Venture Property contains copper–gold porphyry-style mineralization associated with quartz monzodiorite intrusions, concealed beneath a deformed sequence of Upper Devonian and Lower Carboniferous sedimentary and volcanic rocks.

The copper sulphides in the high-grade zone at Hugo North Extension comprises relatively coarse bornite impregnating quartz and disseminated in wall rocks of varying composition, usually intergrown with subordinate chalcopyrite. Bornite is dominant in the highest-grade parts of the deposit (with these zones averaging around 3% to 5% Cu) and is zoned outward to chalcopyrite (to zones averaging around 2% Cu for the high-grade chalcopyrite dominant mineralization). Bornite and chalcopyrite are important copper bearing minerals that contain approximately 63% and 35% Cu (respectively) in their crystal structure. High grade gold values within the Oyu Tolgoi mineralized system are associated with the presence of bornite.

Geological models were constructed by Ivanhoe Mines using lithological and structural interpretations completed in late 2006. Quantitative Group Pty Ltd. (“QG”) checked the lithological and structural shapes for interpretational consistency on section and plan, and found them to have been properly constructed.

Resource estimates were undertaken using MineSight® commercial mine planning software. Industry accepted methods were used to create interpolation domains based on mineralized geology, and grade estimation based on ordinary kriging. The assays were composited into 5 m down-hole composites; block sizes were 20 x 20 x 15 m.

The mineral resources were classified using logic consistent with the CIM definitions required by NI 43–101. Inspection of the model and drill hole data on plans and sections showed geological and grade continuity. When taken together with spatial statistical evaluation and investigation of confidence limits in predicting planned annual production, blocks were assigned as indicated resources if they fell within the current drill hole spacing, which is on 125 x 70 m centres. Blocks were assigned to the inferred resource category if they fell within 150 m of a drill hole composite.

The base case copper equivalent cut-off grade assumptions for the Hugo North Extension deposit were determined using operating cost estimates from similar deposits.

#### *Heruga Deposit*

The Heruga mineral resource estimate was updated in March 2010 and remained unchanged in the June 2010 Technical Report. This estimate is in conformance with the CIM mineral resource and mineral reserve definitions referred to in NI 43-101. The mineral resource estimate was prepared under the supervision of Scott Jackson and John Vann of QG in Perth. The Heruga deposit within the Joint Venture Property contains copper–gold–molybdenum porphyry-style mineralization hosted in Devonian basalts and quartz monzodiorite intrusions, concealed beneath a deformed sequence of Upper Devonian and Lower Carboniferous sedimentary and volcanic rocks. The deposit is cut by several major brittle fault systems, partitioning the deposit into discrete structural blocks. Internally, these blocks appear relatively undeformed, and consist of southeast-dipping volcanic and volcanoclastic sequences. The stratiform rocks are intruded by quartz monzodiorite stocks and dykes that are probably broadly contemporaneous with mineralization. The deposit is shallowest at the south end (approximately 500 m below surface) and plunges gently to the north.



QG reviewed Ivanhoe Mines' quality assurance/quality control procedures in 2008 and 2009 and found them to be followed and to exceed industry standards.

The database used to estimate the mineral resources for the Heruga deposit consists of samples and geological information from 43 drill holes, including daughter holes, totalling 58,276 m.

The alteration at Heruga is typical of porphyry style deposits, with notably stronger potassic alteration at deeper levels. Locally intense quartz-sericite alteration with disseminated and vein pyrite is characteristic of mineralized quartz monzodiorite. Molybdenite mineralization seems to spatially correlate with stronger quartz-sericite alteration.

Modelling of mineralization zones for resource estimation purposes revealed that there is an upper copper-driven zone and a deeper gold-driven zone of copper-gold mineralization at Heruga. In addition, there is significant (100 ppm to 1000 ppm) molybdenum mineralization in the form of molybdenite.

A close-off date of May 31, 2009 for survey (collar and down hole) data was utilized for constructing the geological domains.

Ivanhoe Mines created three dimensional shapes (wireframes) of the major geological features of the Heruga deposit. To assist in the estimation of grades in the model, Ivanhoe Mines also manually created three dimensional grade shells (wireframes) for each of the metals to be estimated. Construction of the grade shells took into account prominent lithological and structural features, in particular the four major sub-vertical post-mineralisation faults. For copper, a single grade shell at a threshold of 0.3% Cu was used. For gold, wireframes were constructed at thresholds of 0.3 g/t and 0.7 g/t. For molybdenum, a single shell at a threshold of 100 ppm was constructed. These grade shells took into account known gross geological controls in addition to broadly adhering to the above mentioned thresholds.

QG checked the structural, lithological and mineralized shapes to ensure consistency in the interpretation on section and plan. The wireframes were considered to be properly constructed and honoured the drill data.

Resource estimates were undertaken by Ivanhoe Mines using Datamine® commercial mine planning software. The methodology was very similar to that used to estimate the Hugo North deposits. Interpolation domains were based on mineralized geology, and grade estimation based on ordinary kriging. Bulk density was interpolated using an inverse distance to the third power methodology. The assays were composited into 5 m down-hole composites; block sizes were 20 x 20 x 15 m.

As an independent check, QG also built a model from scratch using the same wireframes and drill data used in the Ivanhoe Mines model. Gold, copper and molybdenum were interpolated using independently generated variograms and search parameters. QG compared the two estimates and consider that they agree well within acceptable limits thus adding additional support to the estimate built by Ivanhoe Mines.

The mineral resources for Heruga were classified using logic consistent with the CIM definitions required by NI 43-101. Blocks within 150 m of a drill hole were initially considered to be inferred. A three dimensional wireframe was constructed inside of which the nominal drill spacing was less than 150 m.

#### ***Joint Venture Property - Mineral Reserves***

Ivanhoe Mines has prepared a study titled Integrated Development Plan 2010 (IDP10) which represents the first opportunity to publically update the previous Oyu Tolgoi Integrated Development Plan 2005 (IDP05) for all aspects of the project within the framework of a signed and effective Investment Agreement with the Government of Mongolia. The IDP10 was published in a technical report by Ivanhoe Mines in June 2010 and included work on the Entrée-OTLLC Joint Venture Property. The qualified persons responsible for the Ivanhoe Mines technical report are

the same qualified persons responsible for the reporting of the results of the study work on the Entrée-OTLLC Joint Venture.

On June 11, 2010, the Company filed the June 2010 Technical Report. The June 2010 Technical Report considers the conclusions and recommendations raised within IDP10 in the context of the Company's operations.

Unless stated otherwise, information in this AIF of a scientific or technical nature regarding the Lookout Hill Project mineral reserves and development scenarios is summarized, derived or extracted from the June 2010 Technical Report. For a complete description of the assumptions, qualifications and procedures associated with the information in June 2010 Technical Report, reference should be made to the full text of the June 2010 Technical Report, which is available for review on SEDAR located at [www.sedar.com](http://www.sedar.com).

The Entrée-OTLLC Joint Venture Property mineral reserve is contained within the Hugo North Block Cave Lift 1 as defined within the Integrated Development Plan 2010 prepared by Ivanhoe Mines in June 2010. Stantec Mining prepared the Hugo North mineral reserve by applying the block cave mining method parameters to the Hugo Dummett mineral resource block model. The mine planning work has been prepared using industry standard mining software, assumed metal prices and smelter terms as set forth in the June 2010 Technical Report. The estimate was prepared on a simplified project analysis on a pre-tax basis. Key outstanding variables noted by Stantec Mining include the marketing matters, water supply and management and power supply. The report only considers mineral resources in the indicated category, and engineering that has been carried out to a prefeasibility level or better to state the underground mineral reserve. There is no measured resource in the Hugo North mineral resource. Copper and gold grades on inferred resources within the block cave shell were set to zero and such material was assumed to be dilution. The block cave shell was defined by a \$20/tonne net smelter returns ("NSR"), further mine planning will examine lower cut-offs. The Hugo North mineral reserve is on both the OTLLC Oyu Tolgoi licence and the Entrée-OTLLC Joint Venture portion of the Shivee Tolgoi licence.

<b>Classification</b>	<b>Ore (Mt)</b>	<b>NSR (\$/t)</b>	<b>Cu (%)</b>	<b>Au (g/t)</b>	<b>Copper (Billion lb)</b>	<b>Gold (Moz)</b>
Proven	-	-	-	-	-	-
Probable	27	55.57	1.85	0.72	1.0	0.5
<b>Total Entrée-OTLLC Joint Venture</b>	<b>27</b>	<b>55.57</b>	<b>1.85</b>	<b>0.72</b>	<b>1.0</b>	<b>0.5</b>

**Notes:**

- Table shows only the part of the mineral reserve on the Entrée-OTLLC Joint Venture portion of the Shivee Tolgoi licence.
- Metal prices used for calculating the Hugo North Underground NSR are copper \$1.50/lb, gold \$640/oz, and silver \$10.50/oz based on long term metal price forecasts at the beginning of the mineral reserve work. The analysis indicates that the mineral reserve is still valid at these metal prices.
- The NSR has been calculated with assumptions for smelter refining and treatment charges, deductions and payment terms, concentrate transport, metallurgical recoveries and royalties.
- For the underground block cave all material within the shell has been converted to mineral reserve this includes low grade indicated material and inferred material assigned zero grade treated as dilution.
- Only measured resources were used to report proven reserves and only indicated resources were used to report probable reserves.
- The Entrée-OTLLC Joint Venture portion of the Shivee Tolgoi licence is held by Entrée LLC in trust for the Entrée-OTLLC Joint Venture, and is being operated by OTLLC. OTLLC will receive 80% and Entrée 20% of cash flows after capital and operating costs.
- The base case financial analysis has been prepared using current long term metal price estimates of copper \$2.00/lb, gold \$850/oz, and silver \$13.50/oz.
- The mineral reserves are not additive to the mineral resources.

### ***Integrated Development Plan 2010***

IDP10 presents two complementary development cases:

- Reserve Case, based strictly on proven and probable mineral reserves; and
- Life of Mine (Sensitivity) Case, which adds a large base of inferred resources to the Reserve Case.

The Reserve Case sets out the likely path of development for the initial phases of the Oyu Tolgoi group of deposits (Southern Oyu pits 1 through 9 and Hugo North Lift 1) and is based on a prefeasibility level of study. The Reserve Case is a prefeasibility quality level study complying with NI 43-101, although some parts of the Oyu Tolgoi project are further advanced and are considered at feasibility level. The work of the IDP10 meets the standards of US Industry Guide 7 requirements for reporting reserves. Some of the mineral resources from within the Entrée-OTLLC Joint Venture Property in Hugo North Extension have been converted to mineral reserve.

The Life of Mine (Sensitivity) Case reflects the development flexibility that exists with respect to later phases of the Oyu Tolgoi group of deposits (Heruga, Hugo South and the second lift of Hugo North), which will require separate development decisions in the future based on then prevailing conditions and the development experience obtained from developing and operating the initial phases of the Oyu Tolgoi project. Accordingly, the Life of Mine (Sensitivity) Case is effectively a preliminary assessment. Insofar as the Life of Mine (Sensitivity) Case includes an economic analysis that is based, in part, on inferred mineral resources, the Life of Mine (Sensitivity) Case does not have as high a level of certainty as the Reserve Case. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would allow them to be categorized as mineral reserves, and there is no certainty that the Life of Mine (Sensitivity) Case will be realized. Mineral resources in the indicated and inferred categories with the Entrée-OTLLC Joint Venture Property in the Hugo North Extension and Heruga have been included in this analysis.

IDP10 provides a detailed outline of the likely development path for these reserves and the subsequent development of the remainder of the currently identified Oyu Tolgoi resources. Independent reviews completed in the preparation of this report, indicate a number of areas where project value can be further improved or optimized. The report also notes that management has considerable flexibility after initial construction and operations commence to further optimize the economic returns to stakeholders.

Given the extent of the mineral discoveries associated with the Oyu Tolgoi project and the potential for additional discoveries, Ivanhoe Mines and the Government of Mongolia agreed that the approved Investment Agreement should conform with the provision of Mongolia's current Minerals Law specifying that certain deposits of strategic importance qualify for 30 years of stabilized tax rates and regulatory provisions, with an option of extending the term of the Investment Agreement for an additional 20 years. Major taxes and rates stabilized for the life of the agreement include: corporate income tax, customs duty, value-added tax; excise tax; royalties; exploration and mining licences; and immovable property and/or real estate tax.

The long term Investment Agreement stabilizes the fiscal regime for the Oyu Tolgoi project. OTLLC is undertaking a comprehensive implementation review following a binding Investment Agreement in order to develop a final project schedule and budget.

Both the Reserve Case and the Life of Mine (Sensitivity) Case include resources from the Oyu Tolgoi deposit (wholly owned by OTLLC) and Entrée-OTLLC Joint Venture licence areas. The initial production period of each case is the same.

Oyu Tolgoi has a large mineral resource providing management with flexibility in studying alternative paths for mine development to match future economic conditions. When broken down, the Life of Mine (Sensitivity) Case currently includes ore from seven distinct mining areas, and although the development of some of these areas are interdependent, most represent separate investment decisions to be made at some future time.

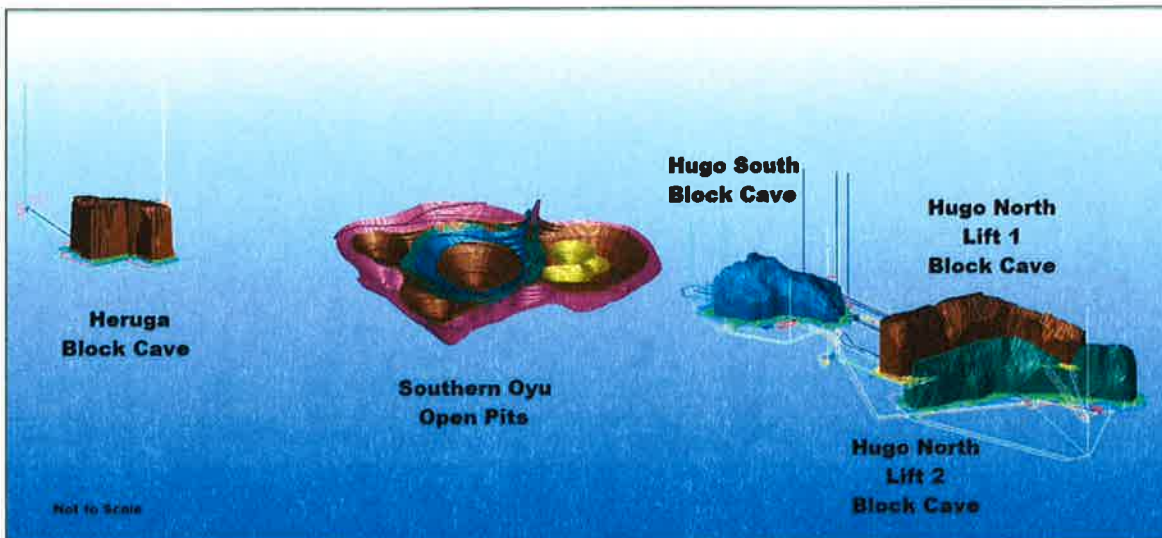
Five deposits have been identified in the mineral resource at Oyu Tolgoi; they are Southwest and Central, Hugo South, Hugo North and Heruga. Southwest and Central comprise the Southern Oyu and Hugo South and Hugo North (including Hugo North Extension) comprise the Hugo Dummett deposit. For mine planning purposes, the nine open pit stages at Southern Oyu and one block cave at Hugo North have been identified for the mineral reserve. In addition to these, long term mine planning has identified potential for another block cave lift at Hugo North, open pit or block caving at Hugo South and two block caving scenarios at Heruga. The mine planning work in IDP05 and confirmed in IDP10 suggests the following relative ranking for overall return from each deposit, from highest value to lowest:

- Hugo North
- Southwest
- Central
- Hugo South or Heruga.

The Reserve Case assumes processing of 1.4 billion tonnes (“Bt”) of ore over a 27 year period, mined from the Southern Oyu open pit and the first lift in the Hugo North underground block cave.

The Life of Mine (Sensitivity) Case extends the mine inventory to include inferred material and assumes processing of 3.01 Bt over 60 years. In this case, resources from the planned second lift in Hugo North, Hugo South and the Heruga deposit are added to the mining inventory, as they would be when considered in Mongolia. The mining areas that are included in the Reserve Case and in the Life of Mine (Sensitivity) Case are shown in Figure Figure 3.

**Figure 3 IDP10 Mining Areas**



IDP10 outlines the initial construction of a concentrator and infrastructure to support production at a nominal capacity of 100 kilotonnes per day (“kt/d”). The predominant source of ore at start up is the Southern Oyu Open Pit. In parallel to this surface construction, underground infrastructure and mine development is ongoing for the Hugo North underground block cave deposit. Stockpiling allows the higher grade ore from Hugo North to gradually displace the open pit ore as the underground production ramps up to reach 85 kt/d.

At the end of Year 5, an expansion to the concentrator is completed in conjunction with production from Hugo North passing 10 million tonnes per annum (“Mt/a”) toward its full production level of 29.5 Mt/a. This provides the capacity to process 158 kt/d for the duration of the operation. Ongoing planning work using inferred resources has identified the potential for further expansions to between 210 kt/d and 265 kt/d.

The ore is planned to be processed through conventional crushing, grinding and flotation circuits. The concentrate produced will initially be trucked to smelters in China and then in future years transported by the developing Mongolian rail network, expansions to which are already underway.

A summary of the Entrée-OTLLC Joint Venture Property production and financial results is shown in Table 3. The results highlight the differences between the cases; in particular the table highlights the significant increase in metal with the Life of Mine (Sensitivity) Case. The after tax NPV at 8% discount rate attributable to Entrée for the Reserve Case is \$79 million and for the Life of Mine (Sensitivity) Case is \$176 million.

<b>Table 3 IDP10 Summary Production and Financial Results</b>			
<b>Description</b>	<b>Units</b>	<b>Reserve Case</b>	<b>Life of Mine (Sensitivity) Case (includes Inferred Resources)</b>
Inventory		Mineral Reserve	Mineral Reserve and Inferred Resources
Production Rate (after expansion)	Mt/a	58	58
Total Processed	Bt	1.39	3.01
<b>Entrée-OTLLC Joint Venture Property Results</b>			
Processed	Mt	27	765
NSR	\$/t	55.57	20.77
Cu Grade	%	1.85	0.62
Au Grade	g/t	0.72	0.47
Copper Recovered	Billion lb	1.0	9.1
Gold Recovered	Million oz	0.5	8.6
NPV (8%) After Tax (Entrée)	US\$M	79	176

**Notes:**

- Metal prices used for calculating the underground NSR are: copper \$1.50/lb, gold \$640/oz, silver \$10.50/oz, and molybdenum \$10.50/lb. Based on long-term metal price forecasts at the beginning of the mineral reserve work and still believed to be valid.
- The NSR has been calculated with assumptions for smelter refining and treatment charges, deductions and payments terms, transport costs, metallurgical recoveries and royalties.
- Long term metal prices used in the NPV economic analyses are: copper \$2.00/lb, gold \$850/oz, silver \$13.50/oz, molybdenum \$13.50/lb.
- Current metal prices used in the NPV economic analyses are: copper \$3.13/lb, gold \$1,208/oz, (silver \$13.50/oz, and molybdenum \$13.50/lb - unchanged from long term pricing).
- Under the NI 43-101 guidelines, inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would allow them to be categorized as mineral reserves, and there is no certainty that the Life of Mine (Sensitivity) Case will be realized.

Exploration and development of the Entrée-OTLLC Joint Venture Property is under the control of project operator OTLLC. The future work recommendations in IDP10 although focussed on the Oyu Tolgoi project will be of benefit to Entrée as they will include examination of the Entrée-OTLLC Joint Venture Property.

*Oyu Tolgoi – Implementation Review*

It has been identified in the study work that there are a number of areas where project value can be improved or optimized. IDP10 recommends that OTLLC undertake a comprehensive implementation review to establish a baseline for the Oyu Tolgoi project as it moves towards full production. This will also assist in the continued monitoring and interpretation of the Investment Agreement. Key areas identified for the implementation review are:

- Capital Re-Estimate

- Start-up Date Optimization
- Open Pit Optimization
- Optimization of Gold Recovery
- Tailings Dam Design
- Power Supply
- Water Supply
- Concentrate Transport

Information from the first underground development drift will confirm assumptions made in IDP05. The Characterization Drift and associated drilling is an important step in finalizing designs for the underground feasibility study and mine development. This will have a direct effect on the Hugo North mineral reserve by improving the understanding for operational activities.

The recent Heruga and Heruga North discoveries have again highlighted the exploration potential of the Oyu Tolgoi region. Opportunities for further discoveries along strike and at depth below existing discoveries could add significant life or increase the size of the Oyu Tolgoi project; extended exploration of the region is advised and an ongoing budget for exploration is in place with over 16,000 m of exploration diamond drilling planned for 2011.

Options for increased production rates and varying the start times of some of the deposits have been examined but will require more detailed studies. The Alternative Production Options indicate the direction for these studies.

#### ***Recent Developments – Entrée-OTLLC Joint Venture Property***

In 2010, surface work and drilling were completed on the Entrée-OTLLC Joint Venture ground. The surface work consisted mainly of deep penetrating proprietary IP surveying which was extended north to cover the Ulaan Khud prospect located approximately 7 km northwards of the Hugo North Extension deposit. Previous shallow drilling in this area outlined a low grade copper occurrence in a geological setting similar to that of the Oyu Tolgoi mineralization.

North of the Hugo North Extension, drilling in 2010 of up to five deep core holes was planned by project operator, OTLLC along the projected extension of the Oyu Tolgoi Trend between Hugo North Extension deposit and Ulaan Khud. Four diamond holes totalling 5,560 m were completed in 2010 in this area and further north near the new airport. None of these holes were successful at reaching the planned target. Drilling is continuing on the EGD081-EGD147 section, located 650 m north from Hugo North Extension.

Two core holes were completed earlier in the year on Heruga Southwest (refer to Figure 2), located approximately 5 km southwest of the Heruga orebody, on the Entrée-OTLLC Joint Venture property. One hole intersected copper mineralization (EGD035A - 56 m grading 0.6 % Cu) at a depth of approximately 1400 m in Devonian-aged volcanics. A second hole that was drilled to intersect the mineralization up dip on the same section entered a younger Carboniferous-aged intrusion. Proprietary deep-penetrating IP surveying was extended to cover this area.

In March 2011, the Entrée-Ivanhoe Joint Venture management committee approved a budget of \$5.5 million for exploration work which includes 16,000 m of drilling to test extensions to the Hugo North Extension and Heruga deposits. In addition, a budget of \$2.1 million was approved for geotechnical drilling related to future development of underground operations on the Hugo North Extension orebody.

#### ***Shivee West***

Entrée has a 100% interest in the western portion of the Shivee Tolgoi mining licence (Shivee West). Title to Shivee West is legally and beneficially held by Entrée's Mongolian subsidiary, Entrée LLC.

Surface work in 2010 consisted of a deep-probing IP survey, a close-spaced gravity survey, geochemical sampling and detailed geological mapping to augment the existing database followed by a diamond drilling program initiated in late June. In 2010, 11,634 m were completed in eleven holes testing deep targets along this trend. A number of holes encountered stratigraphy interpreted to be equivalent to the ore-hosting Devonian-age units at Oyu Tolgoi. These results are significant as this is the first time rock units equivalent to the key ore bearing horizons at Oyu Tolgoi have been documented on Shivee West.

Extensive disseminated and stringer pyrite mineralization with minor chalcopyrite is present in several holes, but no economic intervals of copper or gold mineralization were found. The Shivee West property remains prospective and results of the 2010 program will be evaluated over the winter prior to a decision on the nature and focus of a 2011 program.

## **UNITED STATES**

### ***Ann Mason Property***

Entrée has a 100% interest in the Ann Mason property indirectly through its wholly-owned subsidiary M.I.M. (U.S.A.) Inc., which it acquired in June 2010 through the acquisition of PacMag.

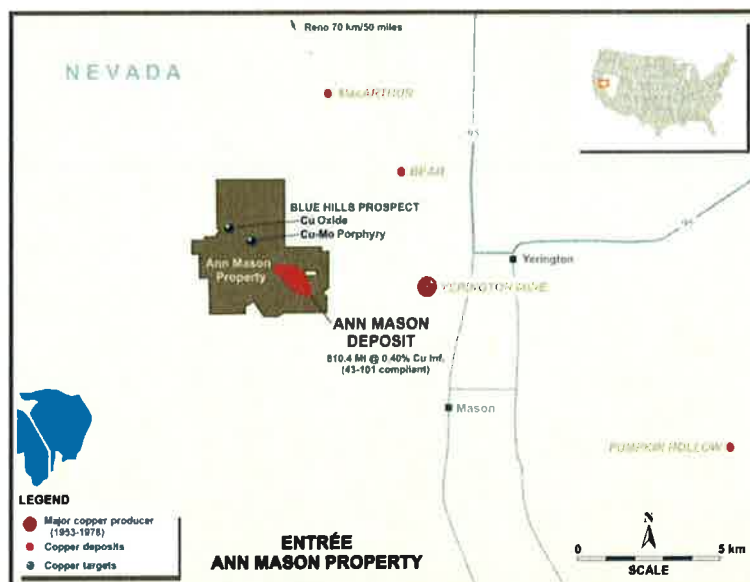
Entrée released a resource estimate on the Ann Mason copper deposit in January 2010. The Ann Mason deposit is estimated to contain an inferred resource of 810.4 Mt grading 0.40% copper, using a 0.30% copper cut-off. Accompanying molybdenum is estimated at 165.9 Mt at a grade of 0.01% molybdenum. Based on these figures, the Ann Mason deposit contains approximately 7.1 billion pounds of copper. The property also hosts the Blue Hill copper oxide target which is located approximately 3 km northwest of Ann Mason.

The following information was taken from "NI 43-101 Compliant Technical Report on the Ann Mason Property, Nevada, USA" with an effective date of March 11, 2011 (the "Technical Report 2011"). This report was prepared by Wardrop Engineering Inc. and Robert Cann, P. Geo., Entrée's Vice President, Exploration. A copy is filed on SEDAR at [www.sedar.com](http://www.sedar.com). The Technical Report 2011 forms the basis for the information in this AIF regarding the Ann Mason property. Portions of the information are based on assumptions, qualifications and procedures, which are not fully described herein. Reference should be made to the full text of the Technical Report 2011. The resource estimate released by Entrée in January 2010 did not change in the Technical Report 2011. .

### ***Location, Accessibility, Climate and Local Resources***

The Ann Mason property is located 7 km west of the town of Yerington in central west Nevada and hosts the Ann Mason copper molybdenum porphyry deposit. The property is defined by the mineral rights to 241 unpatented lode claims and covers a total area of approximately 1,837 ha, on public land administered by the Bureau of Land Management.

Figure 4 Ann Mason Location Map



The property is situated roughly 70 km southeast of Reno and is easily accessible from Reno via the main highway network. The climate in west central Nevada is characterized as high altitude temperate with warm to hot summers and cool winters and work can be conducted throughout the year, with only minor stoppage during winter months due to heavy snowfall or unsafe travel conditions. Nevada has a long and developed mining industry and most mining supplies and equipment can be sourced from Reno/Sparks, Carson City or Fernley. There is a power substation 3.7 km east of the property and the nearest source of surface water is the Walker River, located 7 km east of the property. The relief profile of the property is low rolling hills in the mountain pass to moderately steep terrain at higher elevations, and vegetation throughout the property consists of interspersed sagebrush and low profile desert shrubs.

### History

Significant production was recorded at the Yerington Copper Mine, located 4 km east of the Ann Mason property, from 1953 onwards. The Ann Mason property was explored extensively by Anaconda Copper Mining Inc. ("Anaconda"), between 1967 and 1975. In 1968, significant copper mineralization was discovered during a diamond drilling program and, by 1970, a total of 92,000 feet (28,041 m) of drilling was completed in 69 drill holes. A re-evaluation of the geology was conducted from 1973 to 1975, with an additional 34,000 feet (10,363 m) of drilling completed in 29 drill holes. In 1977, Atlantic Richfield Company acquired Anaconda and its mineral rights and continued to delineate and develop the Ann Mason deposit, with a total of 133,134 feet (40,579 m) of drilling completed by 1980. Arizona Metals Company acquired the mineral rights to the Yerington mine and the property and completed only limited work on the property. In June 2002, Mount Isa Mines acquired the Ann Mason property and completed a work program that included geological mapping, a geophysical survey and reverse circulation ("RC") drilling. Results from this work program indicated that the main zone of mineralization in the drilled resource area is located on the eastern flank of a chargeability anomaly which is present on each of the lines to the north and west. A further RC drilling program of 3,000 feet (914 m) in five holes was conducted to test for shallow mineralization on the northwest portion of the chargeability anomaly.

Giralía Resources NL, now a subsidiary of Atlas Iron Limited (ASX:AGO - "Giralía"), acquired the Ann Mason property in October 2003, but did not conduct any exploration activities. PacMag acquired the Ann Mason property from Giralía in November 2005. In 2006, PacMag completed 4,602 feet (1,403 m) of diamond drilling in



three holes. In November 2006, PacMag retained Golder Associates Inc. to complete a resource estimate on the property in compliance with the Australian JORC Code for Reporting of Identified Mineral Resources and Ore Reserves. An additional seven drill holes were completed on the property to test the chargeability anomaly in 2007 and 2008. In November 2007, a scoping study was completed by Metallurgical Consultants Pty Ltd. which found, at the time, that the project was most sensitive to copper price. In 2006, PacMag conducted a quality control/quality assurance ("QA/QC") assay check program on copper and molybdenum values, the results of which were included in the Golder 2006 resource estimate, of the historical assay database. In January 2010, Wardrop Engineering Inc. ("Wardrop") prepared a resource estimate on the Ann Mason deposit for Entrée.

### **Geology**

The Ann Mason deposit occurs entirely within the Yerington District Northern Batholith, and is hosted by granodiorite and quartz monzonite rocks associated with the batholith, the contact of which trends north westerly and apparently served as a structural locus for porphyry mineralization. The batholith and deposit are cut by the post-Miocene Singatse Fault, the hanging wall of which covers a large portion of the known extent of the deposit. Portions of the periphery of the deposit are exposed to the south and west of the Singatse Fault outcrop.

The primary mineralization at the Ann Mason property is copper and molybdenum. Copper occurs in the deposit as copper sulphides such as bornite, chalcopyrite and minor secondary chalcocite and malachite.

### **Mineral Resource Estimate**

The Ann Mason property contains a NI 43-101 compliant inferred resource of 810.4 Mt at 0.399% copper (at a 0.30% cut-off) for 3.23 Mt of contained copper. This resource estimate is constrained using PacMag's pit shell #25 from their Whittle pit optimization run 7.

The following table summarizes the mineral resource for the Ann Mason deposit as reproduced in the Technical Report 2011. The resource estimate for the Ann Mason deposit is effective as of January 26, 2010.

<b>Cut-off</b>	<b>Tonnage</b>	<b>Cu</b>
<b>Cu %</b>	<b>(million t)</b>	<b>%</b>
>0.4	315.22	0.485
<b>&gt;0.3</b>	<b>810.39</b>	<b>0.399</b>
>0.2	1409.96	0.336

At a copper cut-off of 0.30% and modelled within pit shell #25, the molybdenum resource is 166 Mt at 0.010% molybdenum. Readers are cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.

### **Sampling and Analysis**

All PacMag samples were dispatched as chip samples or half core cut from HQ or NQ diamond drill core to ALS Chemex in Reno, Nevada. All sample preparation was performed by ALS Chemex along with fire assay analysis whilst base and trace metal analysis was performed on pulps in the ALS Chemex Vancouver facility.

A check assay program was completed by PacMag in 2006 on approximately 10% of Anaconda drill core. An average of six samples from each original Anaconda assay batch were reanalyzed and results indicated a small systematic bias (Anaconda copper results about 5% higher) which was corrected mathematically. In addition, prior to the 2010 resource estimation, Wardrop undertook a certification of the Ann Mason database, with ten drill holes out of 97 being selected from the database (Wardrop chose drill holes based on geographic coverage of the Ann Mason deposit). Data verification included a copper assay database to assay certificate check, a molybdenum

assay database to assay certificate check, a survey check and zero length sample interval and sample interval gap checks of copper and molybdenum databases.

All Entrée core and chip samples are sent to ALS Chemex in Reno, Nevada for Au and to ALS Chemex in Vancouver, Canada for base and trace metals. Core is sawn in half at a secure Company facility in Yerington.

Entrée has a comprehensive QA/QC programme in place at Ann Mason: one blank, one core duplicate and one standard are inserted in every 30 samples. Once pulps are returned from the lab, one in every 20 pulps will be assigned a new sample number and submitted for re-analysis. Core duplicates are created by quartering one-half of the core. One-quarter is used as the original sample and one-quarter is submitted as the duplicate. Blank material is either commercially available sand or crushed river rock that has been submitted for analysis to confirm the metal content is below threshold levels set in the database. Certified reference standards are obtained from CDN Laboratories, Vancouver.

The QA/QC programme established by Entrée for the Blue Hill RC drilling programme is slightly different from Ann Mason's core drilling: one blank and one duplicate sample were inserted in every 20 samples and one standard was inserted in every 40 samples. Blank material is either commercially available sand or crushed river rock that has been submitted for analysis to confirm the metal content is below threshold levels set in the database. Standards are obtained from CDN Laboratories, Vancouver. Only total Cu and soluble Cu was analyzed at Blue Hill.

#### ***Current Exploration Program***

A soil program was conducted over the Blue Hill target in 2010. In total, seventy-two in-fill samples were collected at a 100 m sample spacing. Combined with the results of previous sampling by PacMag, the program outlined a zone of anomalous copper values trending northwest (away from the Blue Hill fault) and approximately 1.3 km wide.

In August 2010, a dipole-dipole IP and resistivity survey was conducted on the Ann Mason deposit and Blue Hill area of the property. The survey was contracted to Zonge Engineering and Research Organization ("Zonge"). A total of 52.2 line-kilometres were surveyed over ten north-south lines. The chargeability results show a strong 1.5 km wide anomaly extending northwestward from Ann Mason to beyond Blue Hill.

A diamond drill program is currently ongoing at Ann Mason and is designed to increase tonnage by extending the resource and to increase confidence in the resource model by infill drilling. To date, four holes (EG-AM-10-001, 002, 003, 004) were completed at Ann Mason and complete assays received for only the first hole. The first hole returned 988 m averaging 0.31% Cu and 0.01% Mo. Holes EG-AM-11-005 and 006 are currently (March 11, 2011) in progress and drilling continues with two drill rigs.

Fourteen RC exploration holes totalling 2364 m were drilled on the Blue Hill copper oxide target in 2010. The RC drill program successfully outlined copper oxide mineralization over an area of 700 m by 500 m. The best hole (EG-BH-10-001) in this program returned 164.6 m averaging 0.18% Cu. The mineralization extends from surface to an average depth of 124 m. Shallow diamond drilling commenced on February 10, 2011 at the Blue Hill oxide target to provide more detailed lithologic and structural information, additional geotechnical data, and to compare assays with RC samples. All planned holes (EG-BH-11-015 through 018) have been completed.

Permitting is still underway to expand the approved area of operations so additional drilling can be completed to the southwest of the Blue Hill area (approximately 6-8 of the planned 22 RC holes are outside the currently approved plan of operations).

## **NON-MATERIAL PROJECTS**

### ***Mongolia - Togoot – Nomkhon Bohr***

Since 2008, three coal targets have been discovered on Entrée's 100% owned Togoot licence: Nomkhon Bohr, Coking Flats and Khar Suul. These discoveries form part of the rich Permian-age coal basin of Southern Mongolia which includes Tavan Tolgoi, located approximately 75 km to the northwest of Togoot. Tavan Tolgoi is reputedly one of the largest undeveloped high quality coal resources in the world.

To May 2009, over 15,000 m of drilling had been completed on coal targets on the Togoot licence. Nomkhon Bohr lies adjacent to the northern boundary of the licence. The Coking Flats and Khar Suul targets to the southwest of Nomkhon Bohr are at an earlier stage of exploration.

At Nomkhon Bohr, coal seams have been traced over a strike length of 1,200 m by drilling and trenching. Coal is mostly medium volatile bituminous, high in ash with variable sulphur. Coal-bearing horizons in drill holes can be up to 57 m in apparent thickness; within these, multiple coal seams are usually present, with drill intercepts from 0.2 m to 4.5 m. The coal seams dip moderately to the north. Due to the recessive nature of the coal seams, they often come to surface in shallow valleys where they are concealed by a thin veneer of desert sands. The regional geology has similarities to the large Tavan Tolgoi coal deposits to the northwest.

The Company's technical team worked with a Mongolian consulting group to prepare an application for conversion of Togoot to a mining licence. A mining licence was issued on June 24, 2010 covering 14,031 ha of the northwest portion of the former exploration licence. The new mining licence encompasses the coal prospects identified at Nomkhon Bohr. As a condition to the grant of the mining licence, Entrée Resources LLC was required to prepare a feasibility study on the Nomkhon Bohr target. A feasibility study was prepared and was approved by the Mongolian Mineral Resource Council on January 14, 2011. The Company must now submit and have approved a Detailed Environmental Impact Assessment study (DEIA). The Company will be contracting licenced Mongolian consultants to complete this work in 2011.

### ***USA – Blackjack and Roulette - Nevada***

In August 2009 and September 2009, Entrée signed option agreements in respect of the Blackjack and Roulette properties; two large contiguous properties in the historic Yerington porphyry copper district, which are contiguous with the Ann Mason property. Entrée's strategy was to consolidate porphyry copper targets in this under-explored area known to host sizeable copper resources, as exemplified not only at the historic Yerington mine and the Ann Mason deposit but also at Nevada Copper's Pumpkin Hollow deposit.

Under the terms of an option agreement with Honey Badger Exploration Inc. ("Honey Badger"), Entrée's wholly owned subsidiary Entrée Gold (US) Inc. ("Entrée US") may acquire up to an 80% interest in the Blackjack property. The Blackjack property consists of 466 unpatented lode claims located approximately 13 km west of the town of Yerington, Nevada. On August 26, 2010, Entrée US exercised its first option to acquire a 51% interest after incurring minimum expenditures of \$900,000 in the first year of exploration, delivering 37,500 Common Shares of Entrée and reimbursing Honey Badger for up to \$206,250 of expenditures previously incurred on the property. In November 2010, Entrée US advised Honey Badger that it intends to earn a further 29% interest, which it may do by paying \$375,000 and delivering 375,000 Common Shares of Entrée by August 21, 2012. Entrée also committed to carry Honey Badger through the completion of 10,000 m of drilling. 226 of the claims are subject to an underlying mining lease and option to purchase agreement between Honey Badger and two individuals. The underlying agreement provides for an option to purchase the claims for \$500,000, a 3% net smelter returns royalty (which may be bought down to a 1% net smelter returns royalty for \$2 million) and annual advance minimum royalty payments of \$27,500 commencing in June, 2011.

In September 2009, Entrée entered into an option agreement with Bronco Creek Exploration Inc., a wholly owned subsidiary of Eurasian Minerals Inc. (collectively, "Eurasian Minerals"), to acquire the Roulette property. The Roulette property adjoins and is directly south of the Blackjack property and consists of 216 unpatented lode claims. Under the terms of the agreement with Eurasian Minerals, Entrée US may acquire an 80% interest in the Roulette property by incurring expenditures of \$1,000,000, making cash payments of \$140,000 and delivering 85,000 Common Shares of Entrée within three years. To date, Entrée U.S. has incurred minimum expenditures of \$300,000, made cash payments totaling \$90,000 and delivered 72,500 Common Shares.

The 2010 exploration program for the Blackjack property included a geophysics (IP) and drilling program. On the Roulette property, a drill testing of geological, soil geochemical and geophysical (magnetic) anomalies was conducted.

Seven holes totalling 2,820 m have been completed on Blackjack. Five of the holes were sited on the possible westward extension of the Blue Hill zone of mineralization; the upper portions of all five holes are strongly oxidized and iron-rich, with occasional oxide copper minerals noted. The most significant copper occurs as sulphide mineralization in drill hole EG-B-10-004 (14 m averaging 0.24% Cu), which is located more than 900 m northwest of the oxide and sulphide copper mineralization drilled on the adjacent Ann Mason property.

Narrow intervals of copper mineralization in EG-B-10-001 (4 m of 0.44% Cu from 444 m), located at the northeast corner of the Blackjack property, occur as coarse chalcopyrite in silicified breccias. Hole EG-B-10-001 also confirmed the presence of sulphide (predominately pyrite) mineralization in granodiorite intruded by quartz monzonite porphyry dykes at the eastern limit of a 5 kilometre-long, east-west trending IP anomaly.

On the Roulette property, four wide-spaced holes were planned to test a broad target under approximately 350 m of barren cover rocks. The holes were sited based on an updated geological and structural interpretation of the Yerington district, presence of a strong aeromagnetic high and anomalous results from a deep penetrating geochemical survey. Hole EG-R-10-003 intersected strongly altered granodiorite cut by quartz and quartz-calcite veins containing visible chalcopyrite-pyrite mineralization. This intersection validates the conceptual basis of the exploration program and provides strong encouragement for further work to define and extend this discovery. Assays are pending. A second drill hole failed to penetrate to the target depth due to strong faulting.

### ***Australia***

The Company has a number of indirectly held mineral property interests in Australia which it acquired in conjunction with the PacMag acquisition, including the Blue Rose joint venture and the Mystique farm-out. The Company, through its wholly owned subsidiary PacMag, holds a 51% interest in the Blue Rose copper gold molybdenum joint venture property with Giralia retaining the remaining 49% interest. Mystique is an early stage gold exploration property comprised of two exploration licences held by the Company through its wholly owned subsidiary Southern Magnesium Pty Ltd ("Southern Magnesium"). Southern Magnesium entered into a farm-out agreement with Black Fire Gold Pty Ltd, a wholly-owned subsidiary of Black Fire Energy Limited (ASX:BFE – "Black Fire"), pursuant to which Black Fire can earn a 60% interest in the property by expending AUD\$1 million by September 2012 and a 75% interest by expending AUD\$2.5 million by September 2014. Black Fire can earn an additional 10% interest by sole funding a pre-feasibility study on the property.

### ***Other Properties***

The Company also directly or indirectly has interests in other non-material properties in the United States and Peru. In the financial year ended December 31, 2010, the Company determined not to proceed with its exploration properties in Canada and China.

## RISK FACTORS

This AIF contains forward-looking statements, and any assumptions upon which they are based are made in good faith and reflect our current judgment regarding the direction of our business. Actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested in this AIF. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this AIF in evaluating our Company and our business before purchasing our Common Shares. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below are not the only ones facing our Company. Additional risks not presently known to us may also impair our business operations. You could lose all or part of your investment due to any of these risks.

### **Risks Resulting From The Close Connection Between OTLLC's Oyu Tolgoi Project And The Lookout Hill Property.**

As a result of the close connection between OTLLC's Oyu Tolgoi project and the Entrée-OTLLC Joint Venture, certain risk factors associated with OTLLC are also applicable to Entrée and may adversely affect Entrée, including the following.

***The actual cost of developing the Oyu Tolgoi project may differ significantly from OTLLC's estimates and involve unexpected problems or delays.***

The estimates regarding the development and operation of the Oyu Tolgoi project are summarised in IDP10. IDP10 updates the previous Integrated Development Plan 2005 and establishes two complementary development cases, which are based, in part, on assumptions about future metal prices. The IDP10 derives estimates of net present value of the Oyu Tolgoi project based upon, among other things: anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; anticipated recovery rates of copper and gold from the ore; cash operating costs of comparable facilities and equipment; and anticipated climatic conditions. Actual operating costs, production and economic returns may differ significantly from those anticipated by the IDP10 and future development reports. There are also a number of uncertainties inherent in the development and construction of any new mine including the Oyu Tolgoi project. These uncertainties include: the timing and cost, which can be considerable, of the construction of mining and processing facilities; the availability and cost of skilled labour, power, water and transportation; the availability and cost of appropriate smelting and refining arrangements; the need to obtain necessary environmental and other government permits, and the timing of those permits; and the availability of funds to finance construction and development activities. The cost, timing and complexities of mine construction and development are increased by the remote location of a property such as the Oyu Tolgoi project. It is common in new mining operations to experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there is no assurance that OTLLC's future development activities will result in profitable mining operations. As OTLLC also has effective control of the development of the Entrée-OTLLC Joint Venture Property, in which Entrée maintains an interest, and IDP10 includes resources from the Joint Venture Property, any delays in the development or operation of the Oyu Tolgoi project would also result in delays in the development of the Entrée-OTLLC Joint Venture Property.

***The resource and reserve estimates for the Oyu Tolgoi project, including the Hugo North Extension and Heruga deposits, are estimates only, and are subject to change based on a variety of factors.***

The estimates of reserves and resources, including the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized, are estimates and no assurances can be given as to their

accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. It may also take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a deposit may change. Reserve and resource estimates are materially dependent on prevailing market prices and the cost of recovering and processing minerals at the mine site. Market fluctuations in the price of metals or increases in the costs to recover metals may render the mining of ore reserves uneconomical and materially adversely affect operations. Moreover, various short-term operating factors may cause a mining operation to be unprofitable in any particular accounting period.

Prolonged declines in the market price of metals may render reserves containing relatively lower grades of mineralization uneconomic to exploit and could reduce materially reserves and resources. The estimates of mineral reserves and resources attributable to a specific property are based on accepted engineering and evaluation principles. The estimated amount of contained metals in mineral reserves does not necessarily represent an estimate of a fair market value of the evaluated property. Any significant change in the assumptions underlying the estimates, relating to commodity prices and exchange rates during the expected life of production, mineralization, the projected cost of mining, and the results of additional planned development work, could result in material downward revision to current estimates.

***Lack of infrastructure in proximity to the material properties could adversely affect mining feasibility.***

The Oyu Tolgoi project is located in an extremely remote area, which currently lacks basic infrastructure, including sources of electric power, water, housing, food and transport, necessary to develop and operate a major mining project. While OTLLC has established the limited infrastructure necessary to conduct its current exploration and development activities, substantially greater sources of power, water, physical plant and transport infrastructure in the area will need to be established before OTLLC can conduct mining operations. Lack of availability of the means and inputs necessary to establish such infrastructure may adversely affect mining feasibility. Establishing such infrastructure will, in any event, require significant financing, identification of adequate sources of raw materials and supplies and necessary approvals from national and regional governments, none of which can be assured.

**Risks Associated With Mining**

***Entrée's properties are in the exploration and development stages. There is no assurance that Entrée can establish the existence of any mineral reserves on any of its exploration properties in commercially exploitable quantities.***

Mineral reserves have been established on the Hugo North Extension of the Lookout Hill property. Mineral resources have been outlined on the Heruga deposit at Lookout Hill and the Ann Mason deposit in Nevada. Until and unless Entrée establishes mineral reserves in economically exploitable quantities on a property, it cannot earn any revenues from operations on that property and if it does not do so it will not recover all of the funds that it has expended on exploration.

The probability of an individual prospect ever having a mineral reserve that meets the requirements of the definition is extremely remote. In all probability its exploration properties do not contain any mineral reserves and any funds that Entrée spends on exploration will probably be lost.

Even if Entrée does eventually discover a mineral reserve on one or more of its exploration properties, there can be no assurance that Entrée will be able to develop those properties into producing mines and extract those mineral reserves. Both mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines.

The commercial viability of an established mineral deposit will depend on a number of factors including, for example, the size, grade and other attributes of the mineral deposit, the proximity of the resource to

infrastructure such as a smelter, roads and a point for shipping, government regulation and market prices. Most of these factors will be beyond Entrée's control, and any of them could increase costs and make extraction of any identified mineral reserve unprofitable.

***Mineral operations are subject to applicable law and government regulation. Even if we discover a mineral resource in a commercially exploitable quantity, these laws and regulations could restrict or prohibit the exploitation of that mineral resource. If we cannot exploit any mineral resource that we might discover on our properties, our business may fail.***

Both mineral exploration and extraction require permits from various foreign, federal, state, provincial and local governmental authorities and are governed by laws and regulations, including those with respect to prospecting, mine development, mineral production, transport, export, taxation, labour standards, water rights, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance that Entrée will be able to obtain or maintain any of the permits required for the continued exploration of its mineral properties or for the construction and operation of a mine on its properties at economically viable costs. If Entrée cannot accomplish these objectives, its business could fail.

Entrée believes that it is in compliance with all material laws and regulations that currently apply to its activities but there can be no assurance that Entrée can continue to do so. Current laws and regulations could be amended and Entrée might not be able to comply with them, as amended. Further, there can be no assurance that Entrée will be able to obtain or maintain all permits necessary for its future operations, or that it will be able to obtain them on reasonable terms. To the extent such approvals are required and are not obtained, Entrée may be delayed or prohibited from proceeding with planned exploration or development of its mineral properties.

Environmental hazards unknown to Entrée which have been caused by previous or existing owners or operators of the properties may exist on the properties in which Entrée holds an interest.

In Mongolia, Entrée is required to deposit 50% of its proposed reclamation budget with the local Soum Governor's office (a soum is the local Mongolian equivalent of a township or district) which will be refunded only on acceptable completion of land rehabilitation after mining operations have concluded. Even if Entrée relinquishes its licenses, Entrée will still remain responsible for any required reclamation.

In the United States, exploration companies are required to apply to federal and state authorities for a work permit that specifically details the proposed work program. A reclamation bond based on the amount of surface disturbance may be requested prior to the issuance of the appropriate permit.

***If Entrée establishes the existence of additional mineral reserve on any of its properties in a commercially exploitable quantity, Entrée will require additional capital and may need to acquire additional lands in order to develop the property into a producing mine. If Entrée cannot raise this additional capital or acquire additional lands, Entrée will not be able to exploit the resource, and its business could fail.***

If Entrée establishes additional mineral reserves in commercially exploitable quantities on any of its properties, Entrée will be required to expend substantial sums of money to establish the extent of the resource, develop processes to extract it and develop extraction and processing facilities and infrastructure. Although Entrée may derive substantial benefits from the discovery of a major deposit, there can be no assurance that such a resource will be large enough to justify commercial operations, nor can there be any assurance that Entrée will be able to raise the funds required for development on a timely basis. If Entrée cannot raise the necessary capital or complete the necessary facilities and infrastructure, its business may fail.

Entrée may be required to acquire rights to additional lands in order to develop a mine if a mine cannot be properly located on Entrée's properties. There can be no assurance that Entrée will be able to acquire such additional lands on commercially reasonable terms, if at all.

***Mineral exploration and development is subject to extraordinary operating risks. Entrée does not currently insure against these risks. In the event of a cave-in or similar occurrence, its liability may exceed its resources, which would have an adverse impact on Entrée.***

Mineral exploration, development and production involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Entrée's operations will be subject to all the hazards and risks inherent in the exploration, development and production of resources, including liability for pollution, cave-ins or similar hazards against which Entrée cannot insure or against which Entrée may elect not to insure. Any such event could result in work stoppages and damage to property, including damage to the environment. Entrée does not currently maintain any insurance coverage against these operating hazards. The payment of any liabilities that arise from any such occurrence would have a material, adverse impact on Entrée.

***Climatic Conditions can affect operations.***

Mongolia's weather varies to the extremes, with summer temperatures ranging up to 35° Celsius or more to winter lows of minus 31° Celsius. Such adverse conditions often preclude normal work patterns and can severely limit exploration and mining operations, usually making work difficult from November through to March. Although good project planning can ameliorate these factors, unseasonable weather can upset programs with resultant additional costs and delays.

***Mineral prices are subject to dramatic and unpredictable fluctuations.***

Entrée expects to derive revenues, if any, from the extraction and sale of precious and base metals such as copper, gold, silver and molybdenum. The price of those commodities has fluctuated widely in recent years, and is affected by numerous factors beyond Entrée's control, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. Mongolian law requires the sale or export of gold mined in Mongolia to be made through the Central Bank of Mongolia and/or other authorised entities at world market prices. The effect of these factors on the price of base and precious metals, and, therefore, the economic viability of any of its exploration projects, cannot accurately be predicted.

***The mining industry is highly competitive and there is no assurance that Entrée will continue to be successful in acquiring mineral claims. If Entrée cannot continue to acquire properties to explore for mineral resources, Entrée may be required to reduce or cease operations.***

The mineral exploration, development, and production industry is largely unintegrated. Entrée competes with other exploration companies looking for mineral resource properties and the resources that can be produced from them.

Entrée competes with many companies possessing greater financial resources and technical facilities. This competition could adversely affect its ability to acquire suitable prospects for exploration in the future. Accordingly, there can be no assurance that Entrée will acquire any interest in additional mineral resource properties that might yield reserves or result in commercial mining operations.

Entrée's title to its resource properties may be challenged by third parties or the licences that permit Entrée to explore its properties may expire if Entrée fails to timely renew them and pay the required fees.

Entrée has investigated the status of its title to the Shivee Tolgoi and Javhlant mining licences and Entrée is satisfied that the title to these licences is properly registered in the name of Entrée LLC, and that these licenses are currently in good standing. The Company has investigated the status of its title to the claims comprising the Ann



Mason property and is satisfied that the title to these claims is properly registered in the name of M.I.M. (U.S.A.) Inc. and that the claims are currently in good standing.

Entrée cannot guarantee that the rights to explore its properties will not be revoked or altered to its detriment. The ownership and validity of mining claims and concessions are often uncertain and may be contested.

In Mongolia, should such a challenge to the boundaries or registration of ownership arise, the Government of Mongolia may declare the property in question a special reserve for up to three years to allow resolution of disputes or to clarify the accuracy of its mining license register.

Entrée is not aware of challenges to the location or area of any of the mining concessions and mining claims in any of the jurisdictions in which it operates. There is, however, no guarantee that title to the claims and concessions will not be challenged or impugned in the future. If Entrée fails to pay the appropriate annual fees or if Entrée fails to timely apply for renewal, then these licenses may expire or be forfeit.

***Development of the property that is subject to the Entrée-OTLLC Joint Venture may be delayed by OTLLC in favour of development of the Oyu Tolgoi project.***

OTLLC has earned either a 70% or 80% interest in the Joint Venture Property, depending on the depth at which minerals are extracted. OTLLC has effective control of the development of both the Oyu Tolgoi project, which it owns outright, and the Joint Venture Property, in which Entrée will maintain an interest. The development of the Joint Venture Property may be adversely affected if OTLLC decides to delay or reduce such development in favour of the immediate or complete development of the Oyu Tolgoi project.

***Entrée's ability to carry on business in Mongolia is subject to political and economic risk.***

Entrée holds its interest in its Mongolian exploration properties through mining and exploration licences that enable it to conduct mining operations or development and exploration activities. Notwithstanding these arrangements, Entrée's ability to conduct mining operations or exploration and development activities is subject to changes in legislation or government regulations or shifts in political attitudes beyond Entrée's control. Government policy may change to discourage foreign investment, nationalisation of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that Entrée's assets will not be subject to nationalisation, requisition or confiscation, whether legitimate or not, by any authority or body. There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would be effective to restore the value of Entrée's original investment. Similarly, Entrée's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, environmental legislation, mine safety and annual fees to maintain mining and exploration licences in good standing. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

***Entrée's business in Mongolia may be subject to legal risk.***

Mongolia transitioned from state socialism and a planned economy to parliamentary democracy and a free market economy in 1990. Much progress has been made in this transition, but much remains to be done, particularly with respect to the rule of law. The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements, licences and title documents through which Entrée holds its interests in Mongolia, or the underlying legislation upon which those interests are based. Many laws have been enacted, but in many instances they are neither understood nor enforced and may be applied in an inconsistent, arbitrary or unfair manner, while legal remedies may be uncertain,

delayed or unavailable. For decades Mongolians have looked to politicians and bureaucrats as the sources of the “law”. This has changed in theory, but often not in practice. With respect to most day-to-day activities in Mongolia, government civil servants interpret, and often effectively make, the law. This situation is gradually changing but at a relatively slow pace. While Entrée believes that it has taken the legal steps necessary to obtain and hold its property and other interests in Mongolia, there can be no guarantee that such steps will be sufficient to preserve those interests.

***Recent and future amendments to Mongolian laws could adversely affect Entrée’s mining rights or make it more difficult or expensive to develop the project and carry out mining.***

In 2009, the Mongolian parliament implemented revisions to four key laws to facilitate completion of negotiations regarding the Investment Agreement. These revisions continue to preserve the substance of the original Minerals Law, which was drafted in 1997 with the assistance of western legal experts and is widely regarded as progressive, internally consistent and effective legislation. Some of the revisions made since 1997 have increased the potential for political interference and weakened the rights of mineral holders in Mongolia but changes made in 2009 have eased some of these concerns. A number of the provisions will require further clarification from the Government about the manner in which the Government intends to interpret and apply the relevant law, which could have a significant effect on Entrée’s Mongolian properties. The Mongolian government has, in the past, expressed its strong desire to foster, and has to date protected the development of, an enabling environment for foreign investment. However, there are political constituencies within Mongolia that have espoused ideas that would not be regarded by the international mining industry as conducive to foreign investment if they become law or official government policy. The Oyu Tolgoi project (and with it the Hugo North Extension and the Heruga deposit on the Entrée-OTLLC Joint Venture Property) has a high profile among the citizens of Mongolia and, as a burgeoning democracy, Mongolia has demonstrated a degree of political volatility in the past. Accordingly, until these issues are addressed and clarified, there can be no assurance that the present government or a future government will refrain from enacting legislation or adopting government policies that are adverse to the interest of OTLLC or Entrée or that impair OTLLC’s ability to develop and operate the Oyu Tolgoi project on the basis presently contemplated.

***Entrée may be unable to enforce its legal rights in certain circumstances.***

In the event of a dispute arising at or in respect of, Entrée’s foreign operations, Entrée may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or other jurisdictions. Entrée may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

***Entrée may experience difficulties with its joint venture partners.***

OTLLC has earned an interest in the Joint Venture Property from Entrée. OTLLC and Entrée have formed a joint venture and OTLLC has effective control of the development of the Joint Venture Property.

Entrée is not presently a party to the Investment Agreement. Although OTLLC has agreed under the terms of the Earn-In Agreement to use its best efforts to cause Entrée to be brought within the ambit of, made subject to and to be entitled to the benefits of the Investment Agreement, unless and until Entrée becomes a party to the Investment Agreement or otherwise receives confirmation from the Government of Mongolia, there can be no assurance that Entrée will be entitled to all of the benefits of the Investment Agreement, including stability with respect to taxes payable. Until such time as Entrée becomes a party to the Investment Agreement, it could be subject to the new surtax royalty which came into effect in Mongolia on January 1, 2011. The rates of the new surtax royalty vary from 1% to 5% for minerals other than copper. For copper, the surtax royalty rates range between 22% and 30% for ore, between 11% and 15% for concentrates, and between 1% and 5% for final products. No surtax royalty is charged on any minerals below a certain threshold market price, which varies depending on the type of minerals. This is in addition to the standard royalty rates of 2.5% for coal sold in

Mongolia and commonly occurring minerals sold in Mongolia, and 5% for all other minerals. In order to become a party to the Investment Agreement, the Government of Mongolia may require Entrée or the Entrée-OTLLC Joint Venture to agree to certain concessions, including with respect to the ownership of the Entrée-OTLLC Joint Venture or the scope of the lands to be covered by the Investment Agreement.

Entrée is also party to additional joint ventures in respect of other properties with third parties. Entrée is subject to the risks normally associated with the conduct of joint ventures, which include disagreements as to how to develop, operate and finance a project and possible litigation between the participants regarding joint venture matters. These matters may have an adverse effect on Entrée's ability to realize the full economic benefits of its interest in the property that is the subject of a joint venture, which could affect its results of operations and financial condition.

### **Risks Related To Our Company**

***Entrée has a limited operating history on which to base an evaluation of its business and prospects.***

Although Entrée has been in the business of exploring mineral resource properties since 1995, Entrée has only recently established mineral reserves on the Hugo North Extension deposit. As a result, Entrée has never had any revenues from its operations. In addition, its operating history has been restricted to the acquisition and exploration of its mineral properties. Entrée anticipates that it will continue to incur operating costs without realising any revenues during the period when Entrée is exploring its properties. Entrée expects to continue to incur significant losses into the foreseeable future. Entrée recognises that if it is unable to generate significant revenues from mining operations and any dispositions of its properties, Entrée will not be able to earn profits or continue operations. At this early stage of its operation, Entrée also expects to face the risks, uncertainties, expenses and difficulties frequently encountered by companies at the start-up stage of their business development. Entrée cannot be sure that it will be successful in addressing these risks and uncertainties and its failure to do so could have a materially adverse effect on its financial condition. There is no history upon which to base any assumption as to the likelihood that Entrée will prove successful and Entrée can provide investors with no assurance that it will generate any operating revenues or ever achieve profitable operations.

***The integration of the Company and PacMag will present special challenges and risks which could have an adverse effect on expenses and operating results.***

Entrée's June 30, 2010 acquisition of PacMag involved the integration of assets that previously were not part of the Company. The acquisition will present challenges to management, including the integration of any operations, records of the two companies, and special risks, including possible unanticipated liabilities, unanticipated costs, diversion of management's attention and operational interruptions. The difficulties which management encounters in the transition and integration processes could continue to have an adverse effect on the level of expenses and operating results of the Company.

***The fact that Entrée has not earned any operating revenues since its incorporation raises substantial doubt about its ability to continue to explore its mineral properties as a going concern.***

Entrée has not generated any revenue from operations since its incorporation and Entrée anticipates that it will continue to incur operating expenses without revenues unless and until it is able to identify a mineral reserve in a commercially exploitable quantity on one or more of its mineral properties and it builds and operates a mine. As at December 31, 2011, Entrée had working capital of approximately C\$21 million. Entrée's average monthly operating expenses in 2010 were approximately C\$1.3 million, including exploration, general and administrative expenses and investor relations expenses. Due to the nature of Entrée's mineral property interests, the Company has the ability to alter its exploration expenditures and, to a lesser extent, its general and administrative expenses. As a result, Entrée believes that it will not have to raise any additional funds to meet its currently budgeted operating requirements for the next 12 months. If these funds are not sufficient, or if Entrée does not begin

generating revenues from operations sufficient to pay its operating expenses when Entrée has expended them, Entrée will be forced to raise necessary funds from outside sources. As Entrée cannot assure a lender that Entrée will be able to successfully explore and develop its mineral properties, Entrée will probably find it difficult to raise debt financing. Entrée has traditionally raised its operating capital from sales of equity, but there can be no assurance that Entrée will continue to be able to do so. If Entrée cannot raise the money that it needs to continue exploration of its mineral properties, Entrée may be forced to delay, scale back, or eliminate its exploration activities. If any of these actions occurs, there is a substantial risk that Entrée's business could fail.

***Recent global financial conditions may adversely impact operations and the value and price of Entrée's Common Shares.***

Recent global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages, the liquidity crisis affecting the asset-backed commercial paper market and global political events. These factors may impact the ability of Entrée to obtain equity or debt financing in the future and, if obtained, on terms favourable to Entrée. If these increased levels of volatility and market turmoil continue, Entrée's operations could be adversely impacted and the value and the price of its Common Shares could be adversely affected.

***As a result of their existing shareholdings and pre-emptive rights, Ivanhoe Mines and Rio Tinto potentially have the ability to influence Entrée's business and affairs.***

The shareholding of each of Ivanhoe Mines and Rio Tinto in Entrée together with the right of Rio Tinto to maintain its shareholding with its pre-emptive right, and the shareholding of Rio Tinto Holdings in Ivanhoe Mines, potentially give Ivanhoe Mines and Rio Tinto the voting power to influence the policies, business and affairs of Entrée and the outcome of any significant corporate transaction or other matter, including a merger, business combination or a sale of all, or substantially all, of Entrée's assets. In addition, OTLLC has operational control over the Entrée-OTLLC Joint Venture Property. OTLLC also has a right of first refusal with respect to any proposed disposition by Entrée of an interest in Shivee West, which is not subject to the Entrée-OTLLC Joint Venture. The share position in Entrée of each of Ivanhoe Mines and Rio Tinto and the other rights of each may have the effect of delaying, deterring or preventing a transaction involving a change of control of Entrée in favour of a third party that otherwise could result in a premium in the market price of Entrée's Common Shares in the future.

***Entrée's Articles and indemnity agreements between Entrée and its officers and directors indemnify its officers and directors against costs, charges and expenses incurred by them in the performance of their duties.***

Entrée's Articles contain provisions limiting the liability of its officers and directors for all acts, receipts, neglects or defaults of themselves and all of Entrée's other officers or directors or for any other loss, damage or expense incurred by Entrée which shall happen in the execution of the duties of such officers or directors, as do indemnity agreements between Entrée and its officers and directors. Such limitations on liability may reduce the likelihood of derivative litigation against Entrée's officers and directors and may discourage or deter Entrée shareholders from suing its officers and directors based upon breaches of their duties to Entrée, though such an action, if successful, might otherwise benefit Entrée and its shareholders.

***Investors' interests in Entrée will be diluted and investors may suffer dilution in their net book value per Common Share if Entrée issues stock options or if Entrée issues additional Common Shares to finance its operations.***

Entrée has not ever generated revenue from operations. Entrée is currently without a source of revenue and will most likely be required to issue additional Common Shares to finance its operations and, depending on the outcome of its exploration programs, may issue additional Common Shares to finance additional exploration programs of any or all of its projects or to acquire additional properties. In order to provide the Company with flexibility to quickly raise funds should the need or opportunity arise, the Company announced on November 19,

2010 that it had filed a short form base shelf prospectus with the securities commissions in each of the provinces of Canada, except Quebec, and a corresponding shelf registration statement with the United States Securities and Exchange Commission on Form F-10/A. These filings will allow the Company to make offerings of Common Shares, warrants, subscription receipts or any combination of such securities up to an aggregate offering price of C\$100,000,000 during the 25-month period that the short form base shelf prospectus remains effective. Entrée may also in the future grant to some or all of its directors, officers, consultants, and employees options to purchase Common Shares as non-cash incentives to those persons. Such options may be granted at exercise prices equal to market prices, or at prices as allowable under the policies of the TSX and its stock option plan, when the public market is depressed. The issuance of any equity securities could, and the issuance of any additional Common Shares will, cause its existing shareholders to experience dilution of their ownership interests.

If Entrée issues additional Common Shares or decides to enter into joint ventures with other parties in order to raise financing through the sale of equity securities, investors' interests in Entrée will be diluted and investors may suffer dilution in their net book value per Common Share depending on the price at which such securities are sold. As at December 31, 2010 Entrée had outstanding options exercisable into 9,137,800 Common Shares which, if exercised as at March 25, 2011 would represent approximately 7.97% of its issued and outstanding Common Shares. If all of these warrants and options are exercised and the underlying Common Shares are issued, such issuance will cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the market price of Entrée's Common Shares.

#### ***Earnings and Dividend Record.***

Entrée has no earnings or dividend record. Entrée has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. Entrée does not generate any cash flow from operations and does not expect to do so in the foreseeable future.

#### ***Conflicts of Interest.***

Peter Meredith is an officer and director of Ivanhoe Mines and is also a director of Entrée. In addition, certain of Entrée's officers and directors may be or become associated with other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. Entrée's directors are required by law to act honestly and in good faith with a view to its best interests and to disclose any interest which they may have in any of its projects or opportunities. In general, if a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter or, if he does vote, his vote does not count. In determining whether or not Entrée will participate in any project or opportunity, the directors will primarily consider the degree of risk to which Entrée may be exposed and its financial position at that time.

#### ***Dependence on Key Management Employees.***

The nature of its business, its ability to continue its exploration and development activities and to develop a competitive edge in the marketplace depends, in large part, on its ability to attract and maintain qualified key management personnel. Competition for such personnel is intense, and there can be no assurance that Entrée will be able to attract and retain such personnel. Its development now, and in the future, will depend on the efforts of key management figures. The loss of any of these key people could have a material adverse effect on Entrée's business. Entrée does not currently maintain key-man life insurance on any of its key employees.

#### ***Limited Ability to Hedge or Engage in Forward Sales.***

While Mongolian law allows a company, by various applications and processes, to export and sell its own gold production, in practice, this is a difficult matter, with the result that Entrée will have limited ability to engage in forward sales of, or to hedge, any future gold production from that country.

### ***Fluctuations in Currency Exchange Rates.***

Fluctuations in currency exchange rates, particularly operating costs denominated in currencies other than United States dollars, may significantly impact Entrée's financial position and results. Entrée faces risks associated with fluctuations in Canadian, United States, Chinese, Australian, Peruvian and Mongolian currencies.

### **Risk Associated With Our Common Stock**

***Because Entrée does not intend to pay any dividends on its Common Shares, investors seeking dividend income or liquidity should not purchase our Common Shares.***

Entrée does not currently anticipate declaring and paying dividends to its shareholders in the near future. Entrée's current intention is to apply net earnings, if any, in the foreseeable future to increase its working capital. Prospective investors seeking or needing dividend income or liquidity should, therefore, not purchase Entrée's Common Shares. Entrée currently has no revenue and a history of losses, so there can be no assurance that Entrée will ever have sufficient earnings to declare and pay dividends to the holders of Common Shares, and in any event, a decision to declare and pay dividends is at the sole discretion of the Entrée Board, which currently does not intend to pay any dividends on Common Shares for the foreseeable future.

***Entrée believes that it was a passive foreign investment company during 2010, which may have a material effect on U.S. holders.***

Entrée believes it was a "passive foreign investment company" ("PFIC") during the year ended December 31, 2010 and may be a PFIC for subsequent tax years, which may have a material effect on United States shareholders ("US Holders"). United States income tax legislation contains rules governing PFICs, which can have significant tax effects on US Holders of foreign corporations. A US Holder who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to United States federal income taxation under one of two alternative tax regimes at the election of each such US Holder. The United States federal income tax consequences to a US Holder of the acquisition, ownership, and disposition of common shares will depend on whether such US Holder makes an election to treat Entrée as a "qualified electing fund" or "QEF" under Section 1295 of the Code ("QEF Election") or a mark-to-market election under Section 1296 of the Code ("Mark-to-Market Election"). Upon written request by a US Holder, Entrée will make available the information necessary for such US Holder to make QEF Elections with respect to Entrée. Additional adverse rules would apply to US Holders for any year Entrée is a PFIC and Entrée owns or disposes of shares in another corporation which is a PFIC.

### **DIVIDENDS**

We have not declared any dividends on our Common Shares since the inception of our Company on July 19, 1995. There is no restriction in our Articles that will limit our ability to pay dividends on our Common Shares. However, we do not anticipate declaring and paying dividends to our shareholders in the near future.

### **CAPITAL STRUCTURE**

The Company is authorized to issue an unlimited number of Common Shares without par value, of which 114,354,925 were issued and outstanding at December 31, 2010 and 114,550,725 are issued and outstanding at March 25, 2011. Each Common Share is entitled to one vote. All Common Shares of the Company rank equally as to dividends, voting power and participation in assets. No Common Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provision for exchange, exercise, redemption and retraction, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to modification, amendments or variation of such rights or such provisions are contained in the *Business Corporations Act* (British Columbia) and the Company's Articles.

## MARKET FOR SECURITIES

Our Common Shares were traded on the TSX Venture Exchange until April 24, 2006. On April 24, 2006 we began trading on the TSX. Our symbol is "ETG" and our CUSIP number is 29383-100. Our Common Shares are also traded on the NYSE Amex under the symbol "EGI" and on the Frankfurt Stock Exchange under the symbol "EKA" (WKN:121411).

### Trading History

The following tables sets forth, for each month of the most recently completed financial year, the price range and volumes traded or quoted on the TSX (as reported by the TSX) and the NYSE Amex (as reported by NYSE Amex):

TSX Trading 2010				
	High Cdn\$	Low Cdn\$	Close Cdn\$	Volume
January	3.59	2.74	2.78	3,910,754
February	3.19	2.53	2.70	1,647,358
March	3.01	2.62	2.92	2,206,699
April	3.20	2.71	2.75	2,258,981
May	2.77	1.89	2.28	2,606,124
June	2.33	1.85	2.00	1,423,629
July	2.50	1.85	2.21	1,977,606
August	3.53	2.14	2.49	1,043,578
September	3.14	2.41	2.98	4,081,830
October	3.02	2.61	2.64	1,677,571
November	3.14	2.54	2.74	1,914,436
December	3.47	2.74	3.47	3,936,091

NYSE Amex Trading 2010				
	High \$	Low \$	Close \$	Volume
January	3.49	2.47	2.60	6,765,407
February	3.07	2.35	2.58	3,087,448
March	3.00	2.59	2.89	3,581,339
April	3.19	2.67	2.71	4,448,089
May	2.74	1.76	2.18	6,180,521
June	2.24	1.80	1.85	4,423,838
July	2.36	1.58	2.16	4,645,454
August	2.47	2.06	2.34	3,329,963
September	3.05	2.12	2.88	6,721,419
October	2.98	2.55	2.58	3,824,980
November	3.15	2.51	2.69	3,610,327
December	3.43	2.70	3.31	9,523,535

The closing price of the Company's Common Shares as reported by the TSX on December 31, 2010 was C\$3.47.

Our Common Shares are issued in registered form. Computershare Investor Services Inc. is the registrar and transfer agent for our Common Shares.

On December 31, 2010, the shareholders' list for our Common Shares showed 1,317 registered shareholders and 114,354,925 Common Shares outstanding.

The Company has no outstanding securities not listed on a marketplace other than incentive stock options. Since the beginning of the most recently completed financial year, stock options to purchase an aggregate 1,737,500 Common Shares were granted. The following table outlines the details of each grant:

Number of Options	Exercise Price (CDN\$)	Grant Date
300,000	2.34	September 22, 2010
1,437,500	2.86	November 22, 2010

## ESCROWED SECURITIES

There were no escrowed securities at December 31, 2010.

## DIRECTORS AND OFFICERS

The Company's Board consisted of six directors as at December 31, 2010. Mr. Alan Edwards was appointed as a seventh director on March 8, 2011. The term of office for each director expires at the next annual general meeting following his or her election or appointment. The following is a brief account of the education and business experience of each director and executive officer during the last five years, indicating each person's principal occupation during the period, and the name and principal business of the organization by which he was employed or with which he is/was involved as an officer, director or beneficial owner of securities with more than a 10% voting position.

### ***Gregory G. Crowe, President, Chief Executive Officer and Director***

Mr. Crowe has been a director and President of the Company since July 3, 2002 and has been Chief Executive Officer of the Company since July 16, 2003.

Mr. Crowe was self-employed from 1997 to 2002, providing exploration and management services for junior resource companies. Mr. Crowe is currently a director of Acrex Ventures Ltd.

Mr. Crowe is a professional geologist with more than 25 years of exploration, business and entrepreneurial experience throughout North America, Latin America, Africa and Southeast Asia. Prior to joining the Company, Mr. Crowe was a senior executive with Acrex Ventures Ltd., a junior resource company active in Ontario, and co-founder and President of Azimuth Geological Inc., a private consulting company specializing in exploration and management services for junior and major mining companies such as Rio Algom Ltd., the Prime Group and Westmin Resources Limited. Mr. Crowe also worked for Yuma Copper Corp. from 1994 to 1997, where he was instrumental in transforming Yuma Copper Corp. from a junior exploration company into a copper producer with two mines in Chile.

Mr. Crowe obtained a Bachelor of Geology degree from Carlton University and a Master of Geology degree from the University of Calgary. He is a member of the Association of Professional Engineers and Geoscientists of British Columbia, and the Prospectors and Developers Association of Canada.



**Mark H. Bailey, Director**

Mr. Bailey has been a director of the Company since June 28, 2002.

Mr. Bailey is an exploration geologist with more than 35 years of industry experience. Since 1995, he has been the President and Chief Executive Officer of Minefinders Corporation Ltd. ("Minefinders"), a precious metals mining company whose shares are listed for trading on the Toronto Stock Exchange and the NYSE Amex. Minefinders operates the multi-million ounce Dolores gold and silver mine in Mexico. Before joining Minefinders, Mr. Bailey held senior positions with Equinox Resources Inc. and Exxon Minerals. Since 1984, Mr. Bailey has worked as a consulting geologist with Mark H. Bailey & Associates LLC. Mr. Bailey is also currently a director of Minefinders, Dynasty Metals & Mining Inc. and Northern Lion Gold Corp.

**Lindsay R. Bottomer, Vice-President, Business Development and Director**

Mr. Bottomer has been a director of the Company since June 28, 2002 and became Vice-President, Corporate Development on October 16, 2005.

Mr. Bottomer is a professional geologist with more than 38 years experience in global mineral exploration and development with major and junior mining companies, the last 22 years based in Vancouver, BC. Currently, he is Vice-President, Business Development with Entrée Gold Inc. He was formerly President and Chief Executive Officer of Silver Quest Resources Ltd., a public company focused on gold and silver exploration in Canada. Mr. Bottomer has also served as Director of Canadian Exploration with Echo Bay Mines Ltd., and Vice-President of New Projects with Prime Equities International. Mr. Bottomer is also currently a director of Alita Resources Ltd., BCM Resources Corporation, Richfield Ventures Corp., Stratabound Minerals Corp. and Yale Resources Ltd.

Mr. Bottomer obtained a Bachelor of Science (Honours) degree in geology from the University of Queensland and a Master of Applied Science degree from McGill University. Mr. Bottomer is a member of the Association of Professional Engineers and Geoscientists of British Columbia and a Fellow of the Australasian Institute of Mining and Metallurgy. He is also Past President of the British Columbia and Yukon Chamber of Mines and served for six years from 2002 to 2008 as an elected councillor on the Association of Professional Engineers and Geoscientists of British Columbia.

**James L. Harris, Chairman and Director**

Mr. Harris has been a director of the Company since January 29, 2003 and was appointed non-executive Chairman on March 15, 2006.

Mr. Harris is a corporate, securities and business lawyer with over 30 years experience in British Columbia and internationally. He has extensive experience with the acquisition and disposition of assets, corporate structuring and restructuring, regulatory requirements and corporate filings, and corporate governance. Mr. Harris was also a Founding Member of the Legal Advisory Committee of the former Vancouver Stock Exchange. Mr. Harris has completed the Directors' Education Program of the Institute of Corporate Directors and is an Institute-certified Director. Mr. Harris has also completed a graduate course in business at the London School of Economics.

**Peter G. Meredith, Director**

Mr. Meredith has been a director of the Company since November 24, 2004. He was originally nominated by Ivanhoe Mines as its representative on the Company's Board, as per the terms of the Earn-in Agreement.

Mr. Meredith is a seasoned executive with a strong background in corporate management and in key facets of the mining industry, including exploration, mine construction, financing and operations. Mr. Meredith is Ivanhoe Mines' Deputy Chairman, overseeing the company's business development and corporate relations. Mr. Meredith

joined the Ivanhoe group in 1996 and was Chief Financial Officer of Ivanhoe Mines prior to his appointment as Deputy Chairman. He is Chairman of SouthGobi Energy Resources. Mr. Meredith is also currently a director of Great Canadian Gaming Corporation, Ivanhoe Energy Inc., Ivanhoe Mines Ltd., and Ivanhoe Australia Ltd.

Prior to joining Ivanhoe Mines, Mr. Meredith, a Chartered Accountant, was a partner and director of Deloitte & Touche. Mr. Meredith has over 35 years of experience as a business advisor, specializing in regulatory compliance and corporate finance. He is also a member of the Canadian Institute of Chartered Accountants.

***The Rt. Honourable Lord Howard of Lympne, Deputy Chairman and Director***

The Rt. Honourable Lord Howard of Lympne has been a director of the Company since May 16, 2007 and was appointed non-executive Deputy Chairman on the same day.

He is the former leader of the Conservative Party in Britain, a distinguished lawyer, and served as a Member of Parliament in Britain for 27 years. He filled many government posts, including Home Secretary, Secretary of State for Employment and Secretary of State for the Environment, as well as Shadow Foreign Secretary and Shadow Chancellor. After his retirement from the House of Commons at the 2010 General Election, Mr. Howard was created a Life Peer. Lord Howard is currently a director of Orca Exploration Group and Helphire Group plc.

***Mr. Alan Edwards, Director***

Mr Edwards has been a director of the Company since March 8, 2011.

Mr. Edwards has 28 years of diverse mining industry experience. He is a graduate of the University of Arizona, where he obtained a Bachelor of Science Degree in Mining Engineering and an MBA (Finance). Mr. Edwards is currently the President and Chief Executive Officer of Copper One Inc. (TSXV: CUO), a Vancouver based exploration company with projects in Val d'Or Quebec, Arizona and New Mexico, since 2009. He served as President and Chief Executive Officer of Frontera Copper Corporation from 2007 to 2009, and as Executive Vice President and Chief Operating Officer of Apex Silver Mines Corporation from 2004 to 2007, where he directed the engineering, construction and development of the San Cristobal project in Bolivia. Mr. Edwards has also worked for Kinross Gold Corporation, P.T. Freeport Indonesia, Cyprus Amax Minerals Company and Phelps Dodge Mining Company, where he started his career.

***Bruce Colwill, Chief Financial Officer***

Mr. Colwill was appointed to the position of Chief Financial Officer on February 1, 2011.

Mr. Colwill has over 20 years of experience with public and private companies, in a variety of sectors including oil and gas, biotech, financial services and manufacturing. Most recently, Mr. Colwill served as Chief Financial Officer of Transeuro Energy Corp., a public oil and gas company and acted as a financial consultant to private and public companies. Between 2001 and 2009, Mr. Colwill served as Chief Financial Officer of Neuromed Pharmaceuticals Ltd. Mr. Colwill began his career with KPMG, first in Canada and then in Poland. Mr. Colwill is a Chartered Accountant and a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of British Columbia. Mr. Colwill holds a BBA from Simon Fraser University.

***Robert M. Cann, Vice-President, Exploration***

Mr. Cann has been the Company's Exploration Manager since July, 2002 and was appointed to the position of Vice-President, Exploration on August 11, 2005.

Mr. Cann has been in charge of the start-up and management of all of the Company's support operations and exploration projects in Mongolia since July, 2002. He has extensive experience in project management, geological

consulting and office management. Prior to joining the Company, Mr. Cann was Exploration Manager for Spokane/Sand River Resources in Chihuahua, Mexico, from 1999 to 2000. From 1995 through 1999, Mr. Cann worked as an independent consulting geologist for various companies contemplating property acquisitions in Honduras, Mexico, Peru and Nevada. Mr. Cann holds a Master of Science degree in Economic Geology from the University of British Columbia and is a member of the Association of Professional Engineers and Geoscientists of British Columbia, the Canadian Institute of Mining and Metallurgy (CIMM) and the Society of Economic Geologists.

***Mona M. Forster, Executive Vice President***

Ms. Forster joined the Company as Business Manager in October 2003 and was appointed to the position of Executive Vice President in November 2010.

Ms. Forster has over 20 years of experience in administration and management, primarily in the mining industry. She holds an MBA from Simon Fraser University and is currently an elected director and Chair of the Association for Mineral Exploration British Columbia. She is also an appointed member of the BC Mineral Exploration and Mining Labour Market Task Force, a government-industry task force struck in 2007 to address the need for skilled and qualified workers within the mining industry in BC.

***Susan McLeod, Vice President, Legal Affairs***

Ms. McLeod joined the Company as Vice President, Legal Affairs on September 22, 2010.

Ms. McLeod has been in private practise in Vancouver, Canada since 1997, most recently with Fasken Martineau DuMoulin LLP (from 2008 to 2010) and P. MacNeill Law Corporation (from 2003 to 2008). She has worked as outside counsel to public companies engaged in international mineral exploration and mining. She has advised clients with respect to corporate finance activities, mergers and acquisitions, corporate governance and continuous disclosure matters, and mining-related commercial agreements. Ms. McLeod holds a B.Sc. and an LLB from the University of British Columbia, and is a member of the Law Society of British Columbia.

***Hamish Malkin, Chief Financial Officer (to January 31, 2011)***

Mr. Malkin was the Chief Financial Officer of the Company from July 2003 to January 31, 2011. Mr. Malkin is a Chartered Accountant and a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of British Columbia. Mr. Malkin continues to provide consulting services to the Company.

The table below sets out the municipality of residence and securities held by directors and executive officers as at December 31, 2010.

Name and municipality of residence	No. of Common Shares beneficially owned, directly or indirectly, or controlled <sup>(2)</sup> .	No. of securities held on a fully-diluted basis <sup>(1)</sup>	
Gregory Crowe Bowen Island, British Columbia, Canada	1,413,320	Shares: Warrants: Stock options: <b>Total:</b>	1,413,320 0 1,910,000 <b>2,323,320</b>
Mark H. Bailey Bellingham, Washington U.S.A.	292,922	Shares: Warrants: Stock options: <b>Total:</b>	292,922 0 855,000 <b>1,147,922</b>

Name and municipality of residence	No. of Common Shares beneficially owned, directly or indirectly, or controlled <sup>(2)</sup> .	No. of securities held on a fully-diluted basis <sup>(1)</sup>	
Lindsay Bottomer North Vancouver, British Columbia Canada	537,985	Shares:	537,985
		Warrants:	0
		Stock options:	735,000
		<b>Total:</b>	<b>1,272,985</b>
James L. Harris West Vancouver, British Columbia Canada	341,714	Shares:	341,714
		Warrants:	0
		Stock options:	895,000
		<b>Total:</b>	<b>1,236,714</b>
Peter Meredith Vancouver, British Columbia Canada	67,877	Shares:	67,877
		Warrants:	0
		Stock options:	655,000
		<b>Total:</b>	<b>722,877</b>
Rt. Honourable Lord Howard of Lympne London, UK	128,800	Shares:	128,800
		Warrants:	0
		Stock options:	1,135,000
		<b>Total:</b>	<b>1,263,800</b>
Hamish Malkin Bowen Island, British Columbia, Canada	45,555	Shares:	45,555
		Warrants:	0
		Stock options:	515,000
		<b>Total:</b>	<b>560,555</b>
Robert M. Cann Nanaimo, British Columbia Canada	92,225	Shares:	92,225
		Warrants:	0
		Stock options:	600,000
		<b>Total:</b>	<b>692,225</b>
Mona M. Forster Vancouver, British Columbia Canada	108,074	Shares:	108,074
		Warrants:	0
		Stock options:	570,000
		<b>Total:</b>	<b>678,074</b>
Susan McLeod West Vancouver, British Columbia Canada	Nil	Shares:	Nil
		Warrants:	0
		Stock options:	300,000
		<b>Total:</b>	<b>300,000</b>

(1) As at December 31, 2010.

(2) Meaning an officer of the issuer, or a director or senior officer that has direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of and control or direction over securities of the issuer carrying more than 10% of the voting rights attached to all the issuer's outstanding securities.

To the best of the Company's knowledge as at December 31, 2010, directors and executive officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 3,028,472 Common Shares (not including Common Shares issuable upon exercise of stock options) representing 2.6% of the then outstanding Common Shares.

On February 1, 2011, Mr. Hamish Malkin was replaced by Mr. Bruce Colwill, of Vancouver, British Columbia, Canada, as Chief Financial Officer of the Company. Mr. Colwill was awarded incentive stock options to purchase

200,000 Common Shares. On March 8, 2011, Mr. Alan Edwards of Morrison, Colorado, United States was appointed to the Board. Mr. Edwards was awarded stock options to purchase 100,000 Common Shares.

Gregory Crowe was a director of Yuma Copper Corp. ("Yuma"), a company that was listed on the Vancouver Stock Exchange. On January 2, 1998, while Mr. Crowe was a director of Yuma, the British Columbia Securities Commission issued a cease trade order against Yuma for failure to file financial statements. Yuma was dissolved by the British Columbia Registrar of Companies on April 27, 2001.

### Standing Committees of the Board of Directors

The standing committees of the Board are the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Technical Committee.

### Audit Committee

The Audit Committee is comprised of three directors, each of whom, in the judgement of the Board, meets the independence requirements of applicable securities legislation and policies for audit committee members. The members of the Audit Committee are Mark Bailey, Michael Howard and Peter G. Meredith (chairman). All members of the Audit Committee are financially literate. Relevant education and experience for members of the Audit Committee is listed under their profiles above.

The mandate of the Audit Committee is to oversee the Company's financial reporting obligations, systems and disclosure, including monitoring the integrity of the Company's financial statements, monitoring the independence and performance of the Company's external auditors and acting as a liaison between the Board and the Company's auditors. The activities of the Audit Committee typically include reviewing interim financial statements and annual financial statements, management's discussion and analysis and news releases with respect to the Company's financial performance before they are publicly disclosed, ensuring that internal controls over accounting and financial systems are maintained and that accurate financial information is disseminated to shareholders. Other responsibilities include reviewing the results of internal and external audits and any change in accounting procedures or policies, and evaluating the performance of the Company's auditors. The Audit Committee communicates directly with the Company's external auditors in order to discuss audit and related matters whenever appropriate.

The full text of the Audit Committee Charter is attached to this AIF as an Appendix.

### Audit Fees

The following table shows the aggregate fees billed to the Company by its external auditor in each of the last two years.

	2010	2009
Audit Fees <sup>(1)</sup>	\$170,529	\$122,189
Audit Related Fees <sup>(2)</sup>	-	-
Tax Fees <sup>(3)</sup>	\$18,448	\$23,704
All other fees <sup>(4)</sup>	\$73,565	-
<b>Total:</b>	<b>\$262,542</b>	<b>\$145,892</b>

- (1) Audits of the Company's consolidated financial statements, meetings with the Audit Committee and management with respect to quarterly filings, consulting and accounting standards and transactions, issuance of consent in connection with Canadian and United States securities filings.

- (2) Audit-related fees were paid for assurance and related services by the auditors that were reasonably related to the performance of the audit or the review of the Company's financial statements that are not included in *Audit Fees*.
- (3) Tax compliance, taxation advice and tax planning for international operations.
- (4) Audit fees associated with the June 30, 2010 acquisition of PacMag.

### **Compensation Committee**

The Compensation Committee is comprised of three members of the Board: Michael Howard (chairman), Mark Bailey and Peter G. Meredith.

The primary objective of the Compensation Committee is to discharge the Board's responsibilities relating to compensation and benefits of the executive officers and directors of the Company to ensure that such compensation realistically reflects the responsibilities and risks of such positions. In addition, the Compensation Committee makes recommendations for grants made under the Company's Stock Option Plan, determines the recipients of, and the nature and size of share compensation awards granted from time to time, and determines any bonuses to be awarded from time to time.

### **Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee is appointed by the Board to: (1) assist the Board, on an annual basis, by identifying individuals qualified to become Board members, and to recommend to the Board the director nominees for the next annual meeting of shareholders; (2) to assist the Board in the event of any vacancy on the Board by identify individuals qualified to become Board members, and to recommend to the Board qualified individuals to fill any such vacancy; and (3) to recommend to the Board, on an annual basis, director nominees for each Board committee. The members of the Corporate Governance and Nominating Committee are Michael Howard, James L. Harris (chairman) and Peter G. Meredith.

### **Technical Committee**

As at December 31, 2010, the Technical Committee consisted of Mark Bailey (chairman), Lindsay Bottomer and Gregory Crowe, each of whom is a professional geologist. On March 15, 2011, Alan Edwards, a mining engineer, was also appointed to the Technical Committee. Neither Mr. Crowe, the President and Chief Executive of the Company, nor Mr. Bottomer, the Vice-President, Business Development of the Company, is an independent director. The mandate of the Technical Committee is to exercise all the powers of the Board (except those powers specifically reserved by law to the Board itself) during intervals between meetings of the Board pertaining to the Company's mining properties, programs, budgets, and other related activities and the administration thereof.

Peter Meredith is an officer and director of Ivanhoe Mines as well as a director of our Company. In addition, certain of our officers and directors may be or become associated with other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. Our directors are required by law to act honestly and in good faith with a view to our best interests and to disclose any interest which they may have in any of our projects or opportunities. In general, if a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter or, if he does vote, his vote does not count. In determining whether or not we will participate in any project or opportunity, the directors will primarily consider the degree of risk to which we may be exposed and our financial position at that time.

### **PROMOTERS**

Not applicable.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Not applicable.

## INTEREST IN MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Not applicable.

## TRANSFER AGENTS AND REGISTRARS

Computershare Investor Services Inc. at its offices in Vancouver and Toronto is both the transfer agent and registrar for the Company. Their address is 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3G9, Telephone: (604) 689-9853, Facsimile: (604) 689-8144.

## MATERIAL CONTRACTS

1. *Scheme Implementation Agreement effective November 28, 2009 between Entrée Gold Inc. and PacMag Metals Limited as amended by a Deed of Variation dated April 13, 2010.*

For details of this agreement, please see "Significant Acquisitions" above.

2. *Joint Venture Agreement deemed effective June 30, 2008 between Entrée Gold Inc. and Ivanhoe Mines Mongolia Inc. XXX (now OTLLC).*

Pursuant to Earn-In Agreement, a joint venture was deemed to be formed on June 30, 2008 and the parties were required to enter into a joint venture agreement in the form attached to the Earn-In Agreement as Appendix A (the "Joint Venture Agreement"). Upon entering into the Joint Venture Agreement, the Earn-in Agreement terminated, except for certain provisions which expressly survived the termination.

The Joint Venture Agreement governs the parties' activities on the Entrée-OTLLC Joint Venture Property, including exploration, acquisition of additional real property and other interests, evaluation of, and if justified, engaging in development and other operations, engaging in marketing products, and completing and satisfying all environmental compliance and other continuing obligations affecting the Entrée-OTLLC Joint Venture Property. The term of the Joint Venture Agreement is 20 years and for so long thereafter as the parties are engaged in activities on the Entrée-OTLLC Joint Venture Property.

3. *Equity Participation Agreement dated 17<sup>th</sup> June, 2005, between Entrée Gold Inc. and Kennecott Canada Exploration Inc. (now Rio Tinto Exploration Canada Inc.).*

Pursuant to this agreement, Rio Tinto acquired 6,306,921 units of Entrée at a price of C\$2.20 per unit. Each unit comprised one common share, one share purchase warrant A ("A Warrant") and one share purchase warrant B ("B Warrant"). Two A Warrants entitled Rio Tinto to acquire an additional share for two years at a price of C\$2.75. Two B Warrants entitled Rio Tinto to acquire an additional share for two years at a price of C\$3.00. The A Warrants and B Warrants were exercised in full.

The agreement includes a provision pursuant to which Rio Tinto is entitled to maintain its proportional equity interest in future financings by Entrée, unless Rio Tinto's proportionate share falls below 10% of the issued and outstanding Common Shares or unless Rio Tinto fails to exercise its pre-emptive right in full). This provision is still in effect.

4. *Equity Participation and Earn-in Agreement dated October 15, 2004, between Entrée Gold Inc. and Ivanhoe Mines Ltd., as amended on November 9, 2004 and subsequently assigned to Ivanhoe Mines Mongolia Inc. XXK (OTLLC) on March 1, 2005.*

Under the Earn-In Agreement, OTLLC earned a 70% interest in mineralization above a depth of 560 m on the Entrée-OTLLC Joint Venture Property, and an 80% interest in mineralization below that depth, by spending an aggregate \$35 million on exploration. OTLLC completed its earn-in on June 30, 2008, at which time a joint venture was deemed to be formed and the parties were required to enter into the Joint Venture Agreement. The Joint Venture Agreement was intended to replace the Earn-In Agreement, and the Earn-In Agreement terminated, except for certain provisions that expressly survived the termination. Those parts include provisions related to the Joint Venture Agreement, title, tenure and related matters and arbitration.

## **INTEREST OF EXPERTS**

Entrée's auditor is Davidson & Company LLP, Chartered Accountants, in Vancouver, British Columbia. The Corporation's audited consolidated financial statements as at and for the years ended December 31, 2010 and 2009 have been filed under National Instrument 51-102 in reliance on the report of Davidson & Company, independent registered chartered accountants, given on their authority as experts in auditing and accounting. Davidson & Company LLP have confirmed they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

AMEC Minproc Limited prepared the June 2010 Technical Report that forms the basis of the scientific and technical disclosure regarding the Lookout Hill property a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). To the knowledge of the Company, AMEC Minproc Limited, the principals of AMEC Minproc Limited, the authors of the report and their respective employers as a group beneficially own, directly or indirectly, less than one percent of the outstanding common shares.

Wardrop Engineering Inc. and Robert Cann, M.Sc., P.Geo., Entrée's Vice President, Exploration prepared the Technical Report 2011 that forms the basis of the scientific and technical disclosure regarding the Ann Mason property, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Mr. Cann, a "qualified person" as defined in NI 43-101, is also responsible for the preparation of technical information in Entrée's news releases and other disclosure documents. To the knowledge of the Company, Wardrop Engineering Inc. and the principals of Wardrop Engineering Inc., as a group, beneficially own, directly or indirectly, less than one percent of the outstanding common shares. Mr. Cann owns 92,225 Common Shares of Entrée and 600,000 options to purchase Common Shares.

## **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation is contained in the management information circular for the annual and special general meeting of the Company's held on June 7, 2010. Additional financial information is contained in the Company's comparative financial statements and MD&A as at and for the years ended December 31, 2010, 2009 and 2008. Copies of the information circular, financial statements and MD&A are available on SEDAR, and may also be obtained upon request from the Company at 1201-1166 Alberni Street, Vancouver, British Columbia V6E 3Z3.

Additional information relating to Entrée Gold Inc. may be found on SEDAR at [www.sedar.com](http://www.sedar.com).



## APPENDIX

TO ANNUAL INFORMATION FORM DATED MARCH 25, 2011

### ENTRÉE GOLD INC.

#### AUDIT COMMITTEE CHARTER

As Adopted by the Board of Directors on March 20, 2008

#### **I. Purpose of Audit Committee of Entrée Gold Inc. (the “Company”)**

The purpose of the Audit Committee (the “Committee”) is to:

1. Assist the Board of Directors of the Company (the “Board”) in fulfilling its oversight responsibilities relating to:
  - (a) the quality and integrity of the Company’s financial statements, financial reporting process and systems of internal controls and disclosure controls regarding risk management, finance, accounting, and legal and regulatory compliance;
  - (b) the independence and qualifications of the Company’s independent accountants and review of the audit efforts of the Company’s independent accountants; and
  - (c) the development and implementation of policies and processes regarding corporate governance matters.
2. Provide an open avenue of communication between the independent accountants, the Company’s financial and senior management and the Board.
3. Prepare any reports required to be prepared by the Committee pursuant to the rules of any stock exchange on which the Company’s shares are listed and pursuant to the rules of any securities commission or other regulatory authority having jurisdiction, whether for inclusion in the Company’s annual proxy statement or otherwise.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section VII below of this Charter.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, or to determine that the Company’s financial statements are complete and accurate or are in accordance with generally accepted accounting principles, accounting standards, or applicable laws and regulations. This is the responsibility of management of the Company and the Company’s independent accountants, as well as any advisors employed by the Committee. Because the primary function of the Committee is oversight, the Committee shall be entitled to rely on the expertise, skills and knowledge of management and the Company’s independent accountants and the integrity and accuracy of information provided to the Committee by such persons in carrying out its oversight responsibilities. Nothing in this Charter is intended to change the responsibilities of management and the independent accountants.

## II. Composition

The Committee shall be composed of at least three directors, each of whom the Board has determined has no material relationship with the Company, is otherwise “unrelated” and satisfies the definition of “independent” as set forth by Rule 10A-3 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) and any other applicable securities laws, rules or exchange requirements of any stock exchange upon which the Company’s securities are listed as in effect from time to time.

Exchange Act 10A-3 requires that *each* member of the Audit Committee must serve on the Board of Directors and satisfy independence requirements. For the purposes of satisfying the independence requirement, Audit Committee members may not (i) accept, directly or indirectly, any consulting, advisory, or other compensatory fee<sup>1</sup> from the Company, or of the Company’s subsidiaries; or (ii) be an affiliate of the Company or any of the Company’s subsidiaries.

Because the Company is *currently* a foreign private issuer, the Company may seek to take advantage of the following exemptions from the Rule 10A-3 independence requirements:”

1. A non-executive employee of the Company may be exempt from the prohibition of accepting consulting, advisory or other compensatory fees if that employee is elected or named to the Board or Audit Committee pursuant to the Company’s governing laws or constating documents, an employee collective bargaining or similar agreement or other home country legal or listing requirement; and
2. An Audit Committee member may be exempt from the prohibition of being an affiliate of the Company if:
  - (a) The member is an affiliate of the Company or a representative of such an affiliate;
  - (b) The member has only observer status on, and is not a voting member or the chair of the Audit Committee; and
  - (c) The member nor the affiliate for which such member is a representative is an executive officer of the Company.

These exemptions are only available to the Company so long as it remains a foreign private issuer as defined by Exchange Act 3b-4(c). If the Company ceases to fall within the definition of a foreign private issuer, the Company must immediately take steps to cure the any independence non-compliance within the Audit Committee.<sup>2</sup>

All members of the Committee must be financially literate, meaning that he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised

---

<sup>1</sup> Compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided, however, that such compensation is not contingent upon continued service to the Company.) This exception, however, may be overridden by AMEX and the Audit Committee should, during its routine evaluation of the effectiveness of this Charter, determine whether this exception still applies.

<sup>2</sup> If the Company elects to take advantage of either these exemptions, the Audit Committee should periodically review its status as a foreign private issuer as defined by Exchange Act Rule 3b-4(c). If the Company ceases to qualify as a foreign private issuer, and the Company’s securities are listed on AMEX, the Company may need to adjust its “independence” criteria to reflect the requirements set forth in the AMEX Company Guide Rule 121(A).

by the Company's financial statements. One or more members of the Committee shall be, in the judgment of the Board an "audit committee financial expert" as such term is defined by applicable rules and regulations.

If any executive officer of the Company becomes aware of any material non-compliance with the Exchange Act Rule 10A-3 requirements, the Company must provide notification to the exchange on which its securities are listed.

If any member of the Committee ceases to be "independent", as defined by the applicable securities laws and exchange requirements, including Exchange Act Rule 10A-3, for reasons outside that member's reasonable control, that person, with prompt notice to the exchange on which its securities are listed, may remain an audit committee member until the earlier of the next annual meeting of the shareholders or one year from the occurrence of the event that caused the member to no longer be independent.

### **III. Authority**

The Committee shall have the authority to (i) retain (at the Company's expense) its own legal counsel, accountants and other consultants that the Committee believes, in its sole discretion, are needed to carry out its duties and responsibilities; (ii) conduct investigations that it believes, in its sole discretion, are necessary to carry out its responsibilities; and (iii) take whatever actions that it deems appropriate to foster an internal culture that is committed to maintaining quality financial reporting, sound business risk practices and ethical behaviour within the Company. In addition, the Committee shall have the authority to request any officer, director, employee or consultant of the Company, the Company's outside legal counsel and the independent accountants to meet with the Committee and any of its advisors and to respond to their inquiries. The Committee shall have full access to the books, records and facilities of the Company in carrying out its responsibilities. Finally, the Board shall adopt resolutions which provide for appropriate funding, as determined by the Committee, for (i) services provided by the independent accountants in rendering or issuing an audit report, (ii) services provided by any adviser employed by the Committee which it believes, in its sole discretion, are needed to carry out its duties and responsibilities, or (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities.

The Committee shall be responsible for establishing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submissions by employees of the Company regarding questionable accounting or auditing matters.

The Committee shall review the reports of the Chief Executive Officer and Chief Financial Officer (in connection with their required certifications for the Company's filings with the Securities and Exchange Commission) regarding any significant deficiencies or material weaknesses in the design of operation of internal controls and any fraud that involves management or other employees of the Company who have a significant role in managing or implementing the Company's internal controls. During this review, the Committee should evaluate whether the internal control structure, as created and as implemented, provides reasonable assurances that transactions are recorded as necessary to permit the Company's external auditors to reconcile the Company's financial statements in accordance with applicable securities laws.

The Committee, in its capacity as a committee of the Board, is directly responsible for the appointment, compensation, retention and oversight of the work of the independent accountants engaged (including resolution of disagreements between the Company's management and the independent accountants regarding financial reporting) for the purpose of preparing and issuing an audit report or performing other audit, review or attest services for the Company.

The independent accountants shall submit to the Audit Committee annually a formal written statement delineating all relationships between the independent accountants and the Company and its subsidiaries, addressing the non-audit services provided to the Company or its subsidiaries and the matters set forth in or required by the rules and regulations of all relevant regulatory authorities.

The independent accountants shall submit to the Audit Committee annually a formal written statement of the fees billed for each of the following categories of services rendered by the independent accountants: (i) the audit of the Company's annual financial statements for the most recent fiscal year and any reviews of the financial statements; (ii) information technology consulting services for the most recent fiscal year, in the aggregate and by each service (and separately identifying fees for such services relating to financial information systems design and implementation); and (iii) all other services rendered by the independent accountants for the most recent fiscal years, in the aggregate and by each service.

#### **IV. Appointing Members**

The members of the Committee shall be appointed or re-appointed by the Board on an annual basis. Each member of the Committee shall continue to be a member thereof until such member's successor is appointed, unless such member shall resign or be removed by the Board or such member shall cease to be a director of the Company. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors as a result of the vacancy or the Committee no longer has a member who is an "audit committee financial expert" as a result of the vacancy.

#### **V. Chairperson**

The Board, or in the event of its failure to do so, the members of the Committee, must appoint a Chairperson from the members of the Committee. If the Chairperson of the Committee is not present at any meeting of the Committee, an acting Chairperson for the meeting shall be chosen by majority vote of the Committee from among the members present. In the case of a deadlock on any matter or vote, the Chairperson shall refer the matter to the Board. All requests for information from the Company or the independent accountants shall be made through the Chairperson.

#### **VI. Meetings**

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

1. A quorum for meetings shall be two members, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;
2. The Committee shall meet at least quarterly (or more frequently as circumstances dictate); and
3. Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee and the external auditors of the Company at least 48 hours prior to the time of such meeting.

While the Committee is expected to communicate regularly with management, the Committee shall exercise a high degree of independence in establishing its meeting agenda and in carrying out its responsibilities. The Committee shall submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board.

## VII. Specific Duties

In meeting its responsibilities, the Committee is expected to:

1. Select the independent accountants, considering independence and effectiveness, approve all audit and non-audit services in advance of the provision of such services and the fees and other compensation to be paid to the independent accountants, and oversee the services rendered by the independent accountants (including the resolution of disagreements between management and the independent accountants regarding preparation of financial statements) for the purpose of preparing or issuing an audit report or related work, and the independent accountants shall report directly to the Committee;
2. To pre-approve any non-audit services to be provided to the Company by the external auditor and the fees for those services;
3. Review the performance of the independent accountants, including the lead partner of the independent accountants, and, in its sole discretion, approve any proposed discharge of the independent accountants when circumstances warrant, and appoint any new independent accountants;
4. Periodically review and discuss with the independent accountants all significant relationships the independent accountants have with the Company to determine the independence of the independent accountants, including a review of service fees for audit and non-audit services;
5. Review and approve the issuer's hiring policies from time to time regarding partners, employees and former partners and employees of the present and former external auditor of the issuer;
6. Inquire of management and the independent accountants and evaluate the effectiveness of the Company's process for assessing significant risks or exposures and the steps management has taken to monitor, control and minimize such risks to the Company. Obtain annually, in writing, the letters of the independent accountants as to the adequacy of such controls;
7. Consider, in consultation with the independent accountants, the audit scope and plan of the independent accountants;
8. Review with the independent accountants the coordination of audit effort to assure completeness of coverage, and the effective use of audit resources;
9. Consider and review with the independent accountants, out of the presence of management:
  - (a) the adequacy of the Company's internal controls and disclosure controls including the adequacy of computerized information systems and security;
  - (b) the truthfulness and accuracy of the Company's financial statements; and
  - (c) any related significant findings and recommendations of the independent accountants together with management's responses thereto;
10. Following completion of the annual audit, review with management and the independent accountants:
  - (a) the Company's annual financial statements and related footnotes;

- (b) the independent accountants' audit of the financial statements and the report thereon;
  - (c) any significant changes required in the independent accountants' audit plan; and
  - (d) other matters related to the conduct of the audit which are to be communicated to the committee under generally accepted auditing standards;
11. Following completion of the annual audit, review separately with each of management and the independent accountants any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
  12. Establish regular and separate systems of reporting to the Committee by each of management and the independent accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments;
  13. In consultation with the independent accountants, review any significant disagreement among management and the independent accountants in connection with the preparation of the financial statements, including management's responses;
  14. Consider and review with management:
    - (a) significant findings during the year and management's responses thereto; and
    - (b) any changes required in the planned scope of their audit plan;
  15. Review, prior to publication, all filings with regulatory authorities and any other publicly disclosed information containing the Company's financial statements, including Management's Discussion & Analysis, any certification, report, opinion or review rendered by the independent accountants, any press releases announcing earnings (especially the use of "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles) and all financial information and earnings guidance intended to be provided to analysts and the public or to rating agencies, and consider whether the information contained in these documents is consistent with the information contained in the financial statements;
  16. Facilitate the preparation and inclusion of any report from the Committee or other disclosures as required by applicable laws and regulations in the Company's annual proxy statement or other filings of all regulatory authorities having jurisdiction;
  17. Review with management the adequacy of the insurance and fidelity bond coverages, reported contingent liabilities, and management's assessment of contingency planning. Review management's plans regarding any changes in accounting practices or policies and the financial impact of such changes, any major areas in management's judgment that have a significant effect upon the financial statements of the Company, and any litigation or claim, including tax assessments, that could have a material effect upon the financial position or operating results of the Company;
  18. Review with management and the independent accountants each annual, quarterly and other periodic report prior to its filing with the relevant regulators or prior to the release of earnings;
  19. Review policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the independent accountants;

20. Review, with the Company's counsel, any legal, tax or regulatory matter that may have a material impact on the Company's financial statements, operations, related Company compliance policies, and programs and reports received from regulators;
21. Evaluate and review with management the Company's guidelines and policies governing the process of risk assessment and risk management;
22. Meet with the independent accountants and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee;
23. Report Committee actions to the Board with such recommendations as the Committee may deem appropriate;
24. Maintain, review and update the procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, as set forth in Annex A attached to this Charter;
25. Review, assess and update this Charter on an annual basis and recommend any proposed changes to the Board for approval, in accordance with the requirements of the all applicable laws; and
26. Perform such other functions consistent with this Charter, the Company's Articles and governing law, as the Committee deems necessary or appropriate.

**ANNEX A****PROCEDURES FOR THE SUBMISSION OF  
COMPLAINTS AND CONCERNS REGARDING  
ACCOUNTING, INTERNAL ACCOUNTING CONTROLS OR  
AUDITING MATTERS**

1. Entrée Gold Inc. (the "Company") has designated its Audit Committee of its Board of Directors (the "Committee") to be responsible for administering these procedures for the receipt, retention, and treatment of complaints received by the Company or the Committee directly regarding accounting, internal accounting controls, or auditing matters.
2. Any employee or consultant of the Company may on a confidential and anonymous basis submit concerns regarding questionable accounting controls or auditing matters to the Committee by setting forth such concerns in a letter addressed directly to the Committee with a legend on the envelope such as "Confidential" or "To be opened by Committee only". If an employee or consultant would like to discuss the matter directly with a member of the Committee, the employee or consultant should include a return telephone number in his or her submission to the Committee at which he or she can be contacted. All submissions by letter to the Committee can be sent to:  
  
Entrée Gold Inc.  
c/o Audit Committee  
Attn: Chairperson  
Suite 1201 - 1166 Alberni St.  
Vancouver, BC CANADA V6E 3Z3  
Canadian Email Address: etgcanada@entreegold.com  
USA Email Address: etgus@entreegold.com  
Mongolia Email Address: etgmongolia@entreegold.com
3. Any complaints received by the Company that are submitted as set forth herein will be forwarded directly to the Committee and will be treated as confidential if so indicated.
4. At each meeting of the Committee, or any special meetings called by the Chairperson of the Committee, the members of the Committee will review and consider any complaints or concerns submitted by employees as set forth herein and take any action it deems necessary in order to respond thereto.
5. All complaints and concerns submitted as set forth herein will be retained by the Committee for a period of seven (7) years.





Entrée Gold Inc.

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)

**CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States dollars)

**December 31, 2010**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
Entrée Gold Inc. and subsidiaries

We have audited the accompanying consolidated balance sheets of Entrée Gold Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009 and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the years then ended and for the cumulative period from inception (July 19, 1995) to December 31, 2010. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Entrée Gold Inc. and its subsidiaries as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended and for the cumulative period from inception (July 19, 1995) to December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010 and 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 22, 2011, expressed an unqualified opinion.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

March 22, 2011



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
Entrée Gold Inc. and subsidiaries

We have audited the internal control over financial reporting of Entrée Gold Inc. and subsidiaries (the “Company”) as of December 31, 2010, based on **criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)**. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company’s internal control over financial reporting based on our audit.

**We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States).** Those standards require that we plan and perform the audit to obtain reasonable assurance about **whether effective internal control over financial reporting was maintained in all material respects.** Our audit of **internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.** Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**A company’s internal control over financial reporting is a process designed to provide reasonable assurance** regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance **regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. **Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.**

In our opinion, Entrée Gold Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010 and 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2010 and 2009 and the related consolidated statements of operations and comprehensive loss, stockholders’ equity and cash flows for the years then ended and for the cumulative period from inception (July 19, 1995) to December 31, 2010, and our report dated March 22, 2011 expressed an unqualified opinion.**

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

March 22, 2011



# ENTRÉE GOLD INC.

(An Exploration Stage Company)  
CONSOLIDATED BALANCE SHEETS  
(Expressed in United States dollars)

	December 31, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 21,296,169	\$ 40,360,436
Receivables	309,079	164,255
Receivables - Oyu Tolgoi LLC	-	699,293
Prepaid expenses	1,140,253	811,431
Total current assets	22,745,501	42,035,415
Investments (Note 4)	5,564,502	2,166,597
Equipment (Note 5)	766,309	770,562
Mineral property interests (Note 6)	51,977,982	292,608
Other assets	185,287	69,568
Deferred costs (Note 3)	-	375,216
Equity investment - joint venture (Notes 4 and 6)	119,517	94,154
<b>Total assets</b>	<b>\$ 81,359,098</b>	<b>\$ 45,804,120</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,477,300	\$ 1,160,912
Loans payable to Oyu Tolgoi LLC (Note 7)	1,783,692	676,083
Future income tax liabilities (Note 10)	14,374,498	-
<b>Total liabilities</b>	<b>17,635,490</b>	<b>1,836,995</b>
<b>Commitments (Note 13)</b>		
<b>Stockholders' equity</b>		
Common stock, no par value, unlimited number authorized, (Note 8)	149,791,943	116,599,651
114,354,925 (December 31, 2009 - 97,059,346) issued and outstanding	16,871,401	15,905,963
Additional paid-in capital		
Accumulated other comprehensive income:		
Unrealized gain on available for sale securities (Note 4)	2,747,997	563,481
Foreign currency cumulative translation adjustment	3,002,717	(480,928)
Accumulated deficit during the exploration stage	(108,690,450)	(88,621,042)
Total stockholders' equity	63,723,608	43,967,125
<b>Total liabilities and stockholders' equity</b>	<b>\$ 81,359,098</b>	<b>\$ 45,804,120</b>

**Nature of operations** (Note 1)

**Subsequent events** (Note 14)

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

# ENTRÉE GOLD INC.

(An Exploration Stage Company)

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in United States dollars)

	Year Ended December 31, 2010	Year Ended December 31, 2009	Inception (July 19,1995) to December 31, 2010
<b>EXPENSES</b>			
Exploration (Note 6)	\$ 12,226,563	\$ 9,985,963	\$ 67,076,149
General and administration	7,821,789	7,046,649	42,196,501
Foreign exchange (gain) loss	(403,230)	141,731	(222,006)
Depreciation	203,086	156,144	1,080,192
Write-down of equipment	24,604	-	148,420
<b>Loss from operations</b>	<b>(19,872,812)</b>	<b>(17,330,487)</b>	<b>(110,279,256)</b>
Interest income	243,433	397,741	4,897,469
Loss from equity investee (Note 4)	(985,441)	(169,508)	(1,521,544)
Fair value adjustment of asset backed commercial paper (Note 4)	-	-	(2,332,531)
<b>Loss from operations before income taxes</b>	<b>(20,614,820)</b>	<b>(17,102,254)</b>	<b>(109,235,862)</b>
Future income tax recovery (Note 10)	545,412	-	545,412
<b>Net loss</b>	<b>\$ (20,069,408)</b>	<b>\$ (17,102,254)</b>	<b>\$ (108,690,450)</b>
Comprehensive income (loss):			
Net loss	\$ (20,069,408)	\$ (17,102,254)	\$ (108,690,450)
Unrealized gain on available for sale securities (Note 4)	2,184,516	563,481	2,747,997
Foreign currency translation adjustment	3,483,645	6,930,002	3,002,717
<b>Comprehensive loss</b>	<b>\$ (14,401,247)</b>	<b>\$ (9,608,771)</b>	<b>\$ (102,939,736)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.19)</b>	<b>\$ (0.18)</b>	
<b>Weighted average number of common shares outstanding</b>	<b>105,814,724</b>	<b>94,665,330</b>	

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

# ENTRÉE GOLD INC.

(An Exploration Stage Company)

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Expressed in United States dollars)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Comprehensive Income	Accumulated Deficit During the Exploration Stage	Total Stockholders' Equity
<b>Balance, July 19, 1995 (date of inception)</b>						
Shares issued:						
Private placements	4,200,000	60,852	-	-	-	60,852
Acquisition of mineral property interests	3,200,000	147,520	-	-	-	147,520
Foreign currency translation adjustment	-	-	-	(756)	-	(756)
Net loss	-	-	-	-	(175,714)	(175,714)
<b>Balance, April 30, 1996</b>	7,400,000	208,372	-	(756)	(175,714)	31,902
Shares issued:						
Private placements	3,880,000	274,718	-	-	-	274,718
Foreign currency translation adjustment	-	-	-	(8,568)	-	(8,568)
Net loss	-	-	-	-	(56,250)	(56,250)
<b>Balance, April 30, 1997</b>	11,280,000	483,090	-	(9,324)	(231,964)	241,802
Foreign currency translation adjustment	-	-	-	(5,216)	-	(5,216)
Net loss	-	-	-	-	(33,381)	(33,381)
<b>Balance, April 30, 1998</b>	11,280,000	483,090	-	(14,540)	(265,345)	203,205
Foreign currency translation adjustment	-	-	-	(3,425)	-	(3,425)
Net loss	-	-	-	-	(40,341)	(40,341)
<b>Balance, April 30, 1999</b>	11,280,000	483,090	-	(17,965)	(305,686)	159,439
Escrow shares compensation	-	-	41,593	-	-	41,593
Exercise of stock options	1,128,000	113,922	-	-	-	113,922
Foreign currency translation adjustment	-	-	-	(896)	-	(896)
Net loss	-	-	-	-	(154,218)	(154,218)
<b>Balance, April 30, 2000</b>	12,408,000	597,012	41,593	(18,861)	(459,904)	159,840

-continued-

# ENTRÉE GOLD INC.

(An Exploration Stage Company)

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Expressed in United States dollars)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Comprehensive Income	Accumulated Deficit During the Exploration Stage	Total Stockholders' Equity
<b>- continued -</b>						
<b>Balance, April 30, 2000</b>	12,408,000	\$ 597,012	\$ 41,593	\$ (18,861)	\$ (459,904)	\$ 159,840
Foreign currency translation adjustment	-	-	-	(5,627)	-	(5,627)
Net loss	-	-	-	-	(18,399)	(18,399)
<b>Balance, April 30, 2001</b>	12,408,000	597,012	41,593	(24,488)	(478,303)	135,814
Foreign currency translation adjustment	-	-	-	(2,561)	-	(2,561)
Net loss	-	-	-	-	(22,490)	(22,490)
<b>Balance, April 30, 2002</b>	12,408,000	597,012	41,593	(27,049)	(500,793)	110,763
Shares issued:						
Private placements	7,500,000	1,351,055	-	-	-	1,351,055
Exercise of warrants	12,500	3,288	-	-	-	3,288
Agent's finder fee	310,000	39,178	-	-	-	39,178
Finder's fee for mineral property interests	100,000	35,827	-	-	-	35,827
Debt settlement	135,416	45,839	5,252	-	-	51,091
Agent's warrants	-	-	16,877	-	-	16,877
Escrow shares compensation	-	-	40,205	-	-	40,205
Stock-based compensation	-	-	16,660	-	-	16,660
Share issue costs	-	-	-	-	-	-
Foreign currency translation adjustment	-	(211,207)	-	-	-	(211,207)
Net loss	-	-	-	73,080	-	73,080
<b>Balance, April 30, 2003</b>	20,465,916	\$ 1,860,992	\$ 120,587	\$ 46,031	\$ (1,574,113)	\$ 453,497

# ENTRÉE GOLD INC.

(An Exploration Stage Company)

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Expressed in United States dollars)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Comprehensive Income	Accumulated Deficit During the Exploration Stage	Total Stockholders' Equity
- continued -						
<b>Balance, April 30, 2003</b>	20,465,916	\$ 1,860,992	\$ 120,587	\$ 46,031	\$ (1,574,113)	\$ 453,497
Shares issued:						
Private placements and offerings	16,352,942	10,891,160	-	-	-	10,891,160
Exercise of warrants	3,730,372	1,316,664	(6,443)	-	-	1,310,221
Exercise of stock options	35,000	18,730	(4,026)	-	-	14,704
Agent's corporate finance fee	100,000	64,192	8,384	-	-	72,576
Mineral property interests	5,000,000	3,806,000	-	-	-	3,806,000
Agent's warrants	-	-	370,741	-	-	370,741
Escrow shares compensation	-	-	1,949,878	-	-	1,949,878
Stock-based compensation	-	-	414,847	-	-	414,847
Share issue costs	-	(1,302,715)	-	-	-	(1,302,715)
Foreign currency translation adjustment	-	-	-	1,950	-	1,950
Net loss	-	-	-	-	(12,505,759)	(12,505,759)
<b>Balance, December 31, 2003</b>	45,684,230	16,655,023	2,853,968	47,981	(14,079,872)	5,477,100
Shares issued:						
Private placement	4,600,000	3,846,521	-	-	-	3,846,521
Exercise of warrants	533,836	186,208	(13,197)	-	-	173,011
Exercise of stock options	50,000	26,180	(8,238)	-	-	17,942
Warrants issued for cancellation of price guarantee	-	-	129,266	-	-	129,266
Escrow shares compensation	-	-	405,739	-	-	405,739
Share issue costs	-	(21,026)	-	-	-	(21,026)
Stock-based compensation	-	-	1,530,712	-	-	1,530,712
Foreign currency translation adjustment	-	-	-	132,501	-	132,501
Net loss	-	-	-	-	(5,528,114)	(5,528,114)
<b>Balance, December 31, 2004</b>	50,868,066	20,692,906	4,898,250	180,482	(19,607,986)	6,163,652



# ENTRÉE GOLD INC.

(An Exploration Stage Company)

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Expressed in United States Dollars)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Comprehensive Income	Accumulated Deficit During the Exploration Stage	Total Stockholders' Equity
- continued -						
<b>Balance, December 31, 2004</b>	\$ 50,868,066	\$ 20,692,906	\$ 4,898,250	\$ 180,482	\$ (19,607,986)	\$ 6,163,652
Shares issued:						
Private placement	7,542,410	13,538,097	-	-	-	13,538,097
Exercise of warrants	10,456,450	10,475,291	-	-	-	10,475,291
Exercise of stock options	772,000	1,238,581	(532,908)	-	-	705,673
Escrow shares compensation	-	-	(435,583)	-	-	(435,583)
Share issue costs	-	(521,798)	-	-	-	(521,798)
Stock-based compensation	-	-	5,074,100	1,099,954	-	5,074,100
Foreign currency translation adjustment	-	-	-	-	-	1,099,954
Net loss	-	-	-	-	(13,691,767)	(13,691,767)
<b>Balance, December 31, 2005</b>	69,638,926	45,423,077	9,003,859	1,280,436	(33,299,753)	22,407,619
Shares issued:						
Membership paid in stock	4,167	8,870	-	-	-	8,870
Exercise of stock options	1,215,000	1,862,345	(753,628)	-	-	1,108,717
Stock-based compensation	-	-	1,031,683	-	-	1,031,683
Foreign currency translation adjustment	-	-	-	252,317	-	252,317
Net loss	-	-	-	-	(9,655,341)	(9,655,341)
<b>Balance, December 31, 2006</b>	70,858,093	47,294,292	9,281,914	1,532,753	(42,955,094)	15,153,865
Shares issued:						
Private placement	14,428,640	43,826,994	-	-	-	43,826,994
Mineral property interests	15,000	33,976	-	-	-	33,976
Exercise of warrants	7,542,408	20,392,043	-	-	-	20,392,043
Exercise of stock options	728,700	926,364	(322,880)	-	-	603,484
Share issue costs	-	(1,981,360)	-	-	-	(1,981,360)
Stock-based compensation	-	-	1,732,839	-	-	1,732,839
Foreign currency translation adjustment	-	-	-	3,539,535	-	3,539,535
Net loss	-	-	-	-	(11,833,416)	(11,833,416)
<b>Balance, December 31, 2007</b>	93,572,841	110,492,309	10,691,873	5,072,288	(54,788,510)	71,467,960

# ENTRÉE GOLD INC.

(An Exploration Stage Company)

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Expressed in United States Dollars)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Comprehensive Income	Accumulated Deficit During the Exploration Stage	Total Stockholders' Equity
<b>Balance, December 31, 2007</b>	93,572,841	\$ 110,492,309	\$ 10,691,873	\$ 5,072,288	\$ (54,788,510)	\$ 71,467,960
Shares issued:						
Exercise of stock options	958,057	1,447,926	(591,456)	-	-	856,470
Mineral property interests	30,000	60,941	-	-	-	60,941
Share issue costs	-	(7,186)	-	-	-	(7,186)
Stock-based compensation	-	-	3,672,358	-	-	3,672,358
Foreign currency translation adjustment	-	-	-	(12,483,218)	-	(12,483,218)
Net loss	-	-	-	-	(16,730,278)	(16,730,278)
<b>Balance, December 31, 2008</b>	94,560,898	111,993,990	13,772,775	(7,410,930)	(71,518,788)	46,837,047
Shares issued:						
Exercise of stock options	2,355,948	4,330,539	(2,050,489)	-	-	2,280,050
Mineral property interests	142,500	275,122	-	-	-	275,122
Stock-based compensation	-	-	4,183,677	-	-	4,183,677
Foreign currency translation adjustment	-	-	-	6,930,002	-	6,930,002
Unrealized gain on available for sale securities	-	-	-	563,481	-	563,481
Net loss	-	-	-	-	(17,102,254)	(17,102,254)
<b>Balance, December 31, 2009</b>	97,059,346	116,599,651	15,905,963	82,553	(88,621,042)	43,967,125
Shares issued:						
Exercise of stock options	2,122,278	4,632,135	(1,932,407)	-	-	2,699,728
Mineral property interests	152,500	382,284	-	-	-	382,284
Acquisition of PacMag	15,020,801	28,325,101	-	-	-	28,325,101
Share issue costs	-	(147,228)	-	-	-	(147,228)
Stock-based compensation	-	-	2,897,845	-	-	2,897,845
Foreign currency translation adjustment	-	-	-	3,483,645	-	3,483,645
Unrealized gain on available for sale securities	-	-	-	2,184,516	-	2,184,516
Net loss	-	-	-	-	(20,069,408)	(20,069,408)
<b>Balance, December 31, 2010</b>	114,354,925	\$ 149,791,943	\$ 16,871,401	\$ 5,750,714	\$ (108,690,450)	\$ 63,723,608

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

# ENTRÉE GOLD INC.

(An Exploration Stage Company)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in United States dollars)

	Year Ended December 31, 2010	Year Ended December 31, 2009	Inception (July 19, 1995) to December 31, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (20,069,408)	\$ (17,102,254)	\$ (108,690,450)
Items not affecting cash:			
Depreciation	203,086	156,144	1,080,192
Stock-based compensation	2,897,845	4,183,677	20,554,721
Fair value adjustment of asset backed commercial paper	-	-	2,332,531
Write-down of equipment	24,604	-	148,420
Escrow shares compensation	-	-	2,001,832
Mineral property interest paid in stock and warrants	-	22,515	4,052,698
Loss from equity investee	985,441	169,508	1,521,544
Future income tax recovery	(545,412)	-	(545,412)
Other items not affecting cash	-	22,227	72,176
Changes in assets and liabilities:			
Receivables	(108,634)	483,554	(268,031)
Receivables - Oyu Tolgoi LLC	705,988	(607,191)	64,194
Prepaid expenses	(276,413)	(454,571)	(1,015,832)
Accounts payable and accrued liabilities	212,772	(212,509)	1,074,297
Net cash used in operating activities	<u>(15,970,131)</u>	<u>(13,338,900)</u>	<u>(77,617,120)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of capital stock	2,699,728	2,280,050	114,691,462
Share issue costs	(147,228)	-	(3,693,148)
Loan payable to Oyu Tolgoi LLC	-	-	376,230
Net cash provided by financing activities	<u>2,552,500</u>	<u>2,280,050</u>	<u>111,374,544</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash acquired on acquisition of PacMag Metals Limited	837,263	-	837,263
Mineral property interest	(178,874)	(38,219)	(217,093)
Mineral Property Interest -Bond Payments	(79,493)	(69,568)	(149,061)
Joint venture - Oyu Tolgoi LLC	-	-	(366,595)
Purchase of asset backed commercial paper	-	-	(4,031,122)
Acquisition of PacMag Metals Limited	(7,388,397)	(77,098)	(7,465,495)
Acquisition of equipment	(180,458)	(141,307)	(1,864,543)
Net cash used in investing activities	<u>(6,989,959)</u>	<u>(326,192)</u>	<u>(13,256,646)</u>
Effect of foreign currency translation on cash	1,343,323	6,532,663	795,391
Change in cash during the period	(19,064,267)	(4,852,379)	21,296,169
Cash, beginning of period	40,360,436	45,212,815	-
<b>Cash, end of period</b>	<b>\$ 21,296,169</b>	<b>\$ 40,360,436</b>	<b>\$ 21,296,169</b>
<b>Cash paid for interest during the period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid for income taxes during the period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Supplemental disclosure with respect to cash flows (Note 12)

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

**1. NATURE OF OPERATIONS**

Entrée Gold Inc. ("Entrée" or the "Company") was incorporated under the laws of the Province of British Columbia on July 19, 1995 and continued under the laws of the Yukon Territory on January 22, 2003. On May 27, 2005, the Company changed its governing jurisdiction from the Yukon Territory to British Columbia by continuing into British Columbia under the *Business Corporation Act* (British Columbia). The Company's principal business activity is the exploration of mineral property interests. To date, the Company has not generated significant revenues from its operations and is considered to be in the exploration stage.

All amounts are expressed in United States dollars, except for certain amounts denoted in Canadian dollars ("C\$"), and Australian dollars ("A\$").

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America and include the accounts of the Company and all of its subsidiaries. All significant intercompany transactions and balances have been eliminated upon consolidation.

**Use of estimates**

The preparation of consolidated financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to deferred income tax asset valuations, asset impairment, stock-based compensation, valuation of asset-backed commercial paper and loss contingencies. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgements about the other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between estimates and the actual results, future results of operations will be affected.

**Cash**

Cash includes 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. The Company had \$21,296,169 in cash at December 31, 2010.

**Investments**

Long-term investments in companies in which the Company has voting interests of 20% to 50% 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 investment accounts.

Other long-term investments are classified as "available-for-sale" investments and consist of the Company's investment in asset backed commercial paper and Australian listed equities (Note 4). Unrealized gains and losses on these investments are recorded in accumulated other comprehensive income

**ENTRÉE GOLD INC.**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010

(Expressed in United States dollars)

---

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****Investments (cont'd...)**

as a separate component of stockholders' equity, unless the declines in market value are judged to be other than temporary, in which case the losses are recognized in income in the period. Gains and losses from the sale of these investments are included in income in the period.

**Equipment**

Equipment, consisting of office, computer, field equipment and buildings, is recorded at cost less accumulated depreciation. Depreciation is recorded on a declining balance basis at rates ranging from 20% to 30% per annum.

**Mineral property interests**

Costs of exploration and costs of carrying and retaining unproven properties are expensed as incurred. The Company considers mineral rights to be tangible assets and accordingly, the Company capitalizes certain costs related to the acquisition of mineral rights.

**Asset retirement obligation**

The Company records the fair value of the liability for closure and removal costs associated with the legal obligations upon retirement or removal of any tangible long-lived assets where the initial recognition of any liability will be capitalized as part of the asset cost and depreciated over its estimated useful life. To date, the Company has not incurred any asset retirement obligations.

**Impairment of long-lived assets**

Long-lived assets are continually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the discounted carrying amount of the assets exceeds the fair value of the assets.

**Stock-based compensation**

The Company applies the fair value method of accounting for all stock option awards, whereby the Company recognizes a compensation expense for all stock options awarded to employees, officers and consultants based on the fair value of the options on the date of grant, which is determined using the Black Scholes option pricing model. The options are expensed over the vesting period of the options.

**Financial instruments**

The Company measures the fair value of financial assets and liabilities based on GAAP guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Under GAAP, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is also established, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable.

Level 3 – Inputs that are unobservable (for example cash flow modelling inputs based on assumptions).

**Income taxes**

The Company follows the asset and liability method of accounting for income taxes whereby deferred income taxes are recognized for the deferred income tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences). Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

**Foreign currency translation**

The functional currency of the Company is the Canadian dollar. Accordingly, monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the balance sheet 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 operations. Exchange gains or losses arising on translation of foreign currency items are included in the statement of operations.

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 stockholders' equity as accumulated other comprehensive income.

**Net loss per share**

Basic net loss per share is computed by dividing the net loss for the period attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share takes into consideration shares of common stock outstanding (computed under basic loss per share) and potentially dilutive shares of common stock. Diluted net loss per share is not presented separately from basic net loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive. At December 31, 2010, the total number of potentially dilutive shares of common stock excluded from basic net loss per share was 9,292,800 (December 31, 2009 - 10,907,800).

## ENTRÉE GOLD INC.

(An Exploration Stage Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

(Expressed in United States dollars)

---

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

### Recent accounting pronouncements

In April 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2010-13, *Compensation – Stock Compensation (Topic 718)*, amending Accounting Standards Codification (ASC) 718. ASU 2010-13 clarifies that a share-based payment award with an exercise price denominated in the currency of a market in which the entity's equity securities trade should not be classified as a liability if it otherwise qualifies as equity. ASU 2010-13 also improves GAAP by improving consistency in financial reporting by eliminating diversity in practice. ASU 2010-13 is effective for interim and annual reporting periods beginning after December 15, 2010. The Company is currently evaluating the impact of ASU 2010-13, but does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

In February 2010, the FASB issued ASU 2010-09, *Subsequent Events (Topic 855)*, amending ASC 855. ASU 2010-09 removes the requirement for a U.S. Securities and Exchange Commission ("SEC") filer to disclose a date relating to its subsequent events in both issued and revised financial statements. ASU 2010-09 also eliminates potential conflicts with the SEC's literature. Most of ASU 2010-09 is effective upon issuance of the update. The Company adopted ASU 2010-09 in February 2010, and its adoption did not have a material impact on the Company's financial reporting and disclosures.

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements*, amending ASC 820. ASU 2010-06 requires entities to provide new disclosures and clarify existing disclosures relating to fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company adopted ASU 2010-06 during the March 2010 quarter, and its adoption did not have a material impact on the Company's financial position or results of operations.

## 3. ACQUISITIONS

The Company acquired all of the outstanding shares of PacMag Metals Limited (now PacMag Metals Pty Ltd) ("PacMag") on June 30, 2010, pursuant to a Scheme Implementation Deed dated November 28, 2009 and amended by a Deed of Variation dated April 12, 2010 (the "Scheme Deed"), with PacMag, by way of schemes of arrangement (the "Schemes") under the laws of Australia (the "Transaction"). The acquisition has been accounted for as an acquisition of the net assets of PacMag, rather than a business combination, as the net assets acquired did not represent a separate business transaction. For accounting purposes, Entrée acquired control of PacMag on June 30, 2010 and these consolidated financial statements include the results of PacMag from June 30, 2010. All outstanding options to purchase PacMag shares were cancelled pursuant to the Schemes. Consideration for the PacMag shares acquired was common shares of Entrée, with the number issued based on a share exchange ratio of 0.1018 shares of Entrée for each PacMag share, and C\$0.0415 cash for each PacMag share. Consideration for cancellation of PacMag options was shares of Entrée and cash, with the number issued and amount paid calculated with reference to the share exchange ratio, the exercise price and time value for such PacMag options and whether the PacMag options were "in the money" or not.

As consideration to former shareholders and option holders of PacMag, the Company issued 15,020,801 common shares valued at \$28,325,101, paid \$6,160,391 and incurred transaction costs of \$1,282,789 for total consideration of \$35,768,281.

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

**3. ACQUISITIONS (cont'd...)**

The Company allocated the consideration to assets acquired and liabilities assumed as follows:

Cash	\$	837,263
Receivables and deposits		174,440
Investments		895,273
Mineral property interests		47,979,966
Equipment		1,488
Accounts payables and accrued liabilities		(128,689)
Future income tax liability		(13,991,460)
	\$	<u>35,768,281</u>

For the purposes of these consolidated financial statements, the purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed, based on management's best estimates and taking into account all available information at the time of acquisition as well as applicable information at the time these consolidated financial statements were prepared.

**4. INVESTMENTS**

Investments are summarized as follows:

	<b>December 31, 2010</b>		<b>December 31, 2009</b>	
<b>Asset Backed Commercial Paper</b>	\$	2,638,185	\$	2,166,597
<b>Australian Listed Equity</b>		2,926,317		-
	\$	<u>5,564,502</u>	\$	<u>2,166,597</u>

***Asset Backed Commercial Paper***

The Company owns asset backed notes ("AB Notes") with a face value of C\$4,007,068 (December 31, 2009 – C\$4,013,365). The Company has designated the notes as "available for sale" and the notes are recorded at fair value using a discounted cash flow approach.

There was an increase in fair market value in 2010 and the Company has estimated the fair market value of its AB Notes investment to be C\$2,623,998 as at December 31, 2010 (December 31, 2009 – C\$2,267,560). Accordingly, the Company has recorded an unrealized gain of \$471,588 in other comprehensive income (December 31, 2009 – \$563,481) for the year ended December 31, 2010.

The table below summarizes the Company's valuation.



**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

**4. INVESTMENTS (cont'd...)**

Restructuring categories	C\$ thousands			Expected maturity date
	Face value	Dec. 31, 2010 C\$ Fair value estimate*	Dec. 31, 2009 C\$ Fair value estimate	
MAV 2 Notes				
A1 (rated A)	1,960,231	1,537,392	1,388,866	12/20/2016
A2 (rated BBB)	1,630,461	1,000,732	826,653	12/20/2016
B	295,974	84,670	50,836	12/20/2016
C	120,402	1,204	1,205	12/20/2016
<b>Total original investment</b>	<b>4,007,068</b>	<b>2,623,998</b>	<b>2,267,560</b>	

\* - the range of fair values estimated by the Company varied between C\$2.4 million and C\$2.8 million  
- the total United States dollars fair value of the investment at December 31, 2010 is \$2,638,185 (December 31, 2009 - \$2,166,597).

We believe we have utilized an appropriate methodology to estimate fair value. However, there can be no assurance that management's estimate of potential recovery as at December 31, 2010 is accurate. Subsequent adjustments, either materially higher or lower, may be required in future reporting periods.

***Australia Listed Equity Securities***

At December 31, 2010, the Company held the following Australia listed securities (December 31, 2009 – Nil):

	<u>Shares</u>	<u>FMV</u>
Peninsula Energy Limited (ASX: PEN)	34,650,000	\$2,837,269
Zenith Minerals Limited (ASX:ZNC)	300,000	89,048
		<u>\$2,926,317</u>

The Company recorded an unrealized gain of \$1,712,928 in other comprehensive income (December 31, 2009 - \$Nil) for the year ended December 31, 2010.

***Equity Method Investment***

The Company has a 20% equity investment in a joint venture with Oyu Tolgoi LLC ("OTLLC"), a subsidiary of Ivanhoe Mines Ltd. and the Government of Mongolia (Note 6). At December 31, 2010, the Company's investment in the joint venture was \$119,517 (December 31, 2009 - \$94,154). The Company's share of the loss of the joint venture is \$985,441 for the year ended December 31, 2010 (December 31, 2009 - \$169,508).

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

**5. EQUIPMENT**

	December 31, 2010			December 31, 2009		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Office equipment	\$ 128,546	\$ 77,718	\$ 50,828	\$ 126,873	\$ 68,095	\$ 58,778
Computer equipment	582,103	317,101	265,002	533,022	265,491	267,531
Field equipment	542,662	255,423	287,239	472,495	210,987	261,508
Buildings	444,041	280,801	163,240	416,734	233,989	182,745
	<u>\$ 1,697,352</u>	<u>\$ 931,043</u>	<u>\$ 766,309</u>	<u>\$ 1,549,124</u>	<u>\$ 778,562</u>	<u>\$ 770,562</u>

**6. MINERAL PROPERTY INTERESTS**

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral property interests. The Company has investigated title to its mineral property interests and, to the best of its knowledge, title to the mineral property interests are in good standing.

Acquisition costs capitalized are summarized as follows:

	December 31, 2010	December 31, 2009
<b>USA</b>		
Ann Mason	\$ 49,829,801	\$ -
Other	458,798	-
Empirical	268,701	45,546
Roulette	274,308	162,551
Bisbee	68,796	-
Blackjack	107,011	84,511
<b>Total USA</b>	<u>51,007,415</u>	<u>292,608</u>
<b>AUSTRALIA</b>		
Mystique	413,103	-
Blue Rose JV	557,464	-
<b>Total Australia</b>	<u>970,567</u>	<u>-</u>
<b>Total all locations</b>	<u>\$ 51,977,982</u>	<u>\$ 292,608</u>

***Material Properties***

The Company's two principal assets are the Lookout Hill copper-gold property in Mongolia, and the Ann Mason copper-molybdenum property in Nevada.

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

---

**6. MINERAL PROPERTY INTERESTS (cont'd...)**

***Material Properties*** (cont'd...)

**Lookout Hill, Mongolia**

The Lookout Hill property in the South Gobi region of Mongolia is comprised of two mining licences, Shivee Tolgoi and Javhlant, granted by the Mineral Resources Authority of Mongolia in October 2009. The licences are held by our wholly-owned subsidiary, Entrée LLC.

In October 2004, Entrée entered into an arm's-length Equity Participation and Earn-In Agreement (the "Earn-In Agreement") with Ivanhoe Mines Ltd. ("Ivanhoe Mines"). Under the Earn-In Agreement, Ivanhoe Mines agreed to purchase equity securities of Entrée, and was granted the right to earn a beneficial interest in what is now the eastern portion of the Shivee Tolgoi mining licence and all of the Javhlant mining licence (the "Joint Venture Property"). Most of Ivanhoe Mines' rights and obligations under the Earn-In Agreement were subsequently assigned by Ivanhoe Mines to what was then its wholly-owned subsidiary, Oyu Tolgoi LLC ("OTLLC"). The Government of Mongolia subsequently acquired from Ivanhoe Mines a 34% interest in OTLLC.

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 Joint Venture Property. OTLLC earned an 80% beneficial ownership interest in all minerals extracted below a sub-surface depth of 560 meters from the Joint Venture Property and a 70% beneficial ownership interest in all minerals extracted from surface to a depth of 560 meters from the Joint Venture Property. In accordance with the Earn-In Agreement, Entrée and OTLLC formed a joint venture (the "Entrée-OTLLC Joint Venture") on terms annexed to the Earn-In Agreement.

Entrée LLC holds title to the Joint Venture Property in trust for the Entrée-OTLLC Joint Venture. The portion of the Shivee Tolgoi mining licence outside of the Joint Venture Property ("Shivee West") is 100% legally and beneficially owned by Entrée LLC, but is subject to a first right of refusal by OTLLC.

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 December 31, 2010, the Entrée-OTLLC Joint Venture had expended approximately \$8.8 million to advance the Joint Venture Property. Under the terms of the Earn-in Agreement, OTLLC contributed on behalf of the Company its required participation amount charging interest at prime plus 2% (Note 7).

**Ann Mason, Nevada, United States**

Entrée has a 100% interest in the Ann Mason property in Nevada indirectly through its wholly-owned subsidiary M.I.M. (U.S.A.) Inc., which it acquired in June 2010 through the acquisition of PacMag. The Ann Mason property hosts the Ann Mason copper-molybdenum porphyry deposit and the Blue Hill copper oxide target.

***Other Properties***

The Company also directly or indirectly has interests in non-material properties in Mongolia, the United States, Australia and Peru. In the financial year ended December 31, 2010, the Company determined not to proceed with its exploration properties in Canada and China. Non-material properties on which significant exploration costs were expensed include the following:

**ENTRÉE GOLD INC.**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010

(Expressed in United States dollars)

---

**6. MINERAL PROPERTY INTERESTS (cont'd...)*****Other Properties*** (cont'd...)**Blackjack, Nevada, United States**

In July 2009, the Company's wholly-owned subsidiary Entrée Gold (U.S.) Inc. ("Entrée U.S.") entered into an agreement with Honey Badger Exploration Inc. ("Honey Badger") whereby Entrée U.S. may acquire up to an 80% interest in the Blackjack property. In August, 2010, Entrée U.S. exercised its first option to acquire a 51% interest in the property after incurring minimum expenditures of \$900,000 in the first year of exploration, reimbursing Honey Badger for up to \$206,250 of expenditures previously incurred on the property, and delivering 37,500 shares of the Company to Honey Badger. In November, 2010, Entrée U.S. delivered notice of its intention to increase its interest by a further 29% (to 80% in total) by making payments of \$375,000 and delivering 375,000 shares of the Company by August 21, 2012. Entrée U.S. has committed to carry Honey Badger through the completion of 10,000 metres of drilling, including drilling done within the first year. Certain claims are subject to an underlying mining lease and option to purchase agreement which provides for an option to purchase the claims for \$500,000, a 3% net smelter returns royalty (which may be bought down to a 1% net smelter returns royalty for \$2 million) and annual advance minimum royalty payments of \$27,500 commencing in June, 2011.

**Roulette, Nevada, United States**

In September 2009, Entrée U.S. entered into an agreement with Bronco Creek Exploration Inc., the wholly-owned subsidiary of Eurasian Minerals Inc. (together, "Eurasian Minerals"), whereby Entrée U.S. may acquire an 80% interest in the Roulette property. In order to acquire its interest, Entrée U.S. must incur expenditures of \$1,000,000, make cash payments of \$140,000 and deliver 85,000 shares of the Company within three years. In accordance with the agreement, the Company has issued 72,500 shares, and Entrée U.S. has made payments totalling \$90,000 and completed the minimum exploration expenditures of \$300,000.

**Australia Properties**

The Company has a number of mineral property interests in Australia which it acquired in conjunction with the PacMag acquisition, including the Blue Rose Joint venture and the Mystique farm-out. The Company indirectly holds a 51% interest in the Blue Rose copper gold molybdenum joint venture property with Giralia Resources NL, now a subsidiary of Atlas Iron Limited (ASX:AGO) ("Giralia"), retaining the remaining 49% interest. Mystique is an early stage gold exploration property comprised of two exploration licences indirectly held by the Company. The Company's wholly-owned subsidiary Southern Magnesium Pty Ltd. entered into a farm-out agreement with Black Fire Gold Pty Ltd, a wholly-owned subsidiary of Black Fire Energy Limited (ASX:BFE - "Black Fire"), pursuant to which Black Fire can earn a 60% interest in the property by expending AUD\$1 million by September 2012 and a 75% interest by expending AUD\$2.5 million by September 2014. Black Fire can earn an additional 10% interest by sole funding a pre-feasibility study on the property.

**Huaxi, China**

In November 2007, the Company entered into an agreement with the Zhejiang No. 11 Geological Brigade to explore for copper within three prospective contiguous exploration licences in Pingyang County, Zhejiang Province, People's Republic of China. The Company agreed to spend \$3 million to fund exploration activities on the licences over a four year period in order to earn a 78% interest with the Zhejiang No. 11 Geological Brigade holding a 22% interest. In December 2010, the Company delivered notice that it did not wish to proceed any further with the property.

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

**6. MINERAL PROPERTY INTERESTS (cont'd...)**

*Summary of Exploration Costs*

Exploration costs expensed are summarized as follows:

	Year Ended December 31, 2010	Year Ended December 31, 2009
<b>MONGOLIA</b>		
Lookout Hill	\$ 6,595,153	\$ 532,665
Togoot	350,241	5,222,452
<b>Total Mongolia</b>	<u>6,945,394</u>	<u>5,755,117</u>
<b>USA</b>		
Ann Mason	1,593,963	-
Blackjack	1,008,362	475,417
Roulette	721,425	52,361
Bisbee	345,124	143,988
Empirical	274,100	2,016,427
Other	30,554	-
<b>Total USA</b>	<u>3,973,528</u>	<u>2,688,193</u>
<b>OTHER</b>		
Canada & Other	612,197	386,430
Peru & Australia	66,523	-
<b>Total other</b>	<u>678,720</u>	<u>386,430</u>
<b>CHINA</b>		
Huaxi	628,921	1,156,223
<b>Total China</b>	<u>628,921</u>	<u>1,156,223</u>
<b>Total all locations</b>	<u>\$ 12,226,563</u>	<u>\$ 9,985,963</u>

**7. LOANS PAYABLE**

Under the terms of the Earn-In Agreement (Note 6), OTLLC will 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 loans will be repayable by the Company monthly from ninety percent (90%) of the Company's share of available cash flow from the Entrée-OTLLC Joint Venture. In the absence of available cash flow, the loans will not be repayable. The loans are not expected to be repaid within one year.

**ENTRÉE GOLD INC.**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010

(Expressed in United States dollars)

---

**8. COMMON STOCK****Share issuances**

In July 1995, the Company completed a private placement consisting of 4,200,000 common shares issued at a price of C\$0.02 per share for gross proceeds of \$60,852.

In July 1995, the Company issued 3,200,000 shares at a value of \$147,520 for the acquisition of a mineral property interest in Costa Rica. This mineral property was abandoned in 2001.

In January 1997, the Company completed a private placement consisting of 1,680,000 common shares issued at a price of C\$0.06 per share for gross proceeds of \$77,553.

In April 1997, the Company completed a private placement consisting of 2,200,000 common shares issued at a price of C\$0.12 per share for gross proceeds of \$197,165.

In February 2000, the Company issued 1,128,000 common shares for cash proceeds of \$113,922 on the exercise of stock options.

In September 2002, the Company completed a brokered private placement consisting of 4,000,000 units issued at a price of C\$0.20 per unit for gross proceeds of \$505,520. Each unit consisted of one common share and one-half non-transferable share purchase warrant. Each whole share purchase warrant entitled the holder to acquire one additional common share at a price of C\$0.40 per share for a period of one year. As part of this private placement, the Company issued 310,000 units as a finder's fee to the agent. Each agent's unit consisted of one common share and one-half non-transferable share purchase warrant whereby each whole share purchase warrant entitled the agent to acquire one additional common share at a price of C\$0.40 per share for a period of one year. Related share issue costs of \$112,338 were comprised of cash costs totalling \$72,556 and the fair value of 310,000 units estimated at \$39,782, of which \$39,178 was assigned to the common shares and \$604 was assigned to the warrants.

In January 2003, the Company completed a combination brokered and non-brokered private placement consisting of 2,500,000 units issued at a price of C\$0.35 per unit for gross proceeds of \$569,975. Each unit consisted of one common share and one-half non-transferable share purchase warrant. Each whole share purchase warrant entitled the holder to acquire one additional common share at a price of C\$0.40 per share for a period of one year. As part of this private placement, the Company issued 329,723 agent's warrants whereby each warrant entitled the agent to acquire one additional common share at a price of C\$0.40 per share for a period of one year. Related share issue costs of \$94,461 were comprised of cash costs totalling \$78,188 and the fair value of the agents warrants estimated at \$16,273.

In January 2003, the Company issued 100,000 common shares at a value of \$35,827 as a finder's fee towards the acquisition of mineral property interests.

In February 2003, the Company issued 12,500 common shares for proceeds of \$3,288 on the exercise of warrants.

In March 2003, the Company issued 135,416 common shares at a value of \$45,839 and 67,708 non-transferable share purchase warrants with a value of \$5,252 to settle accounts payable totalling \$45,839 resulting in a loss on settlement of \$5,252. Each share purchase warrant entitled the holder to acquire one additional common share at a price of C\$0.60 per share for a period of one year.

In April 2003, the Company completed a non-brokered private placement consisting of 1,000,000 units issued at a price of C\$0.40 per unit for proceeds of \$275,560. Each unit consisted of one common share and one non-transferable share purchase warrant. Each share purchase warrant entitled the holder to

**ENTRÉE GOLD INC.**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010

(Expressed in United States dollars)

---

**8. COMMON STOCK (cont'd...)****Share issuances (cont'd...)**

acquire one additional common share at a price of C\$0.50 per share for the first year and at C\$0.60 per share for the second year. The Company incurred costs of \$4,408 with respect to this private placement.

In August 2003, the Company completed a non-brokered private placement consisting of 2,000,000 common shares issued at a price of C\$0.20 per share for gross proceeds of \$288,360. Related share issue costs of \$15,270 were charged as a reduction to the gross proceeds raised on the non-brokered private placement.

In October 2003, the Company completed a short-form offering and issued 2,352,942 units at a price of C\$0.85 per unit for gross proceeds of \$1,510,400. Each unit consisted of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant allowed the holder to purchase one additional common share at an exercise price of C\$1.06 on or before October 22, 2005. The agent for the offering was paid a cash commission of 8.5% of the gross proceeds received, or \$128,384, in respect of units sold and received agent's warrants to acquire common shares equal to 10% of the number of units sold, or 235,294 warrants. The agent's warrants allowed the agent to purchase one additional common share at an exercise price of C\$0.95 per share on or before October 22, 2004. The agent was also issued 100,000 units as a corporate finance fee. Each agent's unit consisted of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant allowed the agent to purchase one additional common share at an exercise price of C\$0.95 on or before October 22, 2004. Related share issue costs of \$296,296 were comprised of cash costs totalling \$164,004 and the fair value of 100,000 agents units estimated at \$72,576 and the fair value of 235,294 agent's warrants estimated at \$59,716. The fair value of the agent's units of \$72,576 consisted of \$64,192 assigned to the common shares and \$8,384 assigned to the warrants.

In October 2003, the Company completed a brokered private placement consisting of 12,000,000 units at a price of C\$1.00 per unit for gross proceeds of \$9,092,400. Each unit consisted of one common share and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant allowed the holder to purchase one additional common share at an exercise price of C\$1.35 on or before October 31, 2005. The agent for the offering was paid a cash commission of 6.5% of the gross proceeds received in respect of units sold by the agent up to 11,500,000 units, or \$566,381, and received 920,000 agent's warrants. The agent's warrants allowed the agent to purchase one additional common share at an exercise price of C\$1.35 per share on or before April 30, 2005. Related share issue costs of \$991,149 were comprised of cash costs totalling \$680,124 and the fair value of the agents warrants estimated at \$311,025.

In November 2003, the Company issued 5,000,000 shares at a value of \$3,806,000 pursuant to the Lookout Hill mineral property purchase agreement.

During the eight month period ended December 31, 2003 the Company issued 3,730,372 common shares for cash proceeds of \$1,310,221 on the exercise of warrants. The warrants exercised had a corresponding fair value of \$6,443 when issued which has been transferred from additional paid-in capital to common stock on the exercise of the warrants.

During the eight month period ended December 31, 2003, the Company issued 35,000 common shares for cash proceeds of \$14,704 on the exercise of stock options. The fair value recorded when the options were granted of \$4,026 has been transferred from additional paid-in capital to common stock on the exercise of the options.

**ENTRÉE GOLD INC.**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010

(Expressed in United States dollars)

---

**8. COMMON STOCK (cont'd...)****Share issuances (cont'd...)**

In January 2004, the Company issued 50,000 common shares for cash proceeds of \$17,942 on the exercise of stock options. The fair value recorded when the options were granted of \$8,238 has been transferred from additional paid-in capital to common stock on the exercise of the options.

In November 2004, the Company completed a non-brokered private placement consisting of 4,600,000 units at a price of C\$1.00 per unit for gross proceeds of \$3,846,521. Each unit consisted of one common share and one non-transferable share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at a price of C\$1.10 on or before November 9, 2006. Pursuant to an agreement with the Company, the placee, being Ivanhoe Mines, had a pre-emptive right to such percentage of any future offering of securities by the Company to enable it to preserve its pro-rata ownership interest in the Company after its acquisition of these 4,600,000 units. The pre-emptive right terminated in June 2008. Related share issue costs were comprised of cash costs totalling \$21,026.

During the year ended December 31, 2004, the Company issued 533,836 common shares for cash proceeds of \$173,011 on the exercise of warrants. Certain of the warrants exercised had a corresponding fair value of \$13,197 when issued which has been transferred from additional paid-in capital to common stock on the exercise of the warrants.

In June 2005, the Company completed a non-brokered private placement consisting of 5,665,730 units at a price of C\$2.20 per unit for gross proceeds of \$10,170,207. Each unit consisted of one common share, one non-transferable share purchase A warrant and one non-transferable share purchase B warrant. Two A warrants entitle the holder to purchase one common share of the Company at a price of C\$2.75 for a period of 2 years. Two B warrants entitle the holder to purchase one common share of the Company at a price of C\$3.00 for a period of two years. Pursuant to an agreement with the Company, the placee, Kennecott Canada Exploration Inc. (now Rio Tinto Canada Exploration Inc. ("Rio Tinto")) (indirect wholly-owned subsidiary of Rio Tinto plc) has the right to acquire additional securities and participate in future financings by the Company so as to maintain its proportional equity in the Company. Related share issue costs were comprised of cash costs totalling \$521,798.

In July 2005, the Company completed a non-brokered private placement consisting of 1,876,680 units at a price of C\$2.20 per unit for gross proceeds of \$3,367,890. Each unit consisted of one common share, one non-transferable share purchase A warrant and one non-transferable share purchase B warrant. Two A warrants entitle the holder to purchase one common share of the Company at a price of C\$2.75 for a period of 2 years. Two B warrants entitle the holder to purchase one common share of the Company at a price of C\$3.00 for a period of two years.

During the year ended December 31, 2005, the Company issued 10,456,450 common shares for cash proceeds of \$10,475,291 on the exercise of warrants.

During the year ended December 31, 2005, the Company issued 772,000 common shares for cash proceeds of \$705,673 on the exercise of stock options. The fair value recorded when the options were granted of \$532,908 has been transferred from additional paid-in capital to common stock on the exercise of the options.

The year ended December 31, 2006, the Company issued 1,215,000 common shares for cash proceeds of \$1,108,717 on the exercise of stock options. The fair value recorded when the options were granted of \$753,628 has been transferred from additional paid-in capital to common stock on the exercise of the options.



**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2010  
(Expressed in United States dollars)

---

**8. COMMON STOCK (cont'd...)**

**Share issuances (cont'd...)**

In June 2006, the Company issued 4,167 common shares to the University of British Columbia as a donation to become a member of the Mineral Deposit Research Unit. The fair value recorded when the shares were issued of \$8,870 has been recorded as a donation expense.

In June 2007, the Company issued 7,542,408 common shares for cash proceeds of \$20,392,043 on the exercise of warrants.

In August 2007, the Company issued 15,000 shares at a value of \$33,976 to Empirical Discovery, LLC ("Empirical") pursuant to a mineral property option agreement.

In November, 2007, the Company completed a brokered private placement consisting of 10,000,000 common shares at price of C\$3.00 per share for gross proceeds of C\$30,000,000. Ivanhoe Mines and Rio Tinto elected to exercise their respective rights to participate in the private placement. Ivanhoe Mines acquired 2,128,356 shares at C\$3.00 for gross proceeds of C\$6,464,881. Rio Tinto acquired 2,300,284 shares at C\$3.00 for proceeds of C\$6,987,113. Related share issuance costs were cash costs totalling \$1,981,360.

During the year ended December 31, 2007, the Company issued 728,700 common shares for cash proceeds of \$603,684 on the exercise of stock options. The fair value recorded when the options were granted of \$322,880 has been transferred from additional paid-in capital to common stock on the exercise of the options.

In February 2008, the Company issued 10,000 shares at a fair value of \$20,066 to Empirical pursuant to the January 2008 Bisbee mineral property option agreement.

In August 2008, the Company issued 20,000 shares at a fair value of \$40,875 to Empirical pursuant to the July 2007 mineral property option agreement.

During the year ended December 31, 2008, the Company issued 958,057 common shares for cash proceeds of \$856,470 on the exercise of stock options. The fair value recorded when the options were granted of \$591,456 has been transferred from additional paid-in capital to common stock on the exercise of the options. Included in the issued shares were 144,169 common shares issued pursuant to the cashless exercise of 296,112 options with an exercise price of C\$1.00, with the remaining 151,943 options treated as cancelled.

In February 2009, the Company issued 20,000 shares at a fair value of \$22,515 to Empirical pursuant to the January 2008 Bisbee mineral property option agreement.

In August 2009, the Company issued 35,000 shares at a fair value of \$45,545 to Empirical pursuant to the July 2007 mineral property option agreement and 37,500 shares at a fair value of \$84,511 to Honey Badger pursuant to the August 2009 mineral property option agreement.

In November 2009, the Company issued 50,000 shares at a fair value of \$122,551 to Eurasian Minerals Bronco Creek pursuant to the September 2009 mineral property option agreement.

During the year ended December 31, 2009, the Company issued 2,355,948 common shares for cash proceeds of \$2,280,050 on the exercise of stock options. The fair value recorded when the options were granted of \$2,050,489 has been transferred from additional paid-in capital to common stock on the exercise of the options. Included in the issued shares were 415,448 common shares issued pursuant to the cashless

**ENTRÉE GOLD INC.**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010

(Expressed in United States dollars)

---

**8. COMMON STOCK (cont'd...)****Share issuances (cont'd...)**

exercise of 705,000 options with an exercise price of C\$1.15, with the remaining 289,552 options treated as cancelled.

In February 2010, the Company issued 30,000 shares at a fair value of \$82,391 to Empirical pursuant to a January 2008 mineral property option agreement covering the Company's Bisbee, Arizona property.

In June 2010, the Company issued 15,020,801 shares at a fair value of \$28,325,101 pursuant to the acquisition of PacMag (Note 3) and incurred \$147,228 of share issue costs.

In August 2010, the Company issued 80,000 shares at a fair value of \$185,863 to Empirical pursuant to a June 2007 mineral property option agreement covering the Lordsburg and Oak Grove properties in New Mexico.

On October 4, 2010, the Company issued 20,000 shares at a fair value of \$53,797 to Peter Drobeck pursuant to a Confidentiality and Finder's Fee Agreement as a finder's fee in connection with a September 2010 conditional property option agreement between the Company's wholly-owned Peruvian subsidiary Exploraciones Apolo Resources S.A.C. and a private Peruvian company.

On October 21, 2010, the Company issued 22,500 shares at a fair value of \$60,233 to Eurasian Minerals and Entrée U.S. confirmed that it had satisfied all of its Year 1 obligations under their agreement, including incurring \$300,000 in expenditures on the Roulette property.

During the year ended December 31, 2010, the Company issued 2,122,278 common shares for cash proceeds of \$2,699,728 on the exercise of stock options. The fair value recorded when the options were granted of \$1,932,407 has been transferred from additional paid-in capital to common stock on the exercise of the options. Included in the issued shares were 430,078 common shares issued pursuant to the cashless exercise of 100,000 options with an exercise price of C\$1.32, 1,535,300 options with an exercise price of C\$1.75, and 7,500 options with an exercise price of C\$2.60, with the remaining 1,212,722 options treated as cancelled.

**Stock options**

The Company has adopted a stock option plan (the "Plan") to grant options to directors, officers, employees and consultants. Under the Plan, as amended in June 2010, the Company may grant options 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 stock price on the last trading day before the date of grant. Vesting is determined at the discretion of the Board of Directors.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. For employees, the compensation expense is amortized on a straight-line basis over the requisite service period which approximates the vesting period. Compensation expense for stock 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 balance sheet date using the Black-Scholes option pricing model.

The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. For non-employees, the expected term of the options approximates the full term of the options. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. The Company has not paid and does not anticipate paying dividends on

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

**8. COMMON STOCK (cont'd...)**

**Stock options (cont'd...)**

its common stock; therefore, 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 Operations.

Stock option transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price (C\$)
Balance at December 31, 2008	10,651,800	1.65
Granted	3,622,500	1.97
Exercised	(2,355,948)	1.23
Cancelled	(289,552)	1.15
Expired	(721,000)	1.60
Balance at December 31, 2009	10,907,800	1.86
Granted	1,737,500	2.77
Exercised	(2,122,278)	1.66
Cancelled	(1,212,722)	1.74
Expired	(17,500)	1.71
Balance at December 31, 2010	9,292,800	2.09

There were 1,737,500 stock options granted during the year ended December 31, 2010. The weighted average fair value per stock option granted during the year ended December 31, 2010 was C\$1.75 (December 31, 2009 – C\$1.27). The number of stock options exercisable at December 31, 2010 was 9,137,800.

At December 31, 2010, the following stock options were outstanding:

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

**8. COMMON STOCK (cont'd...)**

**Stock options (cont'd...)**

Number of Options	Exercise Price (C\$)	Aggregate Intrinsic Value (C\$)	Expiry Date	Number of Options Exercisable	Aggregate Intrinsic Value (C\$)
35,000	1.80	\$ 58,450	January 23, 2011	35,000	\$ 58,450
397,300	1.32	854,195	July 10, 2011	397,300	854,195
50,000	1.77	85,000	January 22, 2012	50,000	85,000
200,000	2.16	262,000	April 5, 2012	200,000	262,000
500,000	2.06	705,000	May 16, 2012	500,000	705,000
466,000	2.30	545,220	May 31, 2012	466,000	545,220
1,397,000	2.00	2,053,590	April 3, 2013	1,397,000	2,053,590
12,500	1.55	24,000	May 21, 2013	12,500	24,000
125,000	2.02	181,250	July 17, 2013	125,000	181,250
1,105,500	1.55	2,122,560	September 17, 2013	1,105,500	2,122,560
5,000	1.55	9,600	October 10, 2013	5,000	9,600
1,452,000	1.32	3,121,800	February 12, 2014	1,452,000	3,121,800
1,810,000	2.60	1,574,700	December 29, 2014	1,810,000	1,574,700
300,000	2.34	339,000	September 22, 2015	150,000	169,500
1,437,500	2.86	876,875	November 22, 2015	1,432,500	873,825
9,292,800		\$ 12,813,240		9,137,800	\$ 12,640,690

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of C\$3.47 per share as of December 31, 2010, which would have been received by the option holders had all options holders exercised their options as of that date. The total number of in-the-money options vested and exercisable as of December 31, 2010 was 9,137,800. The total intrinsic value of options exercised during the year ended December 31, 2010 was \$3,103,315 (December 31, 2009 - \$3,888,790).

Subsequent to December 31, 2010, the Company granted 200,000 stock options with an exercise price of C\$3.47 and 125,000 stock options with an exercise price of C\$2.94. Subsequent to December 31, 2010 155,800 stock options with an exercise price between C\$1.32 and C\$2.60 were exercised and 5,000 stock options with an exercise price of C\$2.60 expired without exercise.

**Stock-based compensation**

1,737,500 stock options were granted during the year ended December 31, 2010. The fair value of stock options granted during the year ended December 31, 2010 was \$3,007,946 (December 31, 2009 - \$4,109,921). 1,582,500 options were vested and fully recognized upon grant and the remaining 155,000 options will be fully vested in 2011. Stock-based compensation recognized during the year ended December 31, 2010 was \$2,897,845 (December 31, 2009 - \$4,183,677) which has been recorded in the consolidated statements of operations as follows with corresponding additional paid-in capital recorded in stockholders' equity:

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

**8. COMMON STOCK (cont'd...)**

**Stock-based compensation (cont'd...)**

	Year Ended December 31, 2010	Year Ended December 31, 2009	Cumulative to December 31, 2010
Consulting fees	\$ 242,028	\$ -	\$ 2,036,590
Legal	-	-	287,931
Management fees	2,140,386	2,032,141	10,272,342
Exploration	425,791	661,854	3,661,058
Office and administration	44,820	1,236,383	3,198,603
Stockholder communications and investor relations	44,820	253,299	1,098,197
	<u>\$ 2,897,845</u>	<u>\$ 4,183,677</u>	<u>\$ 20,554,721</u>

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Risk-free interest rate	1.84%	2.93%
Expected life of options (years)	5.0	5.0
Annualized volatility	78%	84%
Dividend rate	0.00%	0.00%

**9. SEGMENT INFORMATION**

The Company operates in one business segment being the exploration of mineral property interests.

Geographic information is as follows:

	December 31, 2010	December 31, 2009
Identifiable assets		
USA	\$ 51,790,144	\$ 583,461
Canada	23,603,838	44,269,665
Australia	4,778,311	-
Mongolia	1,027,622	906,485
Peru	121,128	-
China	38,055	44,509
	<u>\$ 81,359,098</u>	<u>\$ 45,804,120</u>

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

**10. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	December 31, 2010	December 31, 2009
Loss for the year	\$ (20,069,408)	\$ (17,102,254)
Statutory rate	28.5%	30.0%
Expected income tax recovery	5,719,781	5,130,676
Permanent difference	60,761	(766,036)
Difference in foreign tax rates	18,021	(145,825)
Change in valuation allowance	(5,080,244)	(3,925,728)
Change in enacted tax rates	(172,907)	(293,087)
Total income taxes	\$ (545,412)	\$ -

The significant components of the Company's future income tax assets are as follows:

	December 31, 2010	December 31, 2009
Future income tax assets:		
Non-capital loss carry forward	\$ 8,198,143	\$ 4,695,306
Investments	173,823	219,538
Resource expenditures	8,042,421	5,542,989
Equipment and other	112,644	60,765
Share issue and legal costs	253,337	186,638
	16,780,368	10,705,236
Valuation allowance	(15,994,280)	(10,705,236)
Net future income tax assets	\$ 786,088	\$ -
Future income tax liabilities:		
Investments	\$ (786,088)	\$ -
Mineral property interests	(14,374,498)	-
Net future income tax liabilities	\$ (15,160,586)	\$ -
Net future income tax liabilities	\$ (14,374,498)	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$19,260,000 in Canada, \$719,000 in China, \$2,350,000 in Mongolia, \$4,600,000 in the United States of America and \$3,100,000 in Australia. These losses, if not utilized, will expire through 2030. Subject to certain restrictions, the Company also has foreign resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these losses,

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

**10. INCOME TAXES (cont'd...)**

resource expenditures and share issue costs have been offset in these financial statements by a valuation allowance.

The following table summarizes the activity related to our unrecognized tax benefits.

Balance at December 31, 2008	\$ 4,136,669
Decrease due to current year tax positions	<u>\$ (4,136,669)</u>
Balance at December 31, 2009 and 2010	-

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. As of December 31, 2010, there was no accrued interest or accrued penalties.

The Company files income tax returns in Canada and several foreign jurisdictions. The Company's Canadian income tax returns are open from 2004 to 2010. For other foreign jurisdictions, including Mongolia and the U.S., all years remain open.

**11. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities and loans payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, except as noted below.

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce this currency risk.

Fair value measurement is based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value which are:

Level 1 — Quoted prices that are available in active markets for identical assets or liabilities.

Level 2 — Quoted prices in active markets for similar assets that are observable.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At December 31, 2010, the Company had Level 1 financial instruments with a fair value of \$24,222,486 and one Level 3 financial instrument with a fair value of \$2,638,185 (Note 4).

	Level 1	Level 2	Level 3	Total
<b>Cash</b>	\$ 21,296,169	\$ -	\$ -	\$ 21,296,169
<b>Investments</b>	2,926,317	-	2,638,185	5,564,502
	<u>\$ 24,222,486</u>	<u>\$ -</u>	<u>\$ 2,638,185</u>	<u>\$ 26,860,671</u>

**ENTRÉE GOLD INC.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010  
(Expressed in United States dollars)

**11. FINANCIAL INSTRUMENTS (cont'd...)**

**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

	2010	2009
Balance, beginning of the year	\$ 2,166,597	\$ 1,329,568
Total unrealized gain (loss)	345,990	563,481
Total foreign exchange adjustment	125,598	273,548
Balance, end of year	<u>\$ 2,638,185</u>	<u>\$ 2,166,597</u>

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The significant non-cash transactions for the year ended December 31, 2010 consisted of the following items:

- issuance of 152,500 common shares (December 31, 2009 – 142,500) in payment of mineral property acquisitions valued at \$382,284 (December 31, 2009 - \$275,122) which have been capitalized as mineral property interests.
- acquisition of the net assets of PacMag for total consideration of \$35,768,281 of which \$28,325,101 was paid by the issuance of 15,020,801 common shares (Note 3).
- funding by OTLLC of the Company's investment requirements for the Entrée-OTLLC joint venture of \$985,441.
- accounts payable of \$Nil (December 31, 2009 - \$266,647) relating to PacMag deferred acquisition costs (Note 3).

**13. COMMITMENTS**

The Company is committed to make lease payments for the rental of office space as follows:

2011	\$154,434
2012	116,428
2013	120,396
2014	124,365
2015	127,677
2016	130,989
<u>2017</u>	<u>65,494</u>
	\$839,783

The Company incurred lease expense of \$322,062 (December 31, 2009 – \$221,417) for the year ended December 31, 2010.

**14. SUBSEQUENT EVENTS**

Subsequent to December 31, 2010, the Company issued 155,800 common shares for proceeds of C\$347,138 on the exercise of stock options.

In addition, the Company granted 200,000 stock options with an exercise price of C\$3.47 and 125,000 stock options with an exercise price of C\$2.94.

On February 7, 2011, the Company issued 40,000 common shares to Empirical pursuant to the January 2008 mineral property option agreement covering the Company's Bisbee, Arizona property.



**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

## INTRODUCTION

This discussion and analysis of financial position, results of operations and cash flows ("MD&A") of Entrée Gold Inc. (the "Company") should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2010 (the "Annual Financial Statements"). Additional information relating to the Company, including the Company's Annual Information Form dated March 25, 2011 (the "AIF") is available on SEDAR at [www.sedar.com](http://www.sedar.com). The effective date of this MD&A is March 25, 2011. The Company prepares its financial statements in conformity with generally accepted accounting principles in the United States of America ("US GAAP").

In this MD&A, all dollar amounts are expressed in United States dollars, unless otherwise specified as "Cdn \$" or "C\$" for Canadian dollars or "AUD\$" for Australian dollars. All references to "common shares" mean common shares in the capital stock of the Company.

As used in this MD&A, the terms "we", "us", "our", the "Company" and "Entrée" mean Entrée Gold Inc. and the Company's wholly-owned subsidiaries, unless otherwise indicated.

Unless otherwise stated, Robert Cann, P.Geo., Entrée's Vice-President, Exploration and a Qualified Person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"), is responsible for the preparation of technical information in this MD&A.

## CORPORATE INFORMATION

Our corporate headquarters are located in Vancouver, British Columbia, Canada. Field operations are conducted out of local offices in Mongolia, the United States, Australia and Peru. The Company also leases office space in China. Entrée is primarily focused on exploring its principal properties in Mongolia and Nevada. As part of the Company's strategy, management is also actively seeking acquisitions to complement the Company's existing portfolio.

## LISTING OF COMMON STOCK ON OTHER STOCK EXCHANGES

Trading of our common shares commenced on the NYSE-Amex effective July 18, 2005, under the trading symbol "EGI". On April 24, 2006, Entrée began trading on the Toronto Stock Exchange and discontinued trading on the TSX Venture Exchange. The trading symbol remained "ETG". The Company is also traded on the Frankfurt Stock Exchange, under the trading symbols "EKA" and "WKN 121411".

## OVERVIEW

We are an exploration stage resource company engaged in exploring mineral resource properties. We have development and exploration properties in Mongolia, the United States, Australia and Peru. Our two principal assets are the Lookout Hill property in Mongolia, which hosts a copper-gold porphyry system with a NI 43-101 compliant probable reserve estimate as well as indicated and inferred resource estimates, and our Ann Mason copper-molybdenum property in Nevada, with a NI 43-101 compliant inferred resource estimate. The following is an overview of our two principal properties.

### MONGOLIA – LOOKOUT HILL

The Lookout Hill property in the South Gobi region of Mongolia is comprised of two mining licences, Shivee Tolgoi and Javhlant, granted by the Mineral Resources Authority of Mongolia in October 2009. The licences are held by our wholly-owned subsidiary Entrée LLC. Shivee Tolgoi and Javhlant completely surround Oyu Tolgoi LLC's ("OTLLC") Oyu Tolgoi project and host the Hugo North Extension copper-gold deposit and the Heruga copper-gold-molybdenum deposit, respectively. These deposits are located within a land area subject to a joint venture between Entrée and

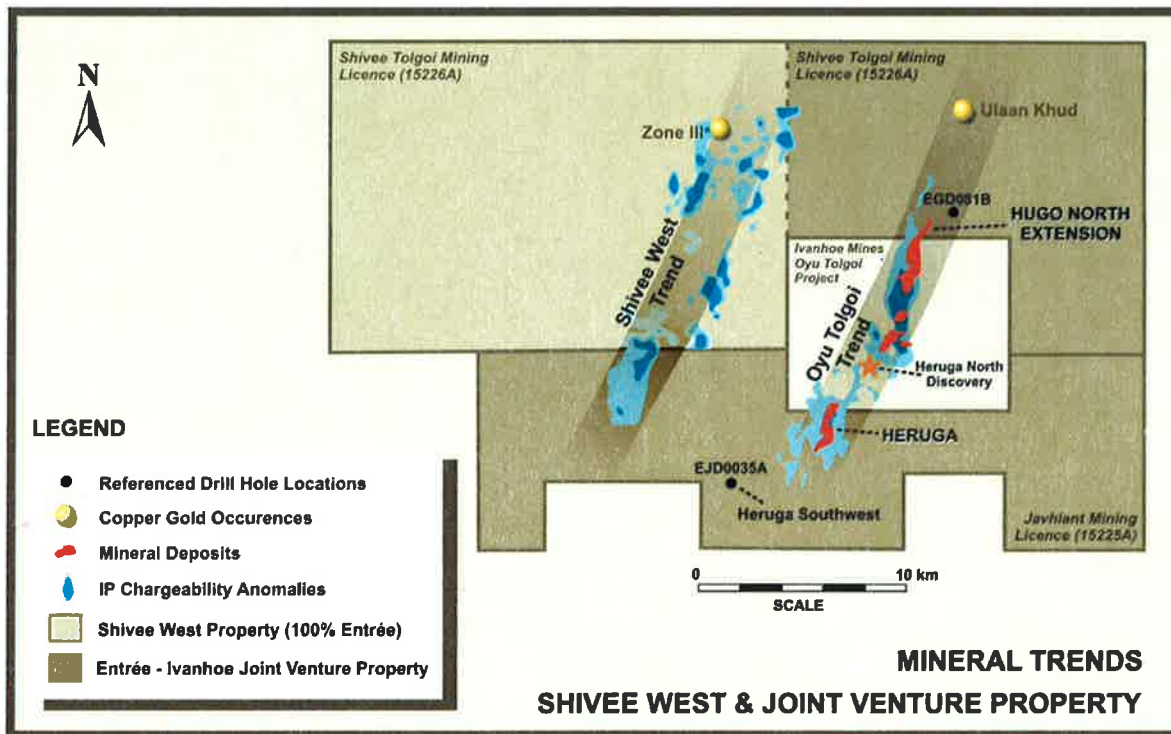
**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

OTLLC (the "Entrée-OTLLC Joint Venture"). OTLLC is owned 66% by Ivanhoe Mines Ltd. ("Ivanhoe Mines") and 34% by the Government of Mongolia.

The beneficial ownership of the Shivee Tolgoi and Javhlant mining licences is divided between Entrée LLC and the Entrée-OTLLC Joint Venture as described below:

- The Entrée-OTLLC Joint Venture beneficially owns 39,864 hectares consisting of the eastern portion of Shivee Tolgoi and all of the Javhlant mining licence (the "Joint Venture Property"). The Joint Venture Property is contiguous with, and on three sides (to the north, east and south) surrounds OTLLC's Oyu Tolgoi project. The Joint Venture Property hosts the Hugo North Extension deposit and the Heruga deposit. Entrée LLC holds title to the Joint Venture Property in trust for the Entrée-OTLLC Joint Venture.
- The portion of the Shivee Tolgoi mining licence outside of the Joint Venture Property ("Shivee West") covers an area of 35,242 hectares. Shivee West is 100% legally and beneficially owned by Entrée LLC but is subject to a first right of refusal by OTLLC.

The illustration below depicts the different areas of Lookout Hill:



**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

***Entrée-OTLLC Joint Venture***

In October 2004, Entrée entered into an arm's-length Equity Participation and Earn-In Agreement (the "Earn-In Agreement") with Ivanhoe Mines. Under the Earn-In Agreement, Ivanhoe Mines agreed to purchase equity securities of Entrée, and was granted the right to earn a beneficial interest in the Joint Venture Property. Most of Ivanhoe Mines' rights and obligations under the Earn-In Agreement were subsequently assigned by Ivanhoe Mines to what was then its wholly-owned subsidiary, OTLLC. The Government of Mongolia subsequently acquired from Ivanhoe Mines a 34% interest in OTLLC, which is also the title holder of the Oyu Tolgoi copper-gold project, illustrated in the map above.

OTLLC undertook an exploration program which established the presence of two significant resources on the Joint Venture Property: the Hugo North Extension deposit immediately to the north of Oyu Tolgoi and the Heruga deposit immediately to the south of Oyu Tolgoi.

On June 30, 2008, OTLLC gave notice that it had completed its earn-in obligations by expending a total of \$35 million on exploration on the Joint Venture Property. OTLLC earned an 80% beneficial ownership interest in all minerals extracted below a sub-surface depth of 560 meters from the Joint Venture Property and a 70% beneficial ownership interest in all minerals extracted from surface to a depth of 560 meters from the Joint Venture Property. In accordance with the Earn-In Agreement, Entrée and OTLLC formed the Entrée-OTLLC Joint Venture on terms annexed to the Earn-In Agreement.

Under the terms of the Entrée-OTLLC Joint Venture, Entrée may be carried through to production, at its election, by debt financing from OTLLC with interest accruing at OTLLC's actual cost of capital or prime +2%, whichever is less, at the date of the advance. Debt repayment may be made in whole or in part from (and only from) 90% of monthly available cash flow arising from sale of Entrée's share of products. Such amounts will be applied first to payment of accrued interest and then to repayment of principal. Available cash flow means all net proceeds of sale of Entrée's share of products in a month less Entrée's share of costs of operations for the month.

At December 31, 2010, Ivanhoe Mines owned approximately 12.1% of Entrée's issued and outstanding shares acquired pursuant to the Earn-In Agreement. Certain of Ivanhoe Mines' rights and obligations under the Earn-In Agreement, including a right to nominate one member of Entrée's Board of Directors, a pre-emptive right to enable it to preserve its ownership percentage in the Company, and an obligation to vote its shares as Entrée's Board of Directors directs on certain matters, expired with the formation of the Entrée-OTLLC Joint Venture. OTLLC's right of first refusal on Shivee West is maintained.

***Investment by Rio Tinto in Entrée***

In June 2005, following the announcement in May 2005 of the discovery of high grade mineralization at Hugo North Extension, Rio Tinto Exploration Canada Inc. (formerly Kennecott Exploration Canada Inc.) ("Rio Tinto") took part in a private placement in the Company and became its largest shareholder. The terms of the equity participation agreement provide that in the event Entrée undertakes an equity financing, Rio Tinto has a pre-emptive right to maintain its ownership percentage in the Company.

At December 31, 2010, Rio Tinto owned approximately 13.0% of Entrée's issued and outstanding shares.

***Investment by Rio Tinto Holdings in Ivanhoe Mines***

Following Rio Tinto's investment in the Company in June 2005, Rio Tinto plc, through its subsidiary Rio Tinto International Holdings Ltd. ("Rio Tinto Holdings"), invested approximately \$3.0 billion between October 2006 and March 2011 to acquire approximately 42% of Ivanhoe Mines' issued and outstanding shares.

On December 8, 2010, Ivanhoe Mines announced that it had entered into a Heads of Agreement with Rio Tinto Holdings pursuant to which Rio Tinto Holdings may increase its percentage ownership of Ivanhoe Mines to 49%, through a combination of share issuances from treasury and acquisitions from third parties and the open market. This

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

may result in additional direct investments in Ivanhoe Mines of up to approximately \$1.9 billion. Rio Tinto Holdings also agreed to provide up to \$1.8 billion in interim financing. Rio Tinto Holdings' ownership interest in Ivanhoe Mines is capped at 49% until January 18, 2012.

Ivanhoe Mines announced that the agreement is intended to provide funding to complete the accelerated full-scale construction of the first phase of the Oyu Tolgoi mining complex. The parties agreed that Rio Tinto Holdings would be entitled to appoint three of the nine directors of OTLLC (with Ivanhoe Mines appointing three and the Government of Mongolia appointing three) and that Rio Tinto Holdings would assume the management of the building and operation of the Oyu Tolgoi mining complex, which includes the Heruga and Hugo North Extension deposits on the Joint Venture Property. Ivanhoe Mines will continue to directly manage ongoing exploration on the licences outside of the projected life-of-mine area, including the balance of the Joint Venture Property.

***Investment Agreement and Integrated Development Plan***

In August 2009, the Mongolian Parliament approved amendments to four laws, including the insertion of a sunset provision to cancel the three-year-old, 68% windfall profits tax on copper and gold effective January 1, 2011. These amendments allowed the Mongolian Government, Ivanhoe Mines and Rio Tinto Holdings to conclude the negotiations necessary to finalize an Investment Agreement.

In October 2009, Ivanhoe Mines, OTLLC and Rio Tinto Holdings signed the Investment Agreement with the Mongolian Government. The Investment Agreement took legal effect on March 31, 2010, and specifies that the Government of Mongolia will own 34% of the shares of OTLLC. The Investment Agreement regulates the relationship among these parties and stabilizes the long term tax, legal, fiscal, regulatory and operating environment to support the development of the Oyu Tolgoi project. The Investment Agreement contemplates the Government of Mongolia obtaining a 34% interest in the rights of OTLLC in respect of the Joint Venture Property. However, neither Entrée nor Entrée LLC has any rights or benefits under the Investment Agreement, and Entrée's interest in the Joint Venture Property is not affected.

On May 11, 2010, Ivanhoe Mines released an updated mine plan or Integrated Development Plan ("IDP10") outlining the current scenario for the next phases of development and eventual open-pit and underground mining now anticipated to begin in 2012. Current reserves and resources are sufficient to support mining for approximately 60 years. Potential exists to expand these resources, particularly on the Joint Venture Property.

IDP10 declared the first underground mineral reserves and provided an overview of the future exploration, development and production possibilities for the Hugo North deposit, including the Entrée-OTLLC Joint Venture's Hugo North Extension deposit. On June 11, 2010, the Company filed an updated NI 43-101 compliant technical report titled "Lookout Hill Property Technical Report 2010" (the "June 2010 Technical Report"). The June 2010 Technical Report was dated June 9, 2010 and was prepared by AMEC Minproc Limited ("Minproc") of Perth Australia, a "Qualified Person" as defined in NI 43-101. The June 2010 Technical Report considered the conclusions and recommendations raised within IDP10 in the context of the Company's operations.

The following information is summarized, derived or extracted from the June 2010 Technical Report. For a complete description of the assumptions, qualifications and procedures associated with the information in the June 2010 Technical Report, reference should be made to the full text of the June 2010 Technical Report, which is available for review on SEDAR at [www.sedar.com](http://www.sedar.com).

The probable reserve for Hugo North Extension (see Table 1) totals 27 million tonnes ("Mt") grading 1.85% copper and 0.72 grams per ton ("g/t") gold. Previously reported resource estimates for Hugo North Extension and Heruga, which were reproduced in the June 2010 Technical Report, are shown in Table 2 below. The resource estimate for the Hugo North Extension deposit is effective as of February 20, 2007 and is based on drilling completed to November 1, 2006. The Heruga mineral resource estimate is effective as of March 30, 2010.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

<b>Table 1. Hugo North Extension Mineral Reserve, May 11, 2010</b> <b>Entrée–OTLLC Joint Venture</b>						
<b>Deposit</b>	<b>Ore (Mt)</b>	<b>NSR (US\$/t)</b>	<b>Cu (%)</b>	<b>Au (g/t)</b>	<b>Recovered Metal</b>	
					<b>Copper (lb)</b>	<b>Gold (oz)</b>
<b>Hugo Dummett Deposit</b>						
<b>Probable Shivee Tolgoi (Hugo North Extension)</b>	27	55.57	1.85	0.72	1 032 000 000	531 000

**Notes:**

- Table shows only the part of the mineral reserve on the Entrée-OTLLC Joint Venture portion of the Shivee Tolgoi licence.
- Metal prices used for calculating the Hugo North underground net smelter reserves (NSR) are copper \$1.50/lb, gold \$640/oz, and silver \$10.50/oz based on long term metal price forecasts at the beginning of the mineral reserve work. The analysis indicates that the mineral reserve is still valid at these metal prices.
- The NSR has been calculated with assumptions for smelter refining and treatment charges, deductions and payment terms, concentrate transport, metallurgical recoveries and royalties.
- For the underground block cave, all material within the shell has been converted to mineral reserves; this includes low grade indicated and inferred material assigned zero grade and treated as dilution.
- Only indicated resources were used to report probable reserves.
- The Entrée– OTLLC Joint Venture Property includes a portion of the Shivee Tolgoi licence and all of the Javhlant licence. Both licences are held in trust for the Entrée-OTLLC Joint Venture by Entrée L.L.C. The Joint Venture Property is operated by OTLLC. OTLLC has an 80% and Entrée has a 20% beneficial ownership interest in the Joint Venture Property.
- The mineral reserves are not additive to the mineral resources.

<b>Table 2. Entrée–OTLLC Joint Venture Mineral Resources (0.6% CuEq cut-off), based on Technical Report March 2010</b>							
<b>Deposit</b>	<b>Tonnage (Mt)</b>	<b>Copper (%)</b>	<b>Gold (g/t)</b>	<b>CuEq (%)</b>	<b>Contained Metal</b>		
					<b>Copper (000 lb)</b>	<b>Gold (oz)</b>	<b>CuEq (000 lb)</b>
<b>Hugo North Extension Deposit</b>							
<b>Indicated Shivee Tolgoi (Hugo North)</b>	117	1.80	0.61	2.19	4 640 000	2 290 000	5 650 000
<b>Inferred Shivee Tolgoi (Hugo North)</b>	95	1.15	0.31	1.35	2 420 000	950 000	2 840 000
<b>Heruga Deposit</b>							
<b>Inferred Heruga Javhlant</b>	910	0.48	0.49	0.87	9 570 000	14 300 000	17 390 000

**Notes:**

- Copper Equivalent (CuEq) has been calculated using assumed metal prices of \$1.35/pound for copper, \$650/ounce for gold, and \$10.50 for molybdenum. The equivalence formula was calculated assuming that gold was 91% of copper recovery. CuEq was calculated using the formula:  

$$\text{CuEq} = \% \text{Cu} + ((\text{g/t Au} * 18.98) + (\text{Mo} * 0.01586)) / 29.76$$
- The contained copper, gold and molybdenum in the table has not been adjusted for metallurgical recovery.
- Molybdenum content in the Heruga deposit is 141 parts per million ("ppm") and is included in the calculation of CuEq.
- The 0.6% CuEq cut-off is highlighted as the base case resource for underground bulk mining.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

- The mineral reserves are not additive to the mineral resources.
- Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- The Entrée- OTLLC Joint Venture Property includes a portion of the Shivee Tolgoi licence and all of the Javhlant licence. Both licences are held in trust for the Entrée-OTLLC Joint Venture by Entrée LLC. The Joint Venture Property is operated by OTLLC. OTLLC has an 80% and Entrée has a 20% beneficial ownership interest in the Joint Venture Property.

Highlights from IDP10 in relation to Entrée include:

- First reported mineral reserves on the Joint Venture Property;
- Hugo North Extension reserves have the highest value of all the Oyu Tolgoi deposits, measured as net smelter returns ("NSR");
- Development mining of Hugo North Extension (Lift 1) to begin Year 4 after commencement of production at Oyu Tolgoi, which is now estimated to be in 2012, with full production commencing in Year 11;
- Mining of Heruga deposit as proposed in Life of Mine (LOM) Sensitivity Case could commence in Year 27;
- Other alternative mining scenarios consider earlier production from Heruga – as early as Year 7;
- The Joint Venture Property is a key component of the development and potential further exploration success of the Oyu Tolgoi porphyry system;
- Commitment to ongoing exploration of the Oyu Tolgoi trend, with up to 13 kilometres ("km") of untested potential on the Joint Venture Property;
- Based on long term metal prices, Entrée's current share of reserves gives a net present value (NPV) (8%) of \$79 million while using current metal prices gives a NPV (8%) of \$134 million; and
- The conceptual LOM Sensitivity Case gives Entrée's production share using long term metal prices a NPV (8%) of \$176 million while using current metal prices gives a NPV (8%) of \$344 million.

#### **UNITED STATES – ANN MASON**

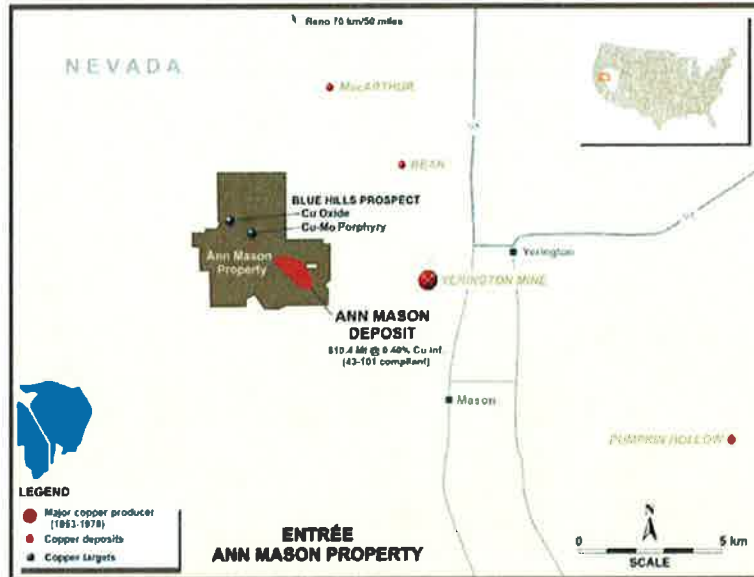
Entrée has a 100% interest in the Ann Mason property indirectly through its wholly-owned subsidiary M.I.M. (U.S.A.) Inc., which it acquired in June 2010 through the acquisition of PacMag Metals Pty Ltd (formerly PacMag Metals Limited) ("PacMag").

The following information was taken from "NI 43-101 Compliant Technical Report on the Ann Mason Property, Nevada, USA" with an effective date of March 11, 2011 (the "Technical Report 2011"). This report was prepared by Wardrop Engineering Inc. and Robert Cann, P.Geo., Entrée's Vice-President, Exploration. A copy is filed on SEDAR at [www.sedar.com](http://www.sedar.com). Portions of the information are based on assumptions, qualifications and procedures, which are not fully described herein. Reference should be made to the full text of the Technical Report 2011.

The Ann Mason property is located seven kilometres west of the town of Yerington in central west Nevada and hosts the Ann Mason copper-molybdenum porphyry deposit. The property is defined by the mineral rights to 241 unpatented lode claims and covers a total area of approximately 1,837 hectares, on public land administered by the Bureau of Land Management.

The illustration below depicts the location of the Ann Mason property. In addition to the Ann Mason deposit, the property also hosts the Blue Hill copper oxide target.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**



***Mineral Resource Estimate***

The Ann Mason deposit contains a NI 43-101 compliant inferred resource of 810.4 Mt at 0.399% copper (at a 0.30% cut-off) for 3.23 Mt of contained copper. This resource estimate is constrained using PacMag’s pit shell #25 from their Whittle pit optimization run 7.

The following table summarizes the mineral resource for the Ann Mason deposit as reproduced in the Technical Report 2011. The resource estimate for the Ann Mason deposit is effective as of January 26, 2010:

<b>Cut-off</b>	<b>Tonnage</b>	<b>Cu</b>
<b>Cu %</b>	<b>(million t)</b>	<b>%</b>
>0.4	315.22	0.485
<b>&gt;0.3</b>	<b>810.39</b>	<b>0.399</b>
>0.2	1409.96	0.336

At a copper cut-off of 0.30%, modelled within pit shell #25, the molybdenum resource is 166 Mt at 0.010% molybdenum.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

**SELECTED ANNUAL FINANCIAL INFORMATION**

	<b>Year Ended December 31, 2010</b>	<b>Year Ended December 31, 2009</b>	<b>Year Ended December 31, 2008</b>
Total Revenues	\$ -	\$ -	\$ -
Net Loss	20,069,408	17,102,254	16,730,278
Net loss per share, basic and diluted	\$ (0.19)	\$ (0.18)	\$ (0.18)
Working capital	21,268,201	40,874,503	45,161,538
Total assets	81,359,098	45,804,120	48,105,468
Total long term liabilities	16,158,190	676,083	326,183

(1) Working Capital is defined as Current Assets less Current Liabilities.

The increase in net loss to \$20,069,408 in the year ended December 31, 2010 compared to the prior year is the result of increased mineral exploration expenses further described below, increased spending by the Entrée-OTLLC Joint Venture resulting in increased losses from equity investee, and increased general and administrative expenses due to higher legal fees, audit fees, and payroll and consulting expenses due in part to increased operational requirements following the acquisition of PacMag. The decrease in working capital is primarily the result of cash used in operations during the year ended December 31, 2010 combined with approximately \$7,388,000 of cash consideration and transaction costs paid as part of the PacMag acquisition. The increase in Total Assets over the prior year is the net effect of decrease in working capital described above combined with an increase in mineral property interests primarily from the PacMag acquisition. The increase in long term liabilities over the prior year is due primarily to future income tax liabilities that arose as part of the PacMag acquisition with the balance of the increase due to an increase in the loan payable to OTLLC.



**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

**REVIEW OF OPERATIONS**

Results of operations are summarized as follows:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Mineral property interests	\$ 11,800,772	\$ 9,324,109
General and administrative	4,946,505	3,666,557
Stock-based compensation	2,897,845	4,183,677
Loss from equity investee	985,441	169,508
Depreciation	203,086	156,144
Write-down of equipment	24,604	-
Interest income	(243,433)	(397,741)
Future income tax recovery	(545,412)	-
Net loss	\$ 20,069,408	\$ 17,102,254

Mineral properties expenditures are summarized as follows:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Mongolia	\$ 6,945,394	\$ 5,755,117
US	3,973,528	2,688,193
Other	1,307,641	1,542,653
Total costs	12,226,563	9,985,963
Less stock-based compensation	(425,791)	(661,854)
Total expenditures, cash	\$ 11,800,772	\$ 9,324,109

**MONGOLIA**

**Lookout Hill – Joint Venture Property**

Since formation, and as of December 31, 2010, the Entrée-OTLLC Joint Venture had expended \$8.8 million to advance the project. Under the terms of the Entrée-OTLLC Joint Venture, OTLLC contributed on Entrée's behalf the required cash participation amount, equal to 20% of the \$8.8 million incurred to date, charging interest at prime plus 2%.

**Lookout Hill - Shivee West**

Entrée's wholly-owned subsidiary, Entrée LLC has a 100% beneficial interest in the western portion of the Shivee Tolgoi mining licence (Shivee West).

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

Entrée commenced its 2010 exploration program on Shivee West in April 2010. The initial surface work consisted of a deep-probing induced polarization (IP) survey, a close-spaced gravity survey, geochemical sampling and detailed geological mapping to augment the existing database followed by a diamond drilling program initiated in late June. 11,634 metres were completed in 11 holes testing deep targets along this trend. A work program and budget for 2011 will be finalized when full results are received and analyzed.

**Togoot**

Entrée's 100% owned, 14,031 hectare Togoot mining licence was issued by the Mineral Resources Authority of Mongolia on June 24, 2010. It is held by our Mongolian subsidiary, Entrée Resources LLC. Since 2008, three coal targets have been discovered on the Togoot licence: Nomkhon Bohr, Coking Flats and Khar Suul. These discoveries form part of the rich Permian-age coal basin of Southern Mongolia, which includes Tavan Tolgoi, located approximately 75 kilometres to the northwest of Togoot.

To May 2009, over 15,000 metres of drilling had been completed on coal targets on the Togoot licence, primarily at Nomkhon Bohr. Nomkhon Bohr lies adjacent to the northern boundary of the licence. No additional drilling was conducted in 2010. As a condition to the grant of the mining licence, Entrée Resources LLC was required to prepare a feasibility study on the Nomkhon Bohr target. The feasibility study was approved by the Mongolian Mineral Resource Counsel on January 14, 2011.

For the year ended December 31, 2010, Shivee West and Togoot expenses were \$6,945,394 compared to \$5,755,117 during the year ended December 31, 2009 as set out above. The higher expenses in 2010 resulted from a broader drill program on Shivee West compared to 2009 and no drilling activity on Togoot during the year ended December 31, 2010.

**UNITED STATES**

In addition to its Ann Mason property, the Company has direct and indirect interests in non-material properties in Nevada, Arizona, New Mexico and North Dakota, through agreements with Honey Badger Exploration Inc. ("Honey Badger"), Eurasian Minerals Inc.'s wholly-owned subsidiary Bronco Creek Exploration Inc. and Empirical Discovery LLC, and as a result of its June 30, 2010 acquisition of PacMag.

**Ann Mason, Nevada**

The Ann Mason property is Entrée's most advanced project outside of Mongolia. Entrée has a 100% interest in the Ann Mason property indirectly through its wholly-owned subsidiary M.I.M. (U.S.A.) Inc., which it acquired in June 2010 through the acquisition of PacMag.

Entrée released a resource estimate on the Ann Mason copper deposit in January 2010, which was reproduced in the Technical Report 2011. The Ann Mason deposit is estimated to contain an inferred resource of 810.4 Mt grading 0.40% copper, using a 0.30% copper cut-off. Accompanying molybdenum is estimated at 165.9 Mt at a grade of 0.01% molybdenum. Based on these figures, the Ann Mason deposit contains approximately 7.1 billion pounds of copper. The property also hosts the Blue Hill copper oxide target which is located approximately three kilometres northwest of the Ann Mason deposit.

Following its acquisition of the Ann Mason property, Entrée expended \$1.6 million on the property in 2010. The Company is planning to conduct deep-penetrating IP geophysical surveys, to be followed by core drilling to explore the potential for higher grade mineralization at depth and for extensions west of the currently defined Ann Mason resource. In addition, the Company plans to conduct detailed geochemical sampling and drilling to test the extent of shallow oxide copper mineralization in the Blue Hill copper oxide zone, that straddles the western boundary of the Ann Mason property.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

Core drilling commenced at Ann Mason in early November 2010 with two drilling rigs. The first two holes were still in progress at year end.

Reverse circulation (RC) drilling was completed at Blue Hill between August and September, 2010. Fourteen holes totalling 2,364 metres were completed. Significant oxide Cu is present in EGBH-10-001/002/003/008/009/011. Significant Mo was also present in 005 and 009. Oxide Cu is present up to a depth of 185 metres ("m") (average approximately 125 m) and over a 700 m by 500 m area on the west side (below) the eroded Blue Hill Fault ("BHF"). The copper oxide zone is still open to the northwest and southeast.

Sulphide copper mineralization at the bottom of drill holes EG-BH-10-001, 002, 003, 005, 008, 009 and 010 indicates the Blue Hill porphyry-style sulphide mineralization (first discovered in PacMag holes BH08001 and BH08003) can probably be extended 1000 m or more to the southwest of the two discovery holes. The Blue Hill sulphide mineralization remains open to the northeast, southeast and at depth (holes 001 and 003 ended in mineralization).

Permitting is still underway to expand the approved area of operations so additional drilling can be completed to the southwest of the Blue Hill area (approximately six to eight of the planned 22 RC holes are outside the currently approved plan of operations).

For the year ended December 31, 2010, Ann Mason expenses were \$1,593,963 compared to \$Nil during the year ended December 31, 2009.

**Blackjack and Roulette, Nevada**

In July 2009, the Company's wholly-owned subsidiary Entrée Gold (U.S.) Inc. ("Entrée U.S.") entered into an agreement with Honey Badger whereby Entrée U.S. may acquire up to an 80% interest in the Blackjack property, which is comprised of 466 unpatented lode claims and is directly adjacent to the Ann Mason property near Yerington, Nevada. On August 26, 2010, Entrée U.S. exercised its first option to acquire a 51% interest after incurring minimum expenditures of \$900,000 in the first year of exploration, delivering 37,500 shares of the Company and reimbursing Honey Badger for up to \$206,250 of expenditures previously incurred on the property. In November, 2010, Entrée U.S. advised Honey Badger that it intends to earn a further 29% interest, which it may do by paying \$375,000 and delivering 375,000 shares of the Company by August 21, 2012. Entrée U.S. has committed to carry Honey Badger through the completion of 10,000 m of drilling, including drilling done within the first year. 226 of the claims are subject to an underlying mining lease and option to purchase agreement between Honey Badger and two individuals. The underlying agreement provides for an option to purchase the claims for \$500,000, a 3% net smelter returns royalty (which may be bought down to a 1% net smelter returns royalty for \$2 million) and annual advance minimum royalty payments of \$27,500 commencing in June, 2011.

In September 2009, Entrée U.S. entered into an agreement with the wholly-owned subsidiary of Eurasian Minerals Inc. ("Eurasian Minerals"), pursuant to which Entrée U.S. may acquire up to an 80% interest in the Roulette property, which adjoins Honey Badger's ground to the south and the Ann Mason property to the west. Under the terms of the agreement, Entrée U.S. may acquire an 80% interest in the Roulette property by incurring expenditures of \$1,000,000, making cash payments of \$140,000 and delivering 85,000 shares of the Company within three years. To date, Entrée U.S. has incurred minimum expenditures of \$300,000, made cash payments totaling \$90,000 and delivered 72,500 shares.

The 2010 exploration program for the Blackjack property included a geophysics IP and drilling program. On the Roulette property, a drill testing of geological, soil geochemical and geophysical (magnetic) anomalies was conducted.

Seven holes totalling 2,820 metres have been completed on Blackjack. Five of the holes were sited on the possible westward extension of the Blue Hill zone of mineralization; the upper portions of all five holes are strongly oxidized and iron-rich, with occasional oxide copper minerals noted. The most significant copper occurs as sulphide mineralization in drill hole EG-B-10-004 (14 m averaging 0.24% Cu), which is located more than 900 metres northwest of the oxide and sulphide copper mineralization drilled on the adjacent Ann Mason property.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

Narrow intervals of copper mineralization in EG-B-10-001 (4 m of 0.44% Cu from 444 m), located at the northeast corner of the Blackjack property, occur as coarse chalcopyrite in silicified breccias. Hole EG-B-10-001 also confirmed the presence of sulphide (predominately pyrite) mineralization in granodiorite intruded by quartz monzonite porphyry dykes at the eastern limit of a five kilometre-long, east-west trending IP anomaly.

On the Roulette property, four wide-spaced holes were drilled to test a broad target under approximately 350 metres of barren cover rocks. The holes were sited based on an updated geological and structural interpretation of the Yerington district, presence of a strong aeromagnetic high and anomalous results from a deep penetrating geochemical survey. Hole EG-R-10-003 intersected 20.7 metres averaging 0.14% Cu from a depth of 497.3 metres within strongly altered granodiorite cut by quartz and quartz-calcite veins. This intersection validates the conceptual basis of the exploration program and provides strong encouragement for further work to define and extend this discovery. A second drill hole failed to penetrate to the target depth due to strong faulting.

For the year ended December 31, 2010, Blackjack expenses were \$1,008,362 compared to \$475,417 during the year ended December 31, 2009.

For the year ended December 31, 2010, Roulette expenses were \$721,425 compared to \$52,361 during the year ended December 31, 2009. Limited work was completed on the Roulette property during 2009.

**Lordsburg and Oak Grove, New Mexico**

In June 2007, the Company entered into an agreement with Empirical Discovery LLC ("Empirical") to explore for and develop porphyry copper targets in southeastern Arizona and southwestern New Mexico. Two targets are currently being explored – the Lordsburg property in New Mexico, and the Oak Grove property, which is located approximately 45 km northeast of Lordsburg. Under the terms of the agreement, as amended, Entrée has the option to acquire up to a 100% interest in either or both of the properties by incurring exploration expenditures of \$1.9 million and issuing 300,000 shares by August 9, 2012. In addition, for each property that Entrée wishes to acquire an interest in, it must incur all additional exploration expenditures necessary to produce a NI 43-101 compliant resource estimate and complete a scoping study on that property. If Entrée fulfills all of its obligations on a property, Empirical may elect within 90 days to retain a 20% participating interest or convert to a 2% NSR royalty, half of which may be purchased by Entrée for \$2 million. To date, the Company has incurred minimum expenditures of \$900,000 and issued 150,000 shares under the agreement.

Work on the 1,435 hectare ("ha") Oak Grove property to date has consisted of permitting and negotiation of access agreements. A 17 km IP survey was commenced in late October and completed in early November and a 50 km magnetic survey was completed in December. The work defined moderate chargeability anomalies associated with a strong, circular magnetic feature.

The Lordsburg claims cover 2,013 ha adjacent to the historic Lordsburg copper-gold-silver district in New Mexico. Drilling at Lordsburg has been successful in discovering a new porphyry copper-gold occurrence in an area previously known only for vein-style gold mineralization.

Entrée completed geophysical (IP and AMT), geological and geochemical surveys over the Lordsburg target in the first half of 2008, followed by four widely spaced diamond drill holes totaling 2,563 metres (8,405 feet). One of these holes (EGL-08-002) intersected 310 metres of 0.14% copper and 0.08 g/t gold with intervals of higher grade mineralization up to 0.33% copper and 0.26 g/t gold.

Six additional drill holes were completed in 2009 and successfully expanded the mineralized zone. Significant copper and gold intervals were intersected in four of the six drill holes. One hole in particular, EG-L-09-012, returned potentially economic grades of 0.25% copper and 0.15 g/t gold (0.35% copper equivalent) over 94 metres. Furthermore, this same interval hosts a higher grade zone of 60 metres averaging 0.31% copper and 0.21 g/t gold (0.44% copper equivalent).

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

No field work was completed at Lordsburg in 2010; however, Entrée is currently applying for additional drill permits for the 2011 field season. Any additional drilling will be directed towards expanding the existing drill defined copper and gold zone.

For the year ended December 31, 2010, expenses incurred on the Lordsburg, Oak Grove and other Empirical targets were \$274,100 compared to \$2,016,427 during the year ended December 31, 2009. The decrease in expenses over the prior year was primarily the result of completing a limited amount of work at Oak Grove in the current year due to permitting and logistical delays combined with a refocusing of resources from Lordsburg to other projects during 2010.

**Bisbee, Arizona**

In January 2008, the Company entered into a second agreement with Empirical on similar terms to explore for buried porphyry copper targets in an area north of Bisbee, Arizona. The Bisbee camp has recorded production of over eight billion pounds of copper and three million ounces of gold. A ground geophysical program has been completed and drill testing of select targets commenced in Q4 2010.

A \$610,000 exploration program commenced in 2010. Work to date includes three lines of IP/resistivity designed to test the Dixie and Abbot targets, the possible northern extension of the Freeport McMoRan's Cochise copper resource located 1.7 kilometres south of the Company's land holdings. Drilling of three RC diamond pre-collar holes commenced in early December. At year end, approximately 600 m of the planned 1,200 m of RC drilling had been completed. RC and diamond drilling recommenced in January 2011.

The Company is required to incur exploration expenditures of \$1.9 million by February 13, 2013 and issue 300,000 shares by February 13, 2012. To date, the Company has incurred minimum expenditures of \$700,000 and issued 100,000 shares under the agreement. For the year ended December 31, 2010, Bisbee expenses were \$345,124 compared to \$143,988 during the year ended December 31, 2009. The higher expenses in 2010 resulted from an increase in geological consulting fees.

**Shamrock, Nevada**

The Shamrock property was acquired on June 30, 2010 through the acquisition of PacMag. The Shamrock property is a copper skarn exploration target located in the Yerington copper porphyry district in western Nevada. M.I.M. (U.S.A.) Inc. has an exploration and option agreement with the Palosky Family Trust to explore for and develop the 13 patented and 23 unpatented lode mining claims with an option to purchase a 100% interest in the claims for \$300,000 payable in three equal tranches on September 12, 2010, 2011 and 2012. The Company made the initial \$100,000 payment on September 12, 2010.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

**Sentinel, North Dakota**

The Sentinel uranium exploration property is located in southwest North Dakota. The property consists of a mineral lease of approximately 2,100 hectares which includes the Church uranium deposit, and two nearby non-contiguous prospecting permits covering approximately 1,160 hectares. The lease agreement between the Company's wholly-owned subsidiary Formation Resources, Inc. and the Evangelical Lutheran Church in America is for a twenty year term ending on June 30, 2027. It provides for cumulative payments totaling approximately \$180,000 to June 30, 2013 (\$5.00 per acre of lands per year). Thereafter, if paying production has not been established, the agreement provides for payments of \$10.00 per acre of lands per year until June 30, 2017, after which the annual payment becomes the greater of \$225,000 or a 4% royalty on gross proceeds from molybdenum and uranium sales.

**Meadow Valley, Arizona**

The Meadow Valley property consists of 44 unpatented mining claims staked by Gold (U.S.A.) Invest, Inc., a wholly owned subsidiary of the Company, and a lease agreement with Minquest Inc. on a total of six adjoining claims. The lease agreement grants an exclusive option to Gold (U.S.A.) Invest, Inc. to acquire a 100% interest in the six claims, subject to a 3% NSR royalty, by paying \$190,000 over six years commencing August, 2010 and incurring \$350,000 in exploration expenditures. The Meadow Valley property is an early stage exploration project within the Laramide porphyry copper province in Arizona.

**Rainbow Canyon, Nevada**

The Rainbow Canyon property consists of 52 unpatented lode mining claims owned 100% by the Company's subsidiary Gold (U.S.A.) Invest, Inc. The Company acquired the property on June 30, 2010 through the acquisition of PacMag. The Rainbow Canyon property is an early stage epithermal gold project in Nevada.

**AUSTRALIA**

**Blue Rose Joint Venture**

The Company's wholly-owned subsidiary PacMag has a 51% interest in the Blue Rose copper gold molybdenum joint venture property. Giralia Resources NL, now a subsidiary of Atlas Iron Limited (ASX:AGO), ("Giralia") retains a 49% interest. The joint venture covers exploration license EL 3848 in the Olary Region of South Australia, 300 km northeast of Adelaide. Magnetite iron formations occur in the southern portion of this 1,000 square kilometre tenement and a copper oxide resource has been outlined in the north-central area of the tenement.

In September 2010, PacMag and Giralia entered into an agreement with Bonython Metals Group Pty. Ltd. ("BMG"), a private Australian resource company. BMG purchased 100% of the iron ore rights on the joint venture property in exchange for 6% of BMG's future issued capital. Should BMG convert to a public company by September 25, 2012, BMG will exchange the joint venture's shares in the private company for 6% of the initial public offering on the day of listing. Should BMG fail to publicly list its shares by that date, it shall, by way of a selective share buy-back, acquire the joint venture's private shares for AUD\$25 million. On January 31, 2011, BMG issued 3,060 ordinary shares to the Company representing PacMag 51% interest of the joint venture's 6% ownership of BMG.

PacMag and Giralia also entered into a mineral development agreement with WASCO Mining Company Pty Ltd ("WASCO"), which plans to conduct mining operations in this area with PacMag and Giralia retaining a royalty interest. WASCO is a private Australian investment group owned 50% by a Chinese investment vehicle targeting copper production opportunities in Australia. WASCO can earn 100% of a 12 square kilometre area surrounding the Blue Rose copper deposit along with the rights to mine and process any mineralization extracted. WASCO will refund the joint venture AUD\$1.95 million in past expenditures and pay a 1.5% gross revenue royalty on any production from

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

the property to the joint venture. The joint venture retains the rights to mineralization other than iron ore on the exploration license outside of the 12 square kilometre WASCO agreement area.

**Mystique Farm-Out**

Mystique is an early stage gold exploration property comprised of two exploration licenses, E28/1915 and E28/1916, held by Entrée's wholly owned subsidiary Southern Magnesium Pty Ltd ("Southern Magnesium"). Southern Magnesium entered into a farm-out agreement with Black Fire Gold Pty Ltd, a wholly-owned subsidiary of Black Fire Energy Limited (ASX:BFE – "Black Fire"), pursuant to which Black Fire can earn a 60% interest in the property by expending AUD\$1 million by September 2012 and a 75% interest by expending AUD\$2.5 million by September 2014. Black Fire can earn an additional 10% interest by sole funding a pre-feasibility study on the property. The property is located in the Albany-Fraser Province of West Australia. Black Fire's 2010 exploration program, which commenced in July, includes 5,000 metres of aircore drilling, infill soil geochemical surveying and an Aboriginal heritage survey.

**Corktree Farm-In**

The Corktree property is located in Western Australia, 150 km north of Meekatharra and approximately 30 km east of the Doolgunna copper-gold project of Sandfire Resources NL (ASX:SFR – "Sandfire"). Southern Magnesium may earn a 51% interest in the property from Giralia by spending AUD\$500,000 before May 25, 2011. In January 2011, Southern Magnesium advised Giralia that it does not wish to proceed with the project.

**Northling Farm-Out**

Southern Magnesium entered into a farm-out agreement with Quadrio Resources Pty. Ltd., a subsidiary of Dominion Mining Limited (ASX:DOM – "Dominion"), whereby Dominion can earn up to a 70% interest in exploration licence E52/2314 by spending AUD\$750,000 over 5 years. The property was explored by DeBeers for diamonds in the early 1990s, with copper being intersected in one of the drill holes (2.4% over 4 metres). Dominion conducted a limited drilling program through Q3 2010; full results of this work are still being evaluated.

**PERU**

In September 2010, the Company announced that it had entered into a conditional agreement with a private Peruvian company whereby Entrée, through its wholly-owned Peruvian subsidiary, Exploraciones Apolo Resources S.A.C. ("Apolo"), may acquire an initial 70% interest in the Lukkacha property located in Tacna Province of southeastern Peru. The property is situated within 50 kilometres of the international border with Chile, and initiation of work is subject to Apolo obtaining a Supreme Decree allowing it to work on the property. Subject to obtaining the Supreme Decree, Apolo may earn a 70% interest by making cash payments totalling \$215,000 and expending a minimum of \$1.5 million on exploration, to include a minimum 6,000 metres of diamond drilling, within 24 months. Once Apolo has vested a 70% interest, it may acquire a further 30% interest by paying the vendors \$2 million within 24 months. The vendors would retain a 2% NSR royalty, half of which may be purchased at any time for \$1 million.

The property consists of five concessions totalling 2,900 hectares which cover two large areas of surface alteration, iron oxides and quartz veining approximately 50 kilometres along the structural trend southeast from the giant Toquepala mining operation of Grupo Mexico. The property has never been drilled and represents a unique opportunity for grass roots exploration within a major copper district. Further exploration (geophysics and drilling) is dependent on receipt of the Supreme Decree.

For the year ended December 31, 2010, Lukkacha expenses were \$85,911 compared to \$Nil during the year ended December 31, 2009.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

**CHINA**

In November 2007, Entrée entered into an agreement with the Zhejiang No. 11 Geological Brigade to explore for copper within three contiguous exploration licences, totalling approximately 61 square kilometres in Pingyang County, Zhejiang Province, People's Republic of China.

A six-hole, 2,660 metre diamond drilling program was completed in January 2010. Variable base metal mineralization was intersected in several holes. A further 1,500 metre drill program commenced in mid-July to test a number of additional geological-geophysical-geochemical targets. Six holes totalling 1,508 metres were completed and several holes encountered variable alteration and quartz stockwork with pyrite and anomalous base metal values with a maximum copper value of 0.17% over 2 metres in hole HX-10-12. In December 2010, after reviewing data from the drilling programs, Entrée gave notice of its intention to terminate the agreement.

For the year ended December 31, 2010, Huaixi expenses were \$628,921 compared to \$1,156,223 during the year ended December 31, 2009. The decrease in 2010 resulted from decreased drilling activity in the current year compared to the year ended December 31, 2009.

**CANADA**

In September 2009, the Company entered into an option agreement with Taiga Consultants Ltd. ("Taiga") to acquire the Crystal property, an early-stage copper-molybdenum project in central British Columbia.

A short prospecting and sampling program was completed in October 2009. In May 2010, an airborne EM and magnetic survey was completed. The survey identified a number of anomalies which may be related to Cu-Mo mineralization. A follow-up ground mapping and soil (104 samples) and rock (131 samples) sampling program was completed in July and August, 2010. Two grab samples from a mineralized breccia-shear zone returned 0.6 and 0.7% copper. After evaluating results from this program, the Company decided not to proceed with the acquisition of the Crystal property. In November 2010, the Company provided 30 days' notice to Taiga of termination of the option agreement.

**GENERAL AND ADMINISTRATIVE**

For the year ended December 31, 2010, general and administrative expense before stock-based compensation was \$4,946,505 compared to \$3,666,557 during the year ended December 31, 2009. The increase in 2010 was due to a number of factors including the increases in personnel, salary increases for existing personnel and increased legal and regulatory fees compared to 2009. These increases were substantially driven by increased operational requirements following the acquisition of PacMag.

**STOCK-BASED COMPENSATION**

For the year ended December 31, 2010, stock-based compensation expense was \$2,897,845 compared to \$4,183,677 during the year ended December 31, 2009. During the year ended December 31, 2010, 1,737,500 options were granted with a fair value of \$3,007,946, compared to 3,622,500 options that were granted with a fair value of \$4,109,921 during the year ended December 31, 2009.

**INTEREST INCOME**

For the year ended December 31, 2010, interest income was \$243,433 compared to \$397,741 during the year ended December 31, 2009 as set out above. The Company earns income on its cash. The decreases were due primarily to lesser principal amounts invested due to cash expenditures throughout the year.



**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

**VALUATION OF INVESTMENT**

*Asset Backed Commercial Paper*

The Company owns asset backed notes (AB Notes) with a face value of C\$4,007,068 (December 31, 2009 – C\$4,013,365). The Company has designated the notes as available for sale and the notes are recorded at fair value.

During the year ended December 31, 2010, the fair market value of the AB Notes was positively impacted by two factors: credit market conditions, and the passage of time.

Credit markets resumed their tightening trend in 2010, which was a significant factor in the increase in fair market value of the AB Notes.

Secondly, the simple passage of time had a positive effect on fair market value. As with all debt instruments, provided they do not go into default, the value of the AB Notes will approach par as the maturity date approaches. The reduction in the time-to-maturity is a factor that increased the fair market value of the AB Notes during this period.

The impact of these positive factors was an increase in fair market value in 2010. As a result of this analysis, the Company has estimated the fair market value of its AB Notes investment to be C\$2,623,998 as at December 31, 2010 (December 31, 2009 – C\$2,267,560). Accordingly, the Company has recorded an unrealized gain of \$471,588 in other comprehensive income (December 31, 2009 – \$563,481) for the year ended December 31, 2010.

The table below summarizes the Company's valuation.

<b>Restructuring categories</b>	<b>C\$ thousands</b>			<b>Expected maturity date</b>
	<b>Face value</b>	<b>December 31/2010 C\$ Fair value estimate*</b>	<b>December 31/2009 C\$ Fair value estimate</b>	
<b>MAV 2 Notes</b>				
A1 (rated A)	1,960,231	1,537,392	1,388,866	12/20/2016
A2 (rated BBB)	1,630,461	1,000,732	826,653	12/20/2016
B	295,974	84,670	50,836	12/20/2016
C	120,402	1,204	1,205	12/20/2016
<b>Total original investment</b>	<b>4,007,068</b>	<b>2,623,998</b>	<b>2,267,560</b>	

\* - the range of fair values estimated by the Company varied between C\$2.2 million and C\$2.7 million

- the total United States dollars fair value of the investment at December 31, 2010 is \$2,638,185 (Dec 31, 2009 - \$2,166,597).

While the Company believes it has utilized an appropriate methodology to estimate fair value, there can be no assurance that its estimate of potential recovery as at December 31, 2010 is accurate. Subsequent adjustments, either materially higher or lower, may be required in future reporting periods.

*Equity Method Investment*

The Company has a 20% interest in a joint venture with OTLLC and the Government of Mongolia (Note 7). At December 31, 2010, the Company's investment in the joint venture was \$119,517 (December 31, 2009 - \$94,154). The Company's share of the loss of the joint venture is \$985,441 for the year ended December 31, 2010 (December 31, 2009 - \$169,508).

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

*Australia Listed Equity Securities*

At December 31, 2010, the Company held the following Australia listed securities that it acquired through its acquisition of PacMag in June 2010:

	<u>Shares</u>	<u>FMV</u>
Peninsula Energy Limited (ASX: PEN)	34,650,000	\$2,837,269
Zenith Minerals Limited (ASX:ZNC)	300,000	89,048
		<u>\$2,926,317</u>

The Company recorded an unrealized gain of \$1,712,928 in other comprehensive income (December 31, 2009 - \$Nil) for the year ended December 31, 2010.

**OUTLOOK**

The Company is actively engaged in evaluating additional acquisition opportunities which are complementary to its existing projects, particularly large tonnage base and precious metal targets in eastern Asia and the Americas. Recent efforts have resulted in the acquisition of PacMag, agreements with Honey Badger and Euasian Minerals' wholly owned subsidiary Bronco Creek Exploration Inc. on projects in Nevada and a conditional agreement on the Lukkacha property in Peru. The commodities the Company is most likely to pursue include copper, gold and molybdenum, which are often associated with large tonnage, porphyry related environments. Smaller, higher grade systems will be considered by the Company if they demonstrate potential for near-term production and cash-flow. If the Company is able to identify smaller, higher grade bodies that may be indicative of concealed larger tonnage mineralized systems, it may negotiate and enter into agreements to acquire them.

Entrée has not generated any revenue from operations since its incorporation and Entrée anticipates that it will continue to incur operating expenses without revenues unless and until it is able to identify a mineral reserve in a commercially exploitable quantity on one or more of its mineral properties and it builds and operates a mine. As at December 31, 2011, Entrée had working capital of approximately C\$21 million. Entrée's average monthly operating expenses in 2010 were approximately C\$1.3 million, including exploration, general and administrative expenses and investor relations expenses. Due to the nature of Entrée's mineral property interests, the Company has the ability to alter its exploration expenditures and, to a lesser extent, its general and administrative expenses. As a result, Entrée believes that it will not have to raise any additional funds to meet its currently budgeted operating requirements for the next 12 months. If these funds are not sufficient, or if Entrée does not begin generating revenues from operations sufficient to pay its operating expenses when Entrée has expended them, Entrée will be forced to raise necessary funds from outside sources. In order to provide the Company with flexibility to quickly raise funds should the need or opportunity arise, the Company announced on November 19, 2010 that it had filed a short form base shelf prospectus with the securities commissions in each of the provinces of Canada, except Quebec, and a corresponding shelf registration statement with the United States Securities and Exchange Commission on Form F-10/A. These filings will allow the Company to make offerings of common shares, warrants, subscription receipts or any combination of such securities up to an aggregate offering price of C\$100,000,000 during the 25-month period that the short form base shelf prospectus remains effective. Net proceeds from the sale of the securities, if any, are expected to be used by the Company for acquisitions, development of acquired mineral properties, working capital requirements and/or for other general corporate purposes.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
(In United States dollars unless stated otherwise)

**SELECTED QUARTERLY DATA**

	Three Months Ended December 31, 2010	Three Months Ended September 30, 2010	Three Months Ended June 30, 2010	Three Months Ended March 31, 2010
Exploration	\$ 4,109,919	\$ 4,496,968	\$ 2,511,312	\$ 1,108,364
General and administrative	4,041,289	1,729,714	808,638	1,066,608
Loss from operations	(8,151,208)	(6,226,682)	(3,319,950)	(2,174,972)
Interest income	51,199	80,251	50,564	61,419
Loss from equity investee	(388,114)	(401,539)	(153,177)	(42,611)
Future income tax recovery	545,412	-	-	-
Net loss	\$ (7,942,711)	\$ (6,547,970)	\$ (3,422,563)	\$ (2,156,164)
Loss per share, basic and diluted	\$ (0.08)	\$ (0.04)	\$ (0.04)	\$ (0.02)

	Three Months Ended December 31, 2009	Three Months Ended September 30, 2009	Three Months Ended June 30, 2009	Three Months Ended March 31, 2009
Exploration	\$ 2,406,856	\$ 2,722,656	\$ 2,840,854	\$ 2,015,597
General and administrative	3,591,718	888,319	942,685	1,921,802
Loss from operations	(5,998,574)	(3,610,975)	(3,783,539)	(3,937,399)
Interest income	62,758	33,142	80,161	221,680
Loss from equity investee	(103,960)	(43,094)	(22,454)	-
Fair value adjustment to asset backed commercial paper	-	-	-	-
Net loss	\$ (6,039,776)	\$ (3,620,927)	\$ (3,725,832)	\$ (3,715,719)
Loss per share, basic and diluted	\$ (0.06)	\$ (0.04)	\$ (0.04)	\$ (0.04)

The 2010 field exploration season did not begin until the end of March resulting in lower explorations cost in the first quarter compared to the prior year. Interest income in 2010 has decreased compared to 2009 due to a decrease in interest rates and a reduction in capital invested. General and administrative costs fluctuate throughout the year, primarily due to stock-based compensation expenses.

**LIQUIDITY**

To date the Company has not generated significant revenues from its operations and is considered to be in the exploration stage. Working capital on hand at December 31, 2010 was \$21,268,201 and is more than sufficient to fund exploration, general and administrative expense and investor relations for the next twelve months. Cash was \$21,296,169 at December 31, 2010. At present, the Company is dependent on equity financing for additional funding if required.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

Under the terms of the Entrée-OTLLC Joint Venture, Entrée may be carried through to production on the Joint Venture Property, at its election, by debt financing from OTLLC with interest accruing at OTLLC's actual cost of capital or prime +2%, whichever is less, at the date of the advance.

**Operating activities**

Cash used in operations was \$15,970,131 for the year ended December 31, 2010 (December 31, 2009 - \$13,338,900) and represents expenditures on mineral property exploration and general and administrative expense as described above for both periods.

**Financing activities**

Cash provided by financing activities during the year ended December 31, 2010 and 2009 and common shares issued for cash were as follows:

	Year Ended December 31, 2010	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2009
	Shares	Amount	Shares	Amount
Share Issue Costs	-	\$ (147,228)	-	\$ -
Exercise of stock options	2,122,278	2,699,728	2,355,948	2,280,050
	2,122,278	\$ 2,552,500	2,355,948	\$ 2,280,050

**Investing activities**

During the year ended December 31, 2010, the Company expended \$7,388,397 (December 31, 2009 – \$77,098) relating to the PacMag acquisition and cash and bond payments of \$258,367 (December 31, 2009 – \$107,787) related to other mineral property interests and recorded in other assets. The Company also acquired \$837,263 cash on the acquisition of PacMag on June 30, 2010. During the year ended December 31, 2010, the Company expended \$180,458 on equipment, primarily for exploration activities (December 31, 2009 - \$141,307).

**Table of Contractual Commitments**

The following table lists as of December 31, 2010 information with respect to the Company's known contractual obligations.

	Less than 1 Year		1-3 Years		3-5 Years		More than 5 Year		Total
Office leases	\$ 154,434	\$ 236,824	\$ 252,042	\$ 196,483	\$ 839,783				
Total	\$ 154,434	\$ 236,824	\$ 252,042	\$ 196,483	\$ 839,783				

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

**Outstanding share data**

As at December 31, 2010, there were 114,354,925 common shares outstanding. In addition, there were 9,292,800 stock options outstanding with exercise prices ranging from C\$1.32 to C\$2.86 per share. There were no warrants outstanding at December 31, 2010. As at March 25, 2011 there were 114,550,725 common shares outstanding. In addition, there were 9,457,000 stock options outstanding with exercise prices ranging from C\$1.32 to C\$3.47 per share.

**CAPITAL RESOURCES**

The Company had no commitments for capital assets at December 31, 2010.

At December 31, 2010, the Company had working capital of \$21,268,201 compared to \$40,874,503 at December 31, 2009. In addition, the Company had an investment in asset backed commercial paper of \$2,638,185 net of all adjustments. Working capital on hand is expected to be sufficient to fund exploration, general and administrative expense, and investor relations for the next twelve months.

The Company is committed to make lease payments for the rental of office space totalling \$839,783 over its seven year office lease in Vancouver, an annual office lease in Beijing, two annual office leases in Yerington, and an annual lease for accommodations in Vancouver.

**OFF-BALANCE SHEET TRANSACTIONS**

The Company has no off-balance sheet arrangements except for the contractual obligation noted above.

**TRANSACTIONS WITH RELATED PARTIES**

The Company did not enter into any transactions with related parties during the year ended December 31, 2010 (December 31, 2009 - Nil).

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

The Company must make estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain tax assets and liabilities that arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. Significant changes in these estimates may result in an increase or decrease to the tax provision in a subsequent period. The Company must assess the likelihood that we will be able to recover any deferred tax assets. If recovery is not likely, the provision for taxes must be increased by recording a valuation allowance against the deferred tax assets. However, should there be a change in the ability to recover any deferred tax assets, the tax provision would increase in the period in which it is determined that the recovery was not likely. Recovery of a portion of the deferred tax assets is impacted by Company plans with respect to holding or disposing of certain assets. Changes in economic conditions, exploration results, metal prices and other factors could result in changes to the estimates and judgements used in determining the income tax expense.

The Company capitalizes the cost of acquiring mineral property interests, including undeveloped mineral property interests, until the viability of the mineral interest is determined. Capitalized acquisition costs are expensed if it is

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

determined that the mineral property has no future economic value. The Company must make estimates and judgments in determining if any capitalized amounts should be written down by assessing if future cash flows, including potential sales proceeds, related to the mineral property are estimated to be less than the property's total carrying value. The carrying value of each mineral property is reviewed periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Reductions in the carrying value of a property would be recorded to the extent that the total carrying value of the mineral property exceeds its estimated fair value.

The Company follows accounting guidelines in determining the value of stock option compensation, as disclosed in Note 8 to the Annual Financial Statements. Unlike other numbers in the accounts, this is a calculated amount not based on historical cost, but on subjective assumptions introduced to an option pricing model, in particular: (1) an estimate for the average future hold period of issued stock options before exercise, expiry or cancellation; and (2) future volatility of the Company's share price in the expected hold period (using historical volatility as a reference). Given that there is no market for the options and they are not transferable, the resulting value calculated is not necessarily the value the holder of the option could receive in an arm's-length transaction.

The Company's accounting policy is to expense exploration costs on a project by project basis consistent with US GAAP. The policy is consistent with that of the other exploration companies that have not established mineral reserves. When a mineral reserve has been objectively established further exploration costs would be deferred. Management is of the view that its current policy is appropriate for the Company.

Under generally accepted accounting principles, the events and circumstances affecting AB Notes since August 2007 constitute an indication of impairment and it is therefore necessary to carry AB Notes at the lower of cost and estimated fair value. Fair value is estimated based on the results of a valuation technique that makes maximum use of inputs observed from markets, and relies as little as possible on inputs generated by the entity.

## **CHANGES IN ACCOUNTING POLICIES**

In April 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2010-13, *Compensation – Stock Compensation (Topic 718)*, amending Accounting Standards Codification (ASC) 718. ASU 2010-13 clarifies that a share-based payment award with an exercise price denominated in the currency of a market in which the entity's equity securities trade should not be classified as a liability if it otherwise qualifies as equity. ASU 2010-13 also improves GAAP by improving consistency in financial reporting by eliminating diversity in practice. ASU 2010-13 is effective for interim and annual reporting periods beginning after December 15, 2010. The Company is currently evaluating the impact of ASU 2010-13, but does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

In February 2010, the FASB issued ASU 2010-09, *Subsequent Events (Topic 855)*, amending ASC 855. ASU 2010-09 removes the requirement for a U.S. Securities and Exchange Commission ("SEC") filer to disclose a date relating to its subsequent events in both issued and revised financial statements. ASU 2010-09 also eliminates potential conflicts with the SEC's literature. Most of ASU 2010-09 is effective upon issuance of the update. The Company adopted ASU 2010-09 in February 2010, and its adoption did not have a material impact on the Company's financial reporting and disclosures.

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements*, amending ASC 820. ASU 2010-06 requires entities to provide new disclosures and clarify existing disclosures relating to fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company adopted ASU 2010-06 during the March 2010 quarter, and its adoption did not have a material impact on the Company's financial position or results of operations.

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

A detailed summary of all of the Company's significant accounting policies and the estimates derived therefrom is included in Note 2 to the annual consolidated financial statements for the year ended December 31, 2010.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial assets and liabilities consist of cash, investments, receivables, accounts payable and accrued liabilities and loans payable, some of which are denominated in United States dollars, Mongolian Tugriks, Australian dollars, Peruvian Nuevo Sol and Chinese Renminbi. Investments include asset-backed notes. The Company is at risk to financial gain or loss as a result of foreign exchange movements against the Canadian dollar. The Company minimizes its foreign exchange risk by maintaining low account balances in currencies other than the Canadian dollar. The Company does not currently have major commitments to acquire assets in foreign currencies; but historically it has incurred the majority of its exploration costs in foreign currencies.

The Company has estimated the fair value of AB Notes at December 31, 2010 using the methodology and assumptions outlined below. The fair value estimate of the AB Notes received under the restructuring were calculated based on information provided by the Pan Canadian Investor Committee as well as Ernst & Young, the Monitor of the restructuring.

The Company has applied its best estimate of prospective buyers' required yield and calculated the present value of the AB Notes using required yield as the discount factor. Using a range of potential discount factors allows the Company to estimate a range of recoverable values (see VALUATION OF INVESTMENT).

Restructuring costs are excluded from this valuation as it has been stated that the costs will be deducted from the accrued interest that the Company will receive shortly after the completion of the restructuring. Based on the fair value estimation, the Company has recorded an unrealized gain of \$471,588 (December 31, 2009 - \$563,481) for the year ended December 31, 2010. There can be no assurance that the fair value estimate will be realized or that it will be adequate. Subsequent adjustments, which could be material, may be required in future reporting periods.

## **OTHER MD&A REQUIREMENTS**

### **Forward-Looking Statements**

This MD&A contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of applicable Canadian securities laws.

Forward-looking statements include, but are not limited to, the future price of copper, gold and molybdenum, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, cost and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and future financial performance. In certain cases, forward-looking statements can be identified by the use of words such as plans, expects or does not expect, is expected, budgeted, scheduled, estimates, forecasts, intends, anticipates, or does not anticipate or believes or variations of such words and phrases or statements that certain actions, events or results may, could, would, might, will be taken, occur or be achieved. While the Company has based these forward-looking statements on its expectations about future events as at the date that such statements were prepared, the statements are not a guarantee of the Company's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors and assumptions include, amongst others, the effects of general economic conditions, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations and misjudgements in the course of preparing forward-looking statements. In addition, there are also known and unknown risk factors which may cause the actual results, performances

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations; actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper, gold and molybdenum; possible variations in ore reserves, grade recovery and rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining government approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk" in this MD&A and in the section entitled "Risk Factors" in the AIF. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, readers should not place undue reliance on forward-looking statements.

**Risk**

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks have been discussed elsewhere in this MD&A. For a more extensive discussion of such risks and uncertainties, the reader should also refer to the section titled "Risk Factors" contained in the Company's AIF available on SEDAR at [www.sedar.com](http://www.sedar.com).

There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties, and further exploration is required before the Company can evaluate whether any such deposits exist and, if so, whether it would be economically and legally feasible to develop or exploit those resources. Even if the Company is successful in identifying a mineral deposit, the Company would be required to spend substantial funds on further drilling and engineering studies before determining whether that mineral deposit will constitute a reserve (a reserve is a commercially viable mineral deposit).

The Company must comply with licence and permitting requirements. In Mongolia, the Shivee Tolgoi and Javhlant exploration licences were converted to mining licences on October 27, 2009. These licences now have a term of 30 years, with two potential extensions of 20 years each. The total estimated annual fees in order to maintain the Shivee Tolgoi and Javhlant mining licences in good standing is \$1,100,000. Approximately \$500,000 of the total is recoverable from OTLLC.

Entrée is not presently a party to the Investment Agreement. Although OTLLC has agreed under the terms of the Earn-In Agreement to use its best efforts to cause Entrée to be brought within the ambit of, made subject to and to be entitled to the benefits of the Investment Agreement, unless and until Entrée becomes a party of the Investment Agreement or otherwise receives confirmation from the Government of Mongolia, there can be no assurance that Entrée will be entitled to all of the benefits of the Investment Agreement, including stability with respect to taxes payable. Until such time as Entrée becomes a party to the Investment Agreement, it could be subject to the new surtax royalty which came into effect in Mongolia on January 1, 2011. The rates of the new surtax royalty vary from 1% to 5% for minerals other than copper. For copper, the surtax royalty rates range between 22% and 30% for ore, between 11% and 15% for concentrates, and between 1% and 5% for final products. No surtax royalty is charged on any minerals below a certain threshold market price, which varies depending on the type of minerals. This is in addition to the standard royalty rates of 2.5% for coal sold in Mongolia and commonly occurring minerals sold in Mongolia, and 5% for all other minerals. In order to become a party to the Investment Agreement, the Government of Mongolia may require Entrée or the Entrée-OTLLC Joint Venture to agree to certain concessions, including with respect to the ownership of the Entrée-OTLLC Joint Venture or the scope of the lands to be covered by the Investment Agreement.



**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

In Nevada, maintenance fees must be paid to the Bureau of Land Management annually. For the 2011 assessment year, the aggregate fee for the Ann Mason property is approximately \$35,000.

In both Mongolia and Nevada, the Company must comply with environmental regulations that govern air and water quality and land disturbance and provide mine reclamation and closure costs.

The Company's financial success is subject to, among other things, fluctuations in copper and gold prices which may affect current or future operating results and may affect the economic value of its mineral resources. The Company's ability to obtain financing to explore for mineral deposits and to complete the development of those properties it has classified as assets is not assured; nor is there assurance that the expenditure of funds will result in the discovery of an economic mineral deposit. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

The Company has not completed a feasibility study on any of its deposits to determine if its hosts a mineral resource that can be economically developed and profitably mined.

**Disclosure Controls and Procedures**

Management is responsible for establishing and maintaining disclosure controls and procedures, which provide reasonable assurance that material information relating to the Company and its subsidiaries is accumulated and communicated to management to allow timely decisions regarding required disclosure. Management has evaluated the effectiveness of its disclosure controls and procedures as of December 31, 2010 and believes its disclosure controls and procedures are effective.

**Internal Control over Financial Reporting**

Management is responsible for designing internal control over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Management evaluated the Company's internal control over financial reporting at December 31, 2010 and concluded that it is effective and that no material weakness relating to design or operations exists. No change in the Company's internal control over financial reporting occurred during the period beginning on October 1, 2010 and ended on December 31, 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Cautionary Note to United States Investors - Canadian Disclosure Standards in Mineral Resources and Mineral Reserves**

The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") CIM Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM.

The definitions of proven and probable reserves used in NI 43-101 differ from the definitions in the SEC Industry Guide 7. Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three year history average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great

**ENTRÉE GOLD INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**  
**(In United States dollars unless stated otherwise)**

uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases.

Accordingly, information contained in this MD&A containing descriptions of our mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

**International Financial Reporting Standards**

The Company has been monitoring the deliberations and progress being made by accounting standard setting bodies and securities regulators both in Canada and the United States with respect to their plans regarding convergence to International Financial Reporting Standards (IFRS). The Company is a "domestic" issuer under Canadian securities law and a "foreign private issuer" under SEC regulations. The Company files its financial statements with both Canadian and U.S. securities regulators in accordance with US GAAP, as permitted under current regulations. In 2008, the Accounting Standards Board in Canada and the Canadian Securities Administrators (CSA) confirmed that domestic issuers will be required to transition to IFRS for fiscal years beginning on or after January 1, 2011. On June 27, 2008, the CSA Staff issued Staff Notice 52-321 "Early Adoption of International Financial Reporting Standards, Use of US GAAP and References to IFRS-IASB" which confirmed that domestic issuers that are also SEC registrants are able to continue to use US GAAP. Consequently, the Company is not required to convert to IFRS effective January 1, 2011 and has elected to continue using US GAAP.

CERTIFICATION

I, Gregory G. Crowe, certify that:

- 1 I have reviewed this annual report on Form 40-F of Entrée Gold Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 25, 2011

/s/ Gregory G. Crowe  
By: \_\_\_\_\_  
Gregory G. Crowe  
Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION

I, Bruce Colwill, certify that:

- 1 I have reviewed this annual report on Form 40-F of Entrée Gold Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 25, 2011

/s/ Bruce Colwill  
By: \_\_\_\_\_  
Bruce Colwill  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Entrée Gold Inc. (the "Company") on Form 40-F for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory G. Crowe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 25, 2011

/s/ Gregory G. Crowe  
Gregory G. Crowe  
Chief Executive Officer  
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Entrée Gold Inc. and will be retained by Entrée Gold Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Entrée Gold Inc. (the "Company") on Form 40-F for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce Colwill, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 25, 2011

/s/ Bruce Colwill  
Bruce Colwill  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Entrée Gold Inc. and will be retained by Entrée Gold Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Entrée Gold Inc.'s Annual Report on Form 40-F (the "40-F") for the year ended December 31, 2010 of our Independent Registered Public Accounting Firms' Reports dated March 22, 2011 and to the reference to us under the heading "Interests of Experts" in the Company's Annual Information Form for the year ended December 31, 2010, dated March 25, 2011.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

March 25, 2011



**John Vann**  
**Quantitative Geoscience Pty. Ltd.**

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as my consent to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

I confirm that I have read the AIF and I have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within my knowledge as a result of the services I performed in connection with the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

/s/ John Vann  
Signature of Qualified Person

John Vann  
Printed Name of Qualified Person





**Exhibit 99.10**  
Geostatistics  
Resources & Reserves  
Reconciliation & Grade Control  
Audit & Due Diligence  
Strategic Mine Planning  
Geometallurgical Modelling  
Mine Geology  
Training

**Scott Jackson**  
**Quantitative Geoscience Pty. Ltd.**

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as my consent to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

I confirm that I have read the AIF and I have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within my knowledge as a result of the services I performed in connection with the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

/s/ Scott Jackson  
Signature of Qualified Person

Scott Jackson  
Printed Name of Qualified Person

**AMEC Minproc Limited**

**Consent of Expert**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

We refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as our consent to the use of our firm name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

We confirm that we have read the AIF and we have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within our knowledge as a result of the services we performed in connection with the Technical Report.

We consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of our firm name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

/s/ Malcolm Brown

Name: Malcolm Brown

Title: President

Company: AMEC Minproc Limited

aif-40fconsent amecminprocmarch 2011.docx

Wardrop Engineering Inc.  
330 Bay Street, Suite 900  
Toronto, Ontario  
Canada M5H 2S8

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

We refer to the report titled "NI 43-101 Compliant Technical Report for the Ann Mason Property Nevada, USA" with an effective date of March 11, 2011 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as our consent to the use of our firm name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

We confirm that we have read the AIF and we have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within our knowledge as a result of the services we performed in connection with the Technical Report.

We consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of our firm name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

*"Original document signed by Brent Thompson"*

---

Brent Thompson, Senior Vice President, Mining Division

ROBERT M. CANN, P.GEO.  
Suite 1201, 1166 Alberni Street  
Vancouver, British Columbia, Canada, V6E 3Z3  
Phone: +1.604.687.4777  
Fax: +1.604.687.4770

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I, Robert M. Cann, do hereby consent to the public filing of the technical report prepared for Entrée Gold Inc. (the "Company") titled "NI 43-101 Compliant Technical Report on the Ann Mason Property Nevada, USA" with an effective date of March 11, 2011 (the "Technical Report") with the securities regulatory authorities referred to above.

I further consent (a) to the public filing of the Technical Report with any stock exchanges and other regulatory authority and any publication of the Technical Report by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, and (b) to the publication of the Technical Report by the Company on its company website or otherwise.

I have read the Annual Information Form dated March 25, 2011 (the "AIF"). I consent to the incorporation by reference of, and to extracts from, or a summary of, the Technical Report in the AIF, and I confirm that the AIF fairly and accurately represents the information in the Technical Report.

I refer to scientific and technical information developed by the Company, the preparation of which I supervised in my capacity as a "qualified person" as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects, that is contained in the AIF and in news releases and other disclosure documents of the Company (collectively, the "Technical Information").

I consent to the use of my name, the Technical Information and the Technical Report in the Company's Short Form Base Shelf Prospectus dated November 19, 2010 (the "Prospectus") and the documents incorporated by reference therein, including the AIF. I confirm that I have read the Prospectus and I have no reason to believe that there are any misrepresentations in the information contained in it that are derived from the Technical Report or Technical Information or that are within my knowledge as a result of the work I performed in connection with such Technical Report or Technical Information.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, and the Technical Information in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

*"Original document signed by Robert M. Cann"*

ROBERT M. CANN, M.Sc., P.Geo.

Stantec Consulting International LLC  
1438 West Broadway Road, Suite 101  
Tempe, Arizona 85282 USA  
Tel: (480) 831-0310  
Fax: (480) 831-0317

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

We refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as our consent to the use of our firm name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

We confirm that we have read the AIF and we have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within our knowledge as a result of the services we performed in connection with the Technical Report.

We consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of our firm name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

"Mike Gray"

Mike Gray, Vice President  
Stantec Consulting International LLC

**Dean David  
AMEC Minproc Limited**

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as my consent to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

I confirm that I have read the AIF and I have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within my knowledge as a result of the services I performed in connection with the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

*/s/ Dean David*

---

Dean David  
GRD Minproc Limited  
B AppSc (Metallurgy),  
Fellow AusIMM (no.102351)

aif-40fconsent ddavidconformedmar2011.docx

Owen R. Cullingham  
O.R.Cullingham Resource Consultant Ltd.

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as my consent to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

I confirm that I have read the AIF and I have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within my knowledge as a result of the services I performed in connection with the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

*/s/ Owen Cullingham*

---

Owen Cullingham

**Bernard Peters**  
**AMEC Minproc Limited**

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as my consent to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

I confirm that I have read the AIF and I have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within my knowledge as a result of the services I performed in connection with the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

*/s/Bernard Peters*

---

Bernard Peters

aif-40fconsentbpetersconformedmarch2011.docx



**George R. Stephan  
Stantec Consulting Inc.**

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as my consent to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

I confirm that I have read the AIF and I have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within my knowledge as a result of the services I performed in connection with the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

/s/ George R. Stephan

Signature of Qualified Person

George R. Stephan

Printed Name of Qualified Person

Albert Chance  
Golder Associates Ltd.  
**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as my consent to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

I confirm that I have read the AIF and I have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within my knowledge as a result of the services I performed in connection with the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

/s/ A.V. Chance  
A.V. Chance, P.Eng.

Golder Associates Ltd.

**Jarek Jakubec**  
**SRK Consulting (Canada) Inc.**

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as my consent to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

I confirm that I have read the AIF and I have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within my knowledge as a result of the services I performed in connection with the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

*/s/Jarek Jakubec*

Jarek Jakubec

AIF-40FoosenJJakubecConformedMarch2011.docx



**Group Offices:**

Africa  
Asia  
Australia  
Europe  
North America  
South America

**Canadian Offices:**

Saskatoon 306.955.4778  
Sudbury 705.682.3270  
Toronto 416.601.1445  
Vancouver 604.681.4196  
Yellowknife 867.445.8670

**U.S. Offices:**

Anchorage 907.677.3520  
Denver 303.985.1333  
Elko 775.753.4151  
Fort Collins 970.407.8302  
Reno 775.828.6800  
Tucson 520.544.3688

**Bruce Brown**  
**Rio Tinto Technology and Innovation**

**1 Research Ave. Bundoora, Victoria, 3084**

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I refer to the report titled "Lookout Hill Property Technical Report", with an effective date of June 9, 2010 (the "Technical Report") as referenced in the Annual Information Form dated March 25, 2011 (the "AIF") of Entrée Gold Inc. (the "Company") and documents incorporated by reference therein.

This consent is being filed as my consent to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the AIF and in documents incorporated by reference therein.

I confirm that I have read the AIF and I have no reason to believe that there are any misrepresentations that are derived from the Technical Report or that are within my knowledge as a result of the services I performed in connection with the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

*/s/ Bruce Brown*

\_\_\_\_\_  
Signature of Qualified Person

Bruce Brown

\_\_\_\_\_  
Print Name of Qualified Person

DR. ROBERT S. MORRISON, Ph.D., MAusIMM (CP)  
330 Bay Street, Suite 900  
Toronto, Ontario, Canada, M5H 2S8  
Phone: +1.416.368.9080, ext. 239  
Fax: +1.416.368.1963  
Email: robert.morrison@wardrop.com

**CONSENT OF EXPERT**

March 25, 2011

To: Entrée Gold Inc.

And To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
United States Securities and Exchange Commission

I, Robert Sinclair Morrison, do hereby consent to the public filing of the technical report prepared for Entrée Gold Inc. (the "Company") titled "NI 43-101 Compliant Technical Report on the Ann Mason Property Nevada, USA" , with an effective date of March 11, 2011 (the "Technical Report") with the securities regulatory authorities referred to above.

I further consent (a) to the public filing of the Technical Report with any stock exchanges and other regulatory authority and any publication of the Technical Report by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, and (b) to the publication of the Technical Report by the Company on its company website or otherwise.

I have read the Annual Information Form dated March 25, 2011 (the "AIF"). I consent to the incorporation by reference of, and to extracts from, or a summary of, the Technical Report in the AIF, and I confirm that the AIF fairly and accurately represents the information in the Technical Report.

I consent to the use of my name and the Technical Report in the Company's Short Form Base Shelf Prospectus dated November 19, 2010 (the "Prospectus") and the documents incorporated by reference therein, including the AIF. I confirm that I have read the Prospectus and I have no reason to believe that there are any misrepresentations in the information contained in it that are derived from the Technical Report or that are within my knowledge as a result of the work I performed in connection with such Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Annual Report on Form 40-F dated March 25, 2011 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Sincerely,

*"Original document signed by Robert S. Morrison"*

---

DR. ROBERT S. MORRISON, Ph.D., MAusIMM (CP)