

**ENTRÉE GOLD INC.**

Annual Information Form

FOR THE YEAR ENDED  
DECEMBER 31, 2005

DATED MARCH 23, 2006

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

### **DATE OF INFORMATION**

The effective date for this Annual Information Form is March 23, 2006.

### **FORWARD LOOKING STATEMENT**

This annual report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. 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.

### **CURRENCY AND EXCHANGE**

Our financial statements are stated in United States dollars and are prepared in conformity with United States Generally Accepted Accounting Principles.

In this annual report, all dollar amounts are expressed in U.S. dollars unless otherwise specified. Because our principal executive office is located in Canada, many of our 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 financial statements filed with this annual report, we have not converted Canadian dollars to U.S. dollars for purposes of making the disclosure in this annual report.

### **DEFINED TERMS AND ABBREVIATIONS**

As used in this annual report, the terms "we", "us", "our", and "Entrée" mean Entrée Gold Inc. and our wholly-owned Mongolian subsidiary Entrée LLC, unless otherwise indicated.

### **CANADIAN DISCLOSURE STANDARDS FOR MINERAL RESOURCES AND MINERAL RESERVES**

Canadian disclosure standard 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") 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 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 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 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.

Accordingly, information contained in this report and the documents incorporated by reference herein 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.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

We are an exploration stage company engaged in the exploration of natural resource properties located in Mongolia. Our principal executive office is located at Suite 1201 - 1166 Alberni Street, Vancouver, British Columbia, Canada V6E 3Z3. The telephone number for our principal executive office is (604) 687-4777 and our web site is located at [www.entreegold.com](http://www.entreegold.com). Information contained on our website does not form part of this annual report. Our registered and records office is at Suite 950 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3 and our 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.

We also maintain an administrative office in Ulaanbaatar, the capital of Mongolia, from which we support our Mongolian operations. The address of our Mongolian office is Jamyang Gun Street-5, Ar Mongol Travel Building, Suite #201, #202, Sukhbaatar District, 1st Khoroo, Ulaanbaatar, Mongolia. The telephone number for our Mongolian office is 976.11.318562.

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 British Columbia *Business Corporation Act*.

At inception our Memorandum and Articles authorized our company to issue up to 20,000,000 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 40,000,000 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 authorized capital to 160,000,000 common shares without par value and simultaneously reduced our authorized capital to 100,000,000 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 50,000,000 common shares without par value and simultaneously increased the authorized capital from 50,000,000 common shares without par value to 100,000,000 common shares without par value. On May 20, 2004, we received approval from our shareholders to increase our authorized share capital from 100,000,000 common shares without par value to an unlimited number of common shares, all without par value. This increase became effective June 16, 2004, the date we filed the amendment to our Articles.

### **Intercorporate relationships**

We have one subsidiary company, Entrée LLC, a Mongolian limited liability company formed July 25, 2002, for the purpose of conducting our Mongolian operations.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

In July 2002, the Company entered into an option agreement to acquire 60% of three mineral exploration licenses in Mongolia covering 179,590 hectares ("Lookout Hill") (See below). During 2002 our management changed to current management.

In September, 2003, the Company agreed to purchase a 100% interest in Lookout Hill and a 4<sup>th</sup> mineral license ("Manlai") from the option or for cash and stock. During 2003, the Company raised \$11,356,687 from the issuance of capital stock and began initial exploration of the Mongolian concessions.

Exploration continued the exploration of the Mongolian concessions during 2004. In October 2004, the Company entered into an Equity Participation and Earn-in Agreement with Ivanhoe Mines Ltd. ("Ivanhoe") to explore approximately 40,000 hectares of Lookout Hill ("Entrée-Ivanhoe Project Property") in return for the right to earn a 70% or 80% interest in the project property depending on the depth of mineralization for the expenditure of \$35,000,000 in exploration (see below). During 2004, the Company raised \$4,016,448 from the issuance of capital stock of which \$3,846,521 represented an equity investment by Ivanhoe.

During 2005, the Company raised \$24,197,263 from the issuance of capital stock through a significant equity investment by Rio Tinto plc, a further investment by Ivanhoe (see below) and the exercise of warrants and stock options. The Company commenced drilling on its 100% owned properties and Ivanhoe carried out a drilling program on the Hugo North Extension. In March 2005, The Company became a Tier I Issuer on the TSX Venture Exchange. In July, 2005, the Company was approved for listing on the American Stock Exchange.

In February, 2006, the Company announced that a new mineral resource estimate had delineated an initial inferred resource for the Hugo North Extension (see below). The inferred resource of 190 million tonnes grading 1.57% copper and 0.53 g/t gold (a copper equivalent grade of 1.91%) is estimated to contain approximately 6.6 billion pounds of copper and 3.2 million ounces of gold. Alternatively, the inferred resource of 64 million tonnes grading 2.78% copper and 1.10 g/t gold (a copper equivalent grade of 3.48%) at a 2% copper equivalent cut-off is estimated to contain approximately 3.9 billion pounds of copper and 2.3 million ounces of gold.

### **Significant acquisitions**

Pursuant to an 'arms length' option agreement dated July 25, 2002, we purchased from Mongol Gazar Co., Ltd., (Mongol Gazar) an unrelated privately held Mongolian company, an option to acquire up to a 60% interest in three mineral licenses issued by the Mineral Resources Authority of Mongolia granting exploration rights, respectively, over three contiguous parcels of land known as Togoot (License No. 3136X), comprised of 104,484 hectares, Shivee Tolgoi (License No. 3148X), comprised of 54,760 hectares and Javhlant (License No. 3150X), comprised of 20,346 hectares. "Shivee Tolgoi" translates into English as "Lookout Hill" and we refer to all three of these parcels, collectively, as Lookout Hill. For a more detailed discussion of our Lookout Hill property please refer to the Property Description and Location section of this annual information form, beginning at page 18, below.

The option agreement provided that we could purchase up to a 60% interest in the Lookout Hill in stages by:

- incurring \$490,000 in exploration expenditures on the Lookout Hill property prior to the first anniversary of the date of the agreement and reimbursing Mongol Gazar for up to \$200,000 for exploration expenditures incurred by it on the Lookout Hill property during this period;
- incurring \$1,490,000 in cumulative exploration expenditures on the Lookout Hill property prior to the second anniversary of the date of the agreement and issuing 1,000,000 common shares to Mongol Gazar;
- incurring \$3,490,000 in cumulative exploration expenditures on the Lookout Hill property prior to the third anniversary of the date of the agreement and issuing an additional 1,000,000 common shares to Mongol Gazar;
- incurring \$7,490,000 in cumulative exploration expenditures on the Lookout Hill property prior to the fourth anniversary of the date of the agreement and issue an additional 1,000,000 common shares to Mongol Gazar;
- incurring \$12,490,000 in cumulative exploration expenditures on the Lookout Hill property prior to the fifth anniversary of the date of the agreement and either (a) issuing a final 1,000,000 of our common shares to Mongol Gazar or (b) completing a feasibility study on the Lookout Hill property;

In return, Mongol Gazar agreed to transfer to us a 15% interest in the Lookout Hill property after the second anniversary of the date of the option agreement, and an additional 15% interest after each of the third, fourth and fifth anniversaries for an aggregate total of a 60% interest. Thereafter, we intended to form a joint venture with Mongol Gazar for further development of the Lookout Hill property, if warranted by the results of our exploration. We agreed to pay a net smelter return royalty to Mongol Gazar and Mongol Gazar agreed that we could purchase half of this net smelter return royalty for \$10,000,000. We paid a finder's fee for this transaction to Canaccord Capital Corporation, consisting of 200,000 of our common shares. By an assignment effective July 25, 2002, we assigned our interest in the option agreement to our wholly-owned subsidiary Entrée LLC, which we formed specifically for the purpose of holding and operating our mining properties in Mongolia.

Pursuant to a purchase agreement dated September 13, 2003 between our company and our subsidiary Entrée LLC on the one hand, and Mongol Gazar and its Mongolian affiliate MGP LLC, on the other hand, we agreed to purchase a 100% interest in the Lookout Hill property, free of any net smelter return royalty, together with an additional mineral license (License No. 3045X) pertaining to a parcel of property known as the Manlai property, located in the Kharmagtai area of Mongolia in the Manlai and Tsogt-tsetsii Soums, Omnogovi (also spelled Umnogobi) Aimag (A 'Soum' is the local Mongolian term for a township or district, an 'Aimag' is the local equivalent of a state or province;), approximately 120 kilometres north of the Lookout Hill property. In consideration for these properties we agreed to pay \$5,500,000 in cash and to issue 5,000,000 common shares of our company to Mongol Gazar. We also agreed that if Mongol Gazar sold these 5,000,000 common shares at any time prior to November 30, 2004 for net proceeds of less than \$5,000,000, we would pay them an amount equal to the difference between \$5,000,000 and the net proceeds they actually received. Although this purchase agreement superseded the option agreement dated July 25, 2002, we agreed that we would reinstate the option agreement if the transactions described in the purchase agreement did not close.

The purchase agreement provided that we could use the cash portion of the purchase price to clear any encumbrance on the Lookout Hill property, and that we were to pay the balance of the cash portion of the purchase price, and issue the 5,000,000 common shares, fifteen days after we received notice from our Mongolian lawyers that satisfactory title to the Lookout Hill and Manlai properties had been transferred into the name of our Mongolian subsidiary, Entrée LLC, free of all liens, charges and encumbrances.

Because Mongol Gazar was still in the process of clearing title to the Manlai property at the time we were preparing to complete our acquisition of the Lookout Hill property, we entered into an Amending Agreement dated November 6, 2003 severing the Manlai property from the September 13, 2003 purchase

agreement. We entered into a separate purchase agreement with respect to the Manlai property, pursuant to which we would acquire title to it for no additional consideration at such time as Mongol Gazar was able to transfer clear title. Title to this parcel was transferred to our subsidiary Entrée LLC on February 9, 2004.

Title to the Javhlant and Togoot parcels was transferred to our subsidiary, Entrée LLC, on September 30, 2003 and title to the third parcel comprising the Lookout Hill property, Shivee Tolgoi, was transferred to Entrée LLC on October 28, 2003. We paid the first part of the cash portion of the purchase price of \$5,500,000, in the amount of \$500,000, on September 19, 2003 and the balance of the cash portion of the purchase price on November 13, 2003.

In a subsequent agreement dated as of April 20, 2004, we agreed to issue to Mongol Gazar non-transferable share purchase warrants for the purchase of up to 250,000 of our common shares at a purchase price of \$1.05 per share until expiration of the warrants on April 20, 2006 in consideration of (i) the waiver by Mongol Gazar of our obligation to pay to it the shortfall, if any, between \$5,000,000 and the net proceeds realized upon a sale of the 5,000,000 common shares issued to them as part of the purchase price for the Lookout Hill property and (ii) a 100% interest in the Khatsavch Property (Licence #6500X, consisting of 632 hectares) located in Khanbogd and Bayan Ovoo Soums, Omnogovi, Mongolia. The share purchase warrants were issued on June 14, 2004, and title to the Khatsavch property has been registered in the name of Entrée LLC.

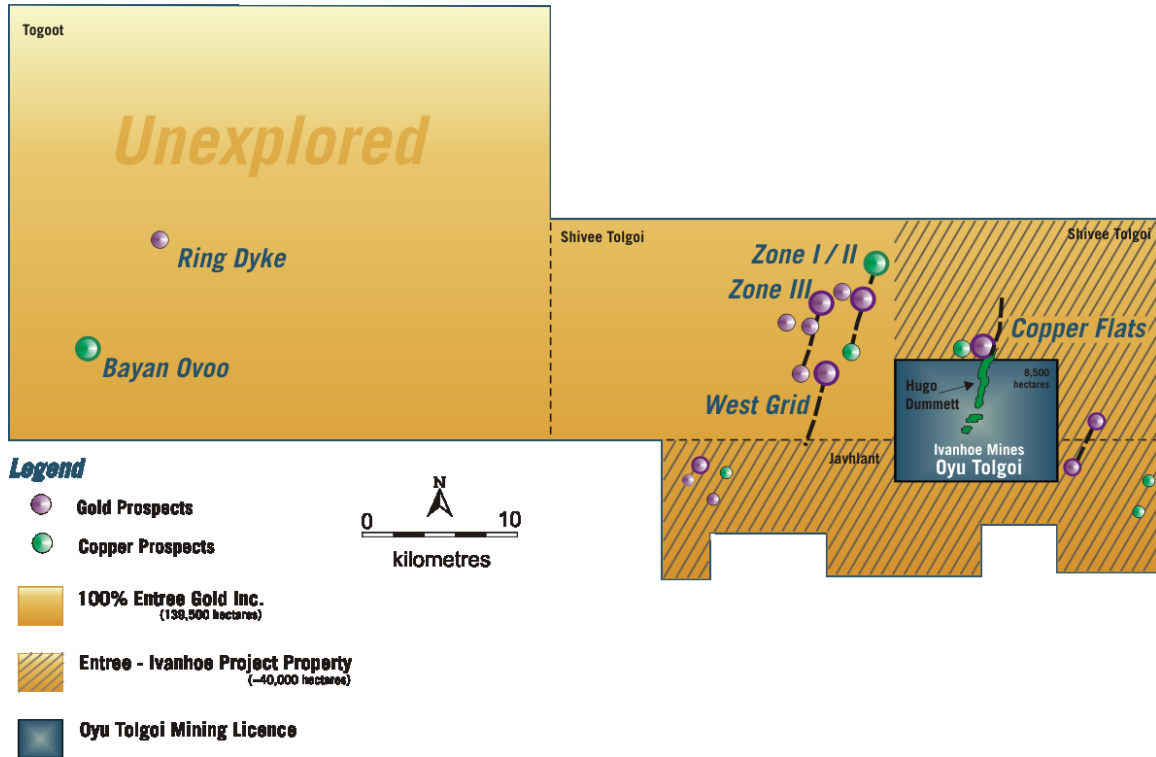
We entered into an arms-length Equity Participation and Earn-In Agreement dated as of October 15, 2004, with Ivanhoe, an unrelated Yukon corporation which owns a mineral exploration property known as Oyu Tolgoi, or 'Turquoise Hill', which is located adjacent to our Lookout Hill property. This agreement provided that, upon satisfaction of certain conditions, Ivanhoe would:

- subscribe for 4,600,000 units from our company for Cdn \$1.00 per unit, with each unit consisting of one common share of our company and one share purchase warrant entitling the holder to purchase one additional common share of our company for a purchase price of Cdn \$1.10 for two years from the date of purchase.
- have the right, during an earn-in period beginning on closing of the subscription for units and ending, at the latest, on the eighth anniversary of that closing date (subject to earlier expiration as specified in the agreement), to earn a participating interest in a mineral exploration and, if warranted, development and mining project to be conducted by Ivanhoe on a 40,000 hectares portion of our company's 179,500 hectare Lookout Hill property shown on the map below. The amount of the participating interest in the project will vary depending on the amount of money that Ivanhoe expends on the project during the earn-in period, but the agreement provides that Ivanhoe can earn a 51% interest by expending an aggregate of at least \$20,000,000 during the earn-in period, a 60% interest by expending an aggregate of at least \$27,500,000 during the earn-in period, or a sliding percentage interest, depending on the depth from which minerals are extracted from the project, of between 70% and 80% by expending an aggregate of at least \$35,000,000 during the earn-in period.
- have the right to nominate one member of our Board of Directors during the earn-in period.

In addition, the Equity Participation and Earn-In Agreement gives to Ivanhoe a pre-emptive right to such percentage of any offering of securities of our company as will enable them to preserve their ownership percentage in our company which, after the acquisition of the 4,600,000 units, would be approximately 9% prior to exercise of any of their share purchase warrants and could, upon the exercise of the latter, go as high as 17% of our issued and outstanding common shares. During any period of time that Ivanhoe owns more than 10% of our issued and outstanding common shares, Ivanhoe is required to vote these shares as our board of directors direct on all matters pertaining to the appointment of directors, the appointment and remuneration of our auditors and all other matters to be submitted to our shareholders except for 'extraordinary' matters. 'Extraordinary' matters are defined in the Equity Participation and Earn-In Agreement to mean matters requiring a special majority (66.33%), the vote of a majority of disinterested shareholders and matters where Ivanhoe is precluded from voting.

The portion of our property subject to the Equity Participation and Earn-In Agreement, which is referred to in the agreement as the "Entrée-Ivanhoe Project Property", is shown below:

**Entrée Gold Inc./Ivanhoe Mines Ltd.  
Project Property Boundaries**



We closed the private placement described in the Equity Participation and Earn-In Agreement on November 9, 2004, at which time Ivanhoe purchased the 4,600,000 units described above.

*Investment by Rio Tinto plc*

In June 2005, Rio Tinto plc (one of the world's largest mining and exploration companies), through its wholly owned subsidiary, Kennecott Canada Exploration Inc (collectively, "Rio Tinto") completed a private placement into Entrée, whereby they purchased 5,665,730 units at a price of \$C2.20 per unit, which consisted of one Entrée common share and two warrants (one "A" warrant and one "B" warrant). Two "A" warrants entitle Rio Tinto to purchase one Entrée common share for C\$2.75 within two years; two "B" warrants entitle Rio Tinto to purchase one Entrée common share for C\$3.00 within two years. Proceeds from Rio Tinto's investment were \$10,170,207. Ivanhoe exercised its pre-emptive right to maintain proportional ownership of Entrée's shares and thereby exercised its warrant for 4,600,000 shares at C\$1.10, resulting in proceeds to Entrée of \$4,069,214. In July Ivanhoe took part in the private placement, purchasing 1,235,489 units, resulting in further proceeds to Entrée of \$2,217,209. Rio Tinto purchased an additional 641,191 units of the private placement to maintain proportional ownership, resulting in further proceeds of \$1,150,681.

At March 15, 2006 Ivanhoe owned approximately 14.8% of Entrée's issued and outstanding shares with the potential to hold up to a total of 16.3% upon the exercise of warrants.

At March 15, 2006 Rio Tinto owned approximately 9.0% of Entrée's issued and outstanding shares with the potential to hold up to a total of 16.4% upon the exercise of warrants.



Ivanhoe and Rio Tinto are required to vote these shares as our board of directors direct on all matters pertaining to the appointment of directors, the appointment and remuneration of our auditors and all other matters to be submitted to our shareholders except for “extraordinary” matters. “Extraordinary” matters are defined in the Equity Participation and Earn-In Agreement to mean matters requiring a special majority (66.33%), the vote of a majority of disinterested shareholders and matters where Ivanhoe or Rio Tinto is precluded from voting.

Management believes that the additional investment by Rio Tinto represents a strong endorsement by one of the world’s largest mining companies of Entrée’s management and property holdings. We believe that Entrée is in sound financial condition and well positioned to build upon the value of our company, both in terms of our arrangement with Ivanhoe and our exciting and promising prospects elsewhere. As part of our ongoing strategy, we are also actively seeking quality acquisitions to complement our existing portfolio.

## **DESCRIPTION OF THE BUSINESS**

### **General**

We are 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. Our company is in the exploration stage.

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 or the acquisition of specific, but limited, rights to the land (e.g., a license, lease or concession). After acquisition, exploration would probably begin with a surface examination by a prospector or professional geologist with the aim of identifying areas of potential mineralization, followed by detailed geological sampling and mapping of this showing with possible geophysical and geochemical grid surveys to establish whether a known trend of mineralization continues through un-exposed portions of the property (i.e., underground), 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, as well as 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.

Our company's exploration activities in Mongolia are under the supervision of Robert Cann, P.Geo., Entrée's Vice President, Exploration. Mr. Cann is a "qualified person" under the definition contained in National Instrument 43-101. National Instrument 43-101 is a national Canadian securities regulatory instrument which requires, among other things, that disclosure of scientific or technical information made by or on behalf of an issuer in respect of a mineral project of the issuer be prepared under the supervision of a licensed engineer or geoscientist with at least five years of relevant experience.

All rock samples from our property are prepared and analyzed by SGS Mongolia of Ulaanbaatar, Mongolia. Soil and silt samples and check rock samples are analyzed by Acme Analytical Laboratories of Vancouver, British Columbia, Canada.

### **Environmental Compliance**

Our current and future exploration and development activities, as well as our 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. Our 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. We intend to obtain all licenses and permits required by all applicable regulatory agencies in connection with our mining operations and exploration activities. We intend to maintain standards of compliance consistent with contemporary industry practice.

In Mongolia, mining companies are required to file an annual work plan with, and provide a summary report to, the local Soum upon the conclusion of exploration activities that includes a discussion of environmental impacts. In addition, mining companies are required to post a bond equal to 50% of the total estimated cost of any anticipated environmental reclamation, which is refunded upon completion of the reclamation work. We have filed our annual work plan and we have posted a bond in Khanbogd Soum equal to approximately \$176, Bayan Ovoo Soum equal to approximately \$176 and in Manlai Soum equal to approximately \$69. These bonds cover environmental reclamation to the end of 2005. This amount is refundable to us once we have completed all environmental work to the satisfaction of the local Soum (the local Mongolian equivalent of a township or district).

### **Competition**

The mineral exploration, development, and production industry is largely unintegrated. We compete with other exploration companies looking for mineral resource properties and the resources that can be produced from them. While we compete with other exploration companies in the effort to locate and license mineral resource properties, we do not compete with them for the removal or sale of mineral products from our properties, now 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 gold and other mineral products. Therefore, we will likely be able to sell any 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 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**

As at December 31, 2005, we had thirteen employees working for us. In Vancouver, we employ seven employees, with the remaining six employees working in our office in Ulaanbaatar, Mongolia. During the 2005 field season, we also employed nine contract expatriate geologists and summer students at our Lookout Hill project and two expatriate geologists at our Manlai project. In addition to our expatriate employees, we hire up to 140 local personnel, including geologists, labourers, geophysical helpers, geochemical helpers, cooks, camp maintenance personnel, drivers and translators. These local hires are hired as needed throughout each field season. The number of local hires fluctuates throughout the year, depending on the workload. None of our employees belong to a union or are subject to a collective agreement. We consider our employee relations to be good.

### **Risk Factors**

This annual report contains forward-looking statements which relate to future events or our future performance, including our future financial performance. In some cases, you can identify forward-looking

statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", or "potential" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in enumerated in this section entitled "Risk Factors", that may cause our company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these 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 annual report. 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 prospectus in evaluating our company and our business before purchasing shares of our company's common stock. 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 Associated With Mining**

*All five of our properties are in the exploration stage. There is no assurance that we can establish the existence of any mineral resource on any of our properties in commercially exploitable quantities. Until we can do so, we cannot earn any revenues from operations and if we do not do so we will lose all of the funds that we expend on exploration. If we do not discover any mineral resource in a commercially exploitable quantity, our business will fail.*

Despite exploration work on our mineral properties, we have not established that any of them contain any mineral reserve, nor can there be any assurance that we will be able to do so. If we do not, our business will fail.

A mineral reserve is defined by the Securities and Exchange Commission in its Industry Guide 7 (which can be viewed over the Internet at <http://www.sec.gov/divisions/corpfin/forms/industry.htm#secguide7>) as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. The probability of an individual prospect ever having a "reserve" that meets the requirements of the Securities and Exchange Commission's Industry Guide 7 is extremely remote; in all probability our mineral resource property does not contain any 'reserve' and any funds that we spend on exploration will probably be lost.

Even if we do eventually discover a mineral reserve on one or more of our properties, there can be no assurance that we will be able to develop our properties into producing mines and extract those resources. 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, by way of 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 our control, and any of them could increase costs and make extraction of any identified mineral resource 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, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance that we will be able to obtain or maintain any of the permits required for the continued exploration of our mineral properties or for the construction and operation of a mine on our properties at economically viable costs. If we cannot accomplish these objectives, our business could fail.

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

Environmental hazards unknown to us which have been caused by previous or existing owners or operators of the properties may exist on the properties in which we hold an interest. More specifically, we are required to deposit 50% of our proposed reclamation budget with the local Soum Governors office which will be refunded only on acceptable completion of land rehabilitation after mining operations have concluded. Even if we relinquish our licenses, we will still remain responsible for any required reclamation.

*If we establish the existence of a mineral resource on any of our properties in a commercially exploitable quantity, we will require additional capital in order to develop the property into a producing mine. If we cannot raise this additional capital, we will not be able to exploit the resource, and our business could fail.*

If we do discover mineral resources in commercially exploitable quantities on any of our properties, we 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 we 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 we will be able to raise the funds required for development on a timely basis. If we cannot raise the necessary capital or complete the necessary facilities and infrastructure, our business may fail.

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

Mineral exploration, development and production involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Our 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 we cannot insure or against which we may elect not to insure. Any such event could result in work stoppages and damage to property, including damage to the environment. We do 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 our company.

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

We expect to derive revenues, if any, from the extraction and sale of precious and base metals such as gold, silver and copper. The price of those commodities has fluctuated widely in recent years, and is affected by numerous factors beyond our 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 authorized 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 our exploration projects, cannot accurately be predicted.

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

The mineral exploration, development, and production industry is largely unintegrated. We compete with other exploration companies looking for mineral resource properties and the resources that can be produced from them. While we compete with other exploration companies in the effort to locate and license mineral resource properties, we do not compete with them for the removal or sales of mineral products from our properties if we should eventually discover the presence of them in quantities sufficient to make production economically feasible. Readily available markets exist worldwide for the sale of gold and other mineral products. Therefore, we will likely be able to sell any gold or mineral products that we identify and produce.

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

*Our title to our resource properties may be challenged by third parties or the licenses that permit us to explore our properties may expire if we fail to timely renew them and pay the required fees.*

We have investigated the status of our title to the five mining licenses granting us the right to explore the Togoot (License 3136X), Shivee Tolgoi (License 3148X), Javhlant (License No. 3150X), Manlai (License No. 3045X) and Khatsavch (License 6500X) mineral resource properties and we are satisfied that the title to these five licenses is properly registered in the name of our Mongolian subsidiary, Entrée LLC and that these licenses are currently in good standing.

We cannot guarantee that the rights to explore our properties will not be revoked or altered to our detriment. The ownership and validity of mining claims and concessions are often uncertain and may be contested. 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 our mining license register. We are not aware of challenges to the location or area of any of the mining concessions and mining claims. There is, however, no guarantee that title to the claims and concessions will not be challenged or impugned in the future. Further, all of our licenses are exploration licenses, which are issued initially for a three-year term with a right of renewal for two more years, and a further right of renewal for two years, making a total of seven years. If we fail to pay the appropriate annual fees or if we fail to timely apply for renewal, then these licenses may expire or be forfeit.

## **Risks Related To Our Company**

*We have a limited operating history on which to base an evaluation of our business and prospects.*

Although we have been in the business of exploring mineral resource properties since 1995, we have not yet located any mineral reserve. As a result, we have never had any revenues from our operations. In addition, our operating history has been restricted to the acquisition and exploration of our mineral properties and this does not provide a meaningful basis for an evaluation of our prospects if we ever determine that we have a mineral reserve and commence the construction and operation of a mine. We have no way to evaluate the likelihood of whether our mineral properties contain any mineral reserve or, if they do that we will be able to build or operate a mine successfully. We anticipate that we will continue to incur operating costs without realizing any revenues during the period when we are exploring our properties. During the twelve months ending December 31, 2006, we expect to spend approximately \$6,015,000 on the maintenance and exploration of our mineral properties and the operation of our company. We therefore expect to continue to incur significant losses into the foreseeable future. We recognize that if we are unable to generate significant revenues from mining operations and any dispositions of our properties, we will not be able to earn profits or continue operations. At this early stage of our operation, we also expect to face the risks, uncertainties, expenses and difficulties frequently encountered by companies at the start up stage of their business development. We cannot be sure that we will be successful in addressing these risks and uncertainties and our failure to do so could have a materially adverse effect on our financial condition. There is no history upon which to base any assumption as to the likelihood that we will prove successful and we can provide investors with no assurance that we will generate any operating revenues or ever achieve profitable operations.

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

We have not generated any revenue from operations since our incorporation and we anticipate that we will continue to incur operating expenses without revenues unless and until we are able to identify a mineral resource in a commercially exploitable quantity on one or more of our mineral properties and we build and operate a mine. As at December 31, 2005, we had working capital of approximately \$21,665,059. We estimate our average monthly operating expenses to be approximately \$567,000 each month, including exploration, general and administrative expense and investor relations expenses. As a result, we believe that we will not have to raise any additional funds to meet our currently budgeted operating requirements for the next 12 months. If these funds are not sufficient, or if we do not begin generating revenues from operations sufficient to pay our operating expenses when we have expended them, we will be forced to raise necessary funds from outside sources. As we cannot assure a lender that we will be able to successfully explore and develop our mineral properties, we will probably find it difficult to raise debt financing. We have traditionally raised our operating capital from sales of equity, but there can be no assurance that we will continue to be able to do so. If we cannot raise the money that we need to continue exploration of our mineral properties, we may be forced to delay, scale back, or eliminate our exploration activities. If any of these actions were to occur, there is a substantial risk that our business would fail.

*Our by-laws and employment agreements between our company and some of our officers and directors indemnify our officers and directors against costs, charges and expenses incurred by them in the performance of their duties.*

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

*Investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share if we issue employee/director/consultant options or if we issue additional shares to finance our operations.*

We have not ever generated revenue from operations. We are currently without a source of revenue and will most likely be required to issue additional shares to finance our operations and, depending on the outcome of our exploration programs, may issue additional shares to finance additional exploration programs of any or all of our projects or to acquire additional properties. We may also in the future grant to some or all of our directors, officers, insiders, and key employees options to purchase our 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 Venture Exchange, when the public market is depressed. The issuance of any equity securities could, and the issuance of any additional shares will, cause our existing shareholders to experience dilution of their ownership interests.

If we issue additional shares or decide to enter into joint ventures with other parties in order to raise financing through the sale of equity securities, investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. As at March 15, 2006, we also had outstanding common share purchase warrants and options exercisable into 15,660,412 common shares which, if exercised, would represent approximately 18% of our issued and outstanding shares. If all of these warrants and options are exercised and the underlying 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 our shares.

#### *Earnings and Dividend Record.*

We have no earnings or dividend record. We have not paid dividends on our common shares since incorporation and do not anticipate doing so in the foreseeable future. We do not generate any cash flow from operations and could not expect to do so in the foreseeable future.

#### *Conflicts of Interest.*

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.

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

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

#### *Climatic Conditions.*

Mongolia's weather normally varies to the extremes, from temperature highs in the summer of 40° Celsius to lows of minus 40° Celsius in the winter. Such adverse conditions often preclude normal work patterns

and can severely limit mining operations, usually making work impossible from November through to March. Although good project planning can ameliorate these factors, unseasonable weather can upset programs with resultant additional costs and delays.

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

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

*Fluctuations in Currency Exchange Rates.*

Fluctuations in currency exchange rates, particularly operating costs denominated in currencies other than United States dollars, may significantly impact our financial position and results. We face risks associated with fluctuations in Canadian, U.S. and Mongolian currencies.

**Risk Associated With Our Common Stock**

*Because we do not intend to pay any dividends on our common shares, investors seeking dividend income or liquidity should not purchase our shares.*

We do not currently anticipate declaring and paying dividends to our shareholders in the near future. It is our current intention to apply net earnings, if any, in the foreseeable future to increasing our working capital. Prospective investors seeking or needing dividend income or liquidity should, therefore, not purchase our common stock. We currently have no revenues and a history of losses, so there can be no assurance that we will ever have sufficient earnings to declare and pay dividends to the holders of our shares, and in any event, a decision to declare and pay dividends is at the sole discretion of our board of directors, who currently do not intend to pay any dividends on our common shares for the foreseeable future.

*We believe we were a passive foreign investment company during 2005, which may have a material affect on U.S. holders.*

We believe we were a “passive foreign investment company” (“PFIC”) during the year ended December 31, 2005, which may have a material affect on U.S. Holders. United States income tax legislation contains rules governing PFICs, which can have significant tax effects on U.S. 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 U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership, and disposition of Common Shares will depend on whether such U.S. Holder makes an election to treat the Company as a “qualified electing fund” or “QEF” under Section 1295 of the Code (a “QEF Election”) or a mark-to-market election under Section 1296 of the Code (a “Mark-to-Market Election”).

**Mineral Properties**

Our wholly-owned Mongolian subsidiary, Entrée LLC, is the registered owner of five mineral exploration licenses (Javhlant, Shivee Tolgoi and Togoot comprising the Lookout Hill property, and the Manlai and Khatsavch properties) permitting mineral exploration on five parcels of land located in Mongolia. Three of these parcels, Javhlant, Shivee Tolgoi and Togoot, are contiguous.

Each of our exploration licenses was granted by the Mineral Resources and Petroleum Authority of Mongolia for an initial term of three years, subject to a right to renew for two successive 2-year renewals (for a cumulative total of seven years). Mongolian mining licenses are maintained in good standing by



payment to the Mineral Resources and Petroleum Authority of Mongolia of set annual fees escalating from \$0.05 to \$1.50 per hectare over the course of the up to seven year tenure. A property can be reduced in size selectively on application to the Cadastre office of the Mineral Resources and Petroleum Authority of Mongolia (the Cadastre is the central registry for land in Mongolia). A Mongolian exploration license can be converted at any time into a mining license upon application and approval by the geological commission of the local government entity of the property reserve. A mining license may be granted for up to 60 years. Conversion of a Mongolian license to explore for minerals to a license to mine or develop a property in order to exploit mine for minerals is commenced by filing an application, together with an outline of the applicant's plans, and there is no requirement that the applicant show that it has defined a mineral resource or reserve. Conversion of an exploration license to a mining license will result in an increase in the yearly fees that we are required to pay to the Mongolian government. During the first three years after issuance of a mining license, we will be required to pay to the Mongolian government a license fee of \$5.00 per hectare per year. For years four and five, the cost of the mining license increases to \$7.50 per hectare per year, and years six through sixty the cost increases to \$10 per hectare per year.

Two of the three licenses that comprise the Lookout Hill Property were issued April 3, 2001 and were renewed for the second of their two year renewals in March, 2006. The third Lookout Hill license was issued March 30, 2001 and was renewed for the second of its two-year renewals in March, 2006. The Manlai license was issued March 9, 2001 and renewed for the second of its two-year renewals in March, 2006. The Khatsavch license was issued to the original owner on October 31, 2003 and transferred to the Company in August, 2004.

The Company's exploration licenses begin to expire in March 2008 through to October 2010. The total estimated annual fees in order to maintain these licenses in good standing is approximately \$240,000.

The following table is a quick summary of our mineral licenses and their renewal status:

| <b>Name of Property</b> | <b>License Number</b> | <b>Date Granted</b> | <b>Date Renewed</b>         | <b>Expiration Date<sup>1</sup></b> |
|-------------------------|-----------------------|---------------------|-----------------------------|------------------------------------|
| <b>Javhlant</b>         | 3150X                 | April 3, 2001       | March 14, 2006              | April 3, 2008                      |
| <b>Shivee Tolgoi</b>    | 3148X                 | April 3, 2001       | March 14, 2006              | April 3, 2008                      |
| <b>Togoot</b>           | 3136X                 | March 30, 2001      | March 14, 2006              | March 30, 2008                     |
| <b>Manlai</b>           | 3045X                 | March 9, 2001       | March 14, 2006              | March 9, 2008                      |
| <b>Khatsavch</b>        | 6500X                 | October 31, 2003    | Not applicable <sup>2</sup> | October 31, 2010                   |

<sup>1</sup> The expiration date assumes that the license will be renewed for both of the available two year extensions and that our company will pay to the Resource Authority of Mongolia all annual fees required to preserve them in good standing.

<sup>2</sup> The initial three year period of this license will not expire until October 31, 2006.

### **Entrée-Ivanhoe Project Property**

In October, 2004, the Company granted to Ivanhoe the right to earn, over an eight year period, a participating interest in a certain portion of its Entrée-Ivanhoe Project Property. The eastern portion included all of the Javhlant license, and the eastern half of the Shivee Tolgoi license. Under the agreement, Ivanhoe must spend a minimum of \$3,000,000 in order to earn Entrée-Ivanhoe surface rights in the Project

Property and a minimum of \$20,000,000 in order to earn any mineral rights interest in the Project Property and may acquire up to an 80% interest in mineralization below a depth of 560 metres and a 70% interest in mineralization above a depth of 560 metres by spending \$35,000,000. Thereafter, the Company has the right to require Ivanhoe to fund its share of subsequent project costs through to production, to be recovered from production cash flow. The agreement with Ivanhoe also provided for Ivanhoe to subscribe for 4,600,000 units of the Company at a price of C\$1.00 per unit (completed in November 2004).

For further information on the project description and location please see page 4-1 of the AMEC Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

#### *Accessibility, Climate, Local Resources, Infrastructure and Physiography*

For information on the accessibility, climate, local resources, infrastructure and physiography please see page 5-1 of the AMEC Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

#### *History*

For information on the history please see page 6-1 of the AMEC Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

#### *Geological Setting*

For information on the geological settings please see page 7-1 of the AMEC Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

#### *Mineralization*

For information on mineralization please see page 9-1 of the AMEC Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

#### *Exploration*

For information on exploration please see page 10-1 of the AMEC Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

#### *Drilling*

For information on drilling please see page 11-1 of the AMEC Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

#### *Sampling and Analysis*

For information on sampling and analysis please see page 12-1 of the AMEC Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

#### *Security of Samples*

For information on security of samples please see page 13-1 of the AMEC Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

### *Mineral Resource and Mineral Reserve Estimates*

For information on mineral resource and mineral resource estimates please see page 17-1 of the AMEC Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

### *Mining Operations*

The Entrée-Ivanhoe Project Property has no mining operations.

### **The Lookout Hill Property**

The Lookout Hill Property is our 100%-owned principal property, though it is without a known body of commercial ore or any improvements of any kind.

### *Property Description and Location*

The Lookout Hill Property is located in Bayan-Ovoo and Khanbogd Soums (a Soum is the local equivalent of a township or district), in the southern Gobi desert region in Omnogovi (also spelled "Umnugobi") Aimag (an 'Aimag' is the local equivalent of a state or province), about 80 kilometres north of Mongolia's border with China. It consists of two contiguous mineral exploration licenses: Togoot (License No. 3136X), comprised of 104,484 hectares, and the western half of the Shivee Tolgoi (License No. 3148X), comprised of 54,760 hectares (100%). The parcels of land subject to these licenses have not been legally surveyed; they were granted on the basis of 'map staking' and the acreage is estimated.

The Lookout Hill Property is named for a small hill located at latitude N 43° 06' 04.7" and longitude E 106° 46' 42.8". This location is approximately 540 kilometres due south of the capital city of Ulaanbaatar. Principal access for equipment and supplies is by road from Ulaanbaatar. The distance by road is approximately 640 kilometres, and the travel time for this distance by four-wheel drive vehicle is about 12 hours. The highway leaving Ulaanbaatar is paved for the first 26 kilometres then it turns into a series of unimproved rough dirt roads that can be followed southward through grassy steppe lands to approximately 240 kilometres south of Ulaanbaatar. At this point, near the community of Mandalgovi in the drier, rocky desert terrain, the roads become a series of well established to nebulous dirt tracks. Alternate access for personnel is via regularly scheduled air service from Ulaanbaatar to Dalanzadgad (daily during the summer and bi-weekly during the winter) and then via dirt roads to the property (approximately a 4 hour drive). Small charter aircraft can land at improved dirt airstrips located at Oyu Tolgoi (approximately 15 kilometres southeast of our camp) and at Manlai, approximately 120 kilometres north of our camp by road.

### *Accessibility, Climate, Local Resources, Infrastructure and Physiography*

For information on the accessibility, climate, local resources, infrastructure and physiography please see page 13 of the Panteleyev Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

### *History*

For information on the history please see page 14 of the Panteleyev Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

### *Geological Setting*

For information on the geological settings please see page 15 of the Panteleyev Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

*Mineralization*

For information on mineralization please see page 23 of the Panteleyev Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

*Exploration*

For information on exploration please see page 27 of the Panteleyev Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

*Drilling*

For information on drilling please see page 32 of the Panteleyev Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

*Sampling and Analysis*

For information on sampling and analysis please see page 40 of the Panteleyev Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

*Security of Samples*

For information on security of samples please see page 40 of the Panteleyev Technical Report filed on SEDAR at [www.sedar.com](http://www.sedar.com) and specifically incorporated by reference into, and form an integral part of, this AIF.

*Mineral Resource and Mineral Reserve Estimates*

The Lookout Hill property has no mineral resource or mineral reserve estimates.

*Mining Operations*

The Lookout Hill property has no mining operations.

**Manlai Property, Kharmagtai Area***Project Description and Location*

The property comprises one exploration concession totalling 6,924 hectares and granted on March 9, 2001. The concession is located in southern Mongolia approximately 40 kilometres due west of the Manlai village and 420 kilometres due south of the capital city of Ulaanbaatar within Manlai and Tsogt Tsetsii Soms.

*Accessibility, Climate, Local Resources, Infrastructure and Physiography*

Manlai property is accessible by mainly unimproved dirt roads from Ulaanbaatar with final access to the property is via dirt roads that branch off the Dalanzadgad-Manlai main access route. The roads are generally in very poor condition and require the use of 4 wheel drive vehicles. Closest scheduled air access is via Oyu Tolgoi (120 kilometres south) or via Dalanzadgad, 160 kilometres to the southwest.

Topography in the area varies from being quite hilly and rugged at the Eastern Zone to rolling sandy plains at the Western Zone. The hills of the Eastern Zone are cut by relatively deeply incised linear drainages/canyons having steep walls (fault controlled?). Drainages in the Western Zone are almost non-

existent being choked by drifting sand. Relief on the property varies up to 145 metres with the mean elevation being approximately 1,325 metres.

Basic supplies such fuel, minor groceries and unskilled labourers are available from the village of Manlai. There is no industrial power available in the area. Water, such as required for camp or drilling use, is available from numerous local shallow wells.

### *History*

Significant exploration was conducted during the period 1979-1981 by a Russian expedition. Work consisted of geological mapping, geophysics (IP), hand trenching (at least 17 trenches totally 4.14 kilometres) and diamond drilling (around 10 holes varying from 75 metres to 170 metres in depth).

### *Geological Setting*

The project area is bisected by a major NE-trending fault that separates the volcanic and volcanoclastic sections (which includes "Manlai" hill) in the southeastern block from the argillite, phyllite, and large Cu-bearing granodiorite stock in the northwestern block. The SE block appears to have been significantly down-dropped relative to the NW block and tilted northward between 30 and 40 degrees based on the dips noted along a major angular unconformity that is exposed over 4 km of strike length. This unconformity is significant because it represents the eruptive surface (paleo-surface) for a bi-modal volcanic system (rhyolitic and basaltic-andesitic lavas and volcanoclastics) that is genetically related to the intrusive-dominated alteration and Cu-mineralization in the Eastern Target area. The northward dip on the paleo-surface implies around 1000 m of denudation has occurred over the East Target area.

The igneous rocks mapped in the East Target area appear unrelated to the western granodiorite and can be divided into biotite-rich and hornblende-rich series. Both series are coeval, which suggests magmas were derived from two different sources. Intrusive/extrusive activity can also be divided into at least two periods based on the angular unconformity described above. More detailed mapping and sampling is required before the Cu paragenesis can be clearly established in relation to the various igneous events.

### *Exploration*

Entrée has completed two seasons (2004 and 2005) exploration at Manlai. Work consisted of geological mapping, hand trenching and rock sampling (890 samples), soil sampling (approximately 4,000 samples), approximately 420 line kilometres of magnetometer surveying and 153 line kilometres of time-domain gradient IP and resistivity, and approximately 30 line kilometres of deep-probing TITAN 24 surveys. Four drill holes were completed in late 2005 to test selected targets.

### *Mineralization*

Three target areas are defined by coincident anomalous copper and molybdenum in soils, surface alteration and anomalous geophysical signatures. Copper-bearing minerals such as chalcopyrite and malachite are noted, with some of the quartz veining and along fracture surfaces in the altered rock units.

The first target area (formerly called Western Zone) was tested with one drill hole (EGU-05-001) to a vertical depth of 250 metres. The target was a faulted contact between quartz monzonite and hornfelsed argillite, with surface exposures of sheeted quartz-tourmaline +/- chalcopyrite veins. Three intercepts, hosting significant copper, were encountered. These included 22 metres of 0.33% copper at a downhole depth of 90 - 112 metres; 12 metres of 0.33% copper at 118 - 130 metres; and 3 metres of 0.35% copper at 195 - 198 metres.

The second target was located 1 - 2 kilometres SSE of the first and is characterized by a strong, 1,500 metres by 300 metres, IP anomaly elongated along a northeast-southwest axis, coincident copper and molybdenum soil anomalies, and surface alteration and quartz veining. Two drill holes (EGU-05-002 and

EGU-05-004) tested the IP feature. Neither intersected significant copper mineralization, however, EGU-05-004 intersected evidence of boiling below 600 metres, suggesting a telescoped epithermal system within a porphyry system. Several zones containing lead and zinc with elevated gold values occur between 500 and 750 metres. These included 21.12 metres (611.88 - 633 metres) of 0.31% lead and 0.5% zinc with 0.26 g/t gold, and 12 metres (687 - 699 metres) of 0.11% lead and 0.2% zinc (inside a wider 29.35 metre interval of 0.39 g/t gold).

The third target (formerly called Eastern Zone) is approximately two kilometres southeast of the second target and is characterized by coincident geophysical and geochemical anomalies. Hole EGU-05-003 was drilled in the northwest margin of this target, but no significant copper mineralization was encountered.

### *Drilling*

Four diamond drill holes totalling 2,539 metres were completed in 2005.

### *Sampling and Analysis*

Drill core was cut on site using a diamond saw and one-half the core (1 to 2 metre samples) sent to SGS Mongolia in Ulaanbaatar for Au, Ag, Cu, Pb, Zn, Mo geochemical analysis. Standards, blanks and duplicates were inserted on a regular basis to monitor analytical quality.

### *Security of Samples*

Core is stored and sampled in a fenced area segregated from the main camp and with restricted access. Core samples are placed in plastic bags and then in sealed rice sacks for shipment to SGS in a locked box. Chain of custody forms are used to track shipment and delivery.

### *Mineral Resource and Mineral Reserve Estimates*

The Manlai property has no mineral resource or reserve estimates.

### *Mining Operations*

The Manlai property has no mining operations.

## **Khatsavch Property, Khanbogd, Omnogovi**

The Khatsavch (also spelled "Kavtsavch" and "Khavtsavch") property (Licence #6500X) covers an area of 632 hectares located approximately 45 kilometres to the south-southwest of Lookout Hill and approximately 580 kilometres south of the capital city of Ulaanbaatar. The property was acquired on April 20, 2004. We anticipate little if any exploration to be done on this property during the next twelve months.

## **DIVIDENDS**

We have not declared any dividends on our common stock since the inception of our company on July 19, 1995. There is no restriction in our Bylaws that will limit our ability to pay dividends on our common stock. 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 70,478,926 are issued and outstanding at March 21, 2006. Each common share is entitled to one vote. All common shares of the Company, both issued and unissued, rank equally as to dividends, voting power and participation in assets. No shares have been issued subject to call or assessment. There are no pre-emptive

or conversion rights and no provision for redemption, 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 British Columbia Business Corporations Act.

## MARKET FOR SECURITIES

Our common shares are traded on the TSX Venture Exchange. Our symbol is "ETG" and our CUSIP number is 29383-100. Our common shares are also traded on the American Stock Exchange under the symbol EGI and on the Frankfurt Stock Exchange under the symbol EKA.

### Trading history

The following quotations reflect the high, low and closing bids, volume and number of trades on the TSX Venture Exchange for the Applicant's common shares for each of the past 12 months, starting with the most recent month:

*Name of Market: TSX Venture Exchange (CDN\$)*

| Month             | High   | Low    | Close  | Volume     | Number of trades |
|-------------------|--------|--------|--------|------------|------------------|
| To March 15, 2006 | \$2.34 | \$1.95 | \$2.00 | 3,195,010  | 1,008            |
| February 2006     | \$2.44 | \$2.09 | \$2.32 | 5,566,808  | 2,171            |
| January 2006      | \$2.30 | \$1.68 | \$2.30 | 3,559,152  | 1,505            |
| December 2005     | \$1.82 | \$1.62 | \$1.73 | 3,604,671  | 957              |
| November 2005     | \$1.90 | \$1.61 | \$1.75 | 5,532,577  | 1,385            |
| October 2005      | \$2.04 | \$1.70 | \$1.72 | 3,801,413  | 1,418            |
| September 2005    | \$1.95 | \$1.76 | \$1.90 | 2,943,650  | 1,219            |
| August 2005       | \$2.21 | \$1.66 | \$1.80 | 3,078,465  | 1,375            |
| July 2005         | \$2.53 | \$1.81 | \$1.96 | 5,156,264  | 2,010            |
| June 2005         | \$2.52 | \$1.41 | \$2.46 | 16,219,604 | 4,838            |
| May 2005          | \$1.64 | \$1.00 | \$1.42 | 11,080,283 | 2,454            |
| April 2005        | \$1.30 | \$0.86 | \$1.02 | 5,163,150  | 1,089            |
| March 2005        | \$1.38 | \$0.92 | \$0.99 | 3,697,219  | 1,051            |

The price of the Company's common shares as reported by the TSX Venture at the close of the business on December 31, 2005 was C\$1.73 per share and on March 21, 2006 was C\$2.05 per share.

Our common shares are issued in registered form. Pacific Corporate Trust Company is the registrar and transfer agent for our common shares. Their address is 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, BC Telephone: (604) 689-9853, Facsimile: (604) 689-8144.

On March 14, 2006 the shareholders' list for our common shares showed 15 registered shareholders and 70,478,926 common shares outstanding.

## ESCROWED SECURITIES

There were no escrowed securities at December 31, 2005 (See Note 5 to the audited consolidated financial statements for the year ended December 31, 2005).

## **DIRECTORS AND OFFICERS**

The Applicant's current Board of Directors consists of five directors. 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 Applicant since July 3, 2002 and has been Chief Executive Officer of the Applicant 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., Centrasia Mining Corp., American Goldfields Ltd., and Altima Resources Ltd.

Mr. Crowe is a professional geologist with more than 20 years of exploration, business and entrepreneurial experience throughout North America, Latin America, Africa and Southeast Asia. Prior to joining the Applicant, 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, the Alberta Professional Engineers, Geologists and Geophysicists Association, and the Prospectors and Developers Association of Canada.

### ***Mark H. Bailey, Director***

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

Mr. Bailey is an exploration geologist with more than 27 years of industry experience. Since 1995, he has been the President and Chief Executive Officer of Minefinders Corporation Ltd. ("Minefinders"), a precious metals exploration and development company whose shares are listed for trading on the Toronto Stock Exchange and the American Stock Exchange. Minefinders has discovered more than 4 million ounces of gold and 165 million ounces of silver over the past six years. 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 a highly respected industry veteran, renowned for his technical competence and strong ability to maximize exploration programs and budgets.

### ***Lindsay Richard Bottomer, Vice-President, Corporate Development and Director***

Mr. Bottomer has been a director of the Applicant on June 28, 2002 and hired as Vice-President, Corporate Development on October 16, 2005.

Mr. Bottomer is a professional geologist with more than 33 years experience in global mineral exploration and development with major and junior mining companies, the last 16 years based in Vancouver, BC. Currently, he is Vice-President, Corporate 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 Vice-President Exploration with IMA Exploration



Inc., Director of Canadian Exploration with Echo Bay Mines Ltd., and Vice-President of New Projects with Prime Equities International.

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 the Australasian Institute of Mining and Metallurgy. He is also past President of the British Columbia and Yukon Chamber of Mines and currently 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 Applicant since January 29, 2003 and was appointed Chairman on March 15, 2006.

Mr. Harris is a corporate, securities and business lawyer with over 20 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. Clients have included public companies listed on the TSX Venture Exchange, the Toronto Stock Exchange, the OTC Bulletin Board and NASDAQ. Involved in a number of professional and community activities, Mr. Harris has been an instructor at the Professional Legal Training Course for articling students sponsored by the Law Society of British Columbia on the subject of corporate and securities law. Mr. Harris was also a Founding Member of the Legal Advisory Committee of the Vancouver Stock Exchange. Apart from his legal education, 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 Applicant since November 24, 2004. He was nominated by Ivanhoe Mines Ltd. as its representative on the Applicant's Board, as per the terms of an Equity Participation and Earn-in Agreement effective November 9, 2004, between the Applicant and Ivanhoe Mines Ltd.

Mr. Meredith currently serves as Chief Financial Officer of Ivanhoe Capital Corporation and Chief Financial Officer of Ivanhoe Mines Ltd., as well as a director of Ivanhoe Mines Ltd., Asia Gold Corp., Jinshan Gold Mines Inc., Olympus Pacific Minerals Inc., and Great Canadian Gaming Corporation. Prior to joining Ivanhoe, Mr. Meredith, a Chartered Accountant and a Certified Management Accountant, was a partner and director of Deloitte & Touche, one of the largest accounting and management consulting firms in the world. Mr. Meredith has over 35 years of experience as a business advisor, specializing in regulatory compliance and corporate finance. He is a member of the Canadian Institute of Chartered Accountants.

***Hamish Malkin, Chief Financial Officer and Secretary***

Mr. Malkin has been Chief Financial Officer of the Applicant since July 16, 2003 and Corporate Secretary since August 7, 2003.

Mr. Malkin has been self-employed since April 2003, providing Chief Financial Officer services on a contract basis. Prior to being self-employed, Mr. Malkin was the Chief Financial Officer of Trivalence Mining Corporation from January 1997 to March 2003. 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. Prior to 1997, Mr. Malkin held senior financial positions in the entertainment and commercial real estate industries.

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

Mr. Cann has been the Applicant'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 startup and management of all of the Applicant'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 Applicant, 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 Geological Association of Canada, the Association of Professional Engineers and Geoscientists (BC) – P. Geo., the Canadian Institute of Mining and Metallurgy (CIMM) and the Canadian Information Processing Society.

The table below sets out further particulars (stated as of December 31, 2005) required to be disclosed in this item:

| Name and municipality of residence                                       | No. of common shares beneficially owned, directly or indirectly, or controlled. | No. of securities held on a fully-diluted basis <sup>(1)</sup>                          |  |
|--|---|---|--|
| Gregory Crowe<br>Bowen Island,<br>British Columbia, Canada               | 1,085,000   | Shares: 1,085,000<br>Warrants: 0<br>Stock options: 1,225,000<br><b>Total: 2,310,000</b> |  |
| Mark H. Bailey<br>Bellingham, Washington, U.S.A.                         | 347,500   | Shares: 347,500<br>Warrants: 0<br>Stock options: 850,000<br><b>Total: 1,197,500</b>     |  |
| Lindsay Richard Bottomer<br>North Vancouver, British Columbia,<br>Canada | 255,000   | Shares: 255,000<br>Warrants: 0<br>Stock options: 800,000<br><b>Total: 1,055,000</b>     |  |
| James L. Harris<br>West Vancouver, British Columbia,<br>Canada           | 544,800   | Shares: 544,800<br>Warrants: 0<br>Stock options: 850,000<br><b>Total: 1,394,800</b>     |  |
| Peter Meredith<br>Vancouver, British Columbia,<br>Canada                 | 75,000  | Shares: 75,000<br>Warrants: 0<br>Stock options: 325,000<br><b>Total: 400,000</b>        |  |
| Hamish Malkin<br>Bowen Island,<br>British Columbia, Canada               | Nil   | Shares: 0<br>Warrants: 0<br>Stock options: 325,000<br><b>Total: 325,000</b>             |  |
| Robert M. Cann<br>Nanaimo, British Columbia<br>Canada                    | 40,000  | Shares: 40,000<br>Warrants: 0<br>Stock options: 450,000<br><b>Total: 490,000</b>        |  |

- (1) As at December 31, 2005.
- (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.

### **Committees of the Board of Directors**

The committees of the Board are the Audit Committee, the Compensation Committee, the 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, James L. Harris and Peter G. Meredith (chairman).

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 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.

#### **Compensation Committee**

The Compensation Committee is comprised of three members of the Board: Mark Bailey (chairman), James Harris 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 reflecting 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.

#### **Nominating Committee**

The Nominating Committee is appointed by the Board of Directors 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 Nominating Committee are Mark Bailey, James L. Harris (chairman) and Peter G. Meredith.

### **Technical Committee**

The Technical Committee consists of Mark Bailey, Lindsay Bottomer and Gregory Crowe, each of whom is a professional geologist. Neither Mr. Crowe, the President and Chief Executive of the Applicant, nor Mr. Bottomer, the Vice-President, Corporate Development of the Applicant, 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 of Directors itself) during intervals between meetings of the Board of Directors pertaining to the Applicant's mining properties, programs, budgets, and other related activities and the administration thereof.

### **PROMOTERS**

Not applicable

### **LEGAL PROCEEDINGS**

Not applicable

### **INTEREST IN MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Not applicable

### **TRANSFER AGENTS AND REGISTRARS**

Pacific Corporate Trust Company is both the transfer agent and registrar for the Applicant. Pacific Corporate Trust Company's Toronto branch, Pacific Corporate Services Ltd., has been appointed as the Co-Transfer Agent and Registrar.

### **MATERIAL CONTRACTS**

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

Pursuant to this agreement, Kennecott acquired 6,306,921 units of Entrée at a price of \$2.20 per unit. Each unit comprises one common share, one share purchase warrant A ("A Warrant") and one share purchase warrant B ("B Warrant"). Two A Warrants entitles Kennecott to acquire an additional share for two years at a price of \$2.75. Two B Warrants entitles Kennecott to acquire an additional share for two years at a price of \$3.00.

The agreement includes provisions pursuant to which Kennecott will be entitled to maintain its proportional equity interest in future financings by Entrée and will vote its shares in support of certain matters at meetings of Entrée's shareholders.

In addition, Entrée agreed to give Kennecott or its affiliates a right of first refusal on its 100% owned Manlai property in southern Mongolia.

2. *Amendment, dated the 9<sup>th</sup> day of November, 2004, to the Equity Participation and Earn-in Agreement, between Ivanhoe Mines Ltd. and Entrée Gold Inc.*

This agreement provides a form of joint-venture agreement to be entered into by Ivanhoe and Entrée pursuant to the Equity Participation and Earn-in Agreement dated 15<sup>th</sup> October, 2004 between Ivanhoe and Entrée.

3. *Equity Participation and Earn-in Agreement dated October 15, 2004, between Ivanhoe Mines Ltd. And Entrée Gold Inc.*

Under this agreement, the Applicant granted Ivanhoe the right to earn an interest in approximately 25% (40,000 hectares) of its Lookout Hill Property, Mongolia (the "Project Property"). Under the agreement, Ivanhoe must spend a minimum of \$20 million within five years in order to earn a 51% interest in the Project Property. Thereafter, Ivanhoe can increase its interest to 60% by spending \$7,500,000 within the following 1.5 years, and to 70% in mineralization above a depth of 560 metres, and 80% in mineralization below that depth, by spending a final \$7,500,000 million by the end of eight years. Thereafter, the Applicant has the right to require Ivanhoe to fund its share of subsequent joint venture costs through to production, to be recovered from production cash flow.

Ivanhoe also agreed to subscribe to a C\$4,600,000 million equity private placement by the Applicant, comprising 4.6 million units at a price of C\$1.00 per unit, each unit consisting of one common share of the Applicant and the right to purchase one additional common share, exercisable for two years at a price of \$1.10.

Under the agreement, Ivanhoe was granted a first right of refusal in the remaining 75% of the Applicant's Lookout Hill Property.

Other terms of the agreement include a binding obligation on Ivanhoe to spend an initial \$3 million on the immediate exploration of agreed targets, and minimum expenditure requirements of \$5,000,000 in each of the first three years. Should Ivanhoe not elect to earn an additional interest after it earns its minimum of 51%, the Applicant may purchase the controlling 2% interest for \$400,000 in cash or exploration expenditures, thus becoming the operator of the project. The agreement also provides Ivanhoe with the use of surface rights for the construction of development and mining facilities, subject to the condemnation of the underlying areas by drilling.

While Ivanhoe is still earning an interest in the Project Property, it will have the right to participate in future financings by the Applicant, so as to maintain its proportional equity interest in the Applicant. Ivanhoe will have the right to nominate a director for appointment to the Applicant's Board.

### **INTEREST OF EXPERTS**

Entrée's auditor is Davidson & Company, Chartered Accountants, in Vancouver, BC. The Corporation's audited consolidated financial statements as at and for the years ended December 31, 2005 and 2004 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.

AMEC, through its employee Steve Blower, P.Geo., has prepared the Copper Flats Deposit Technical Report that forms the basis of the scientific and technical disclosure regarding the Entrée-Ivanhoe Project Property, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). To the knowledge of the Company, AMEC and the principals of AMEC, including Stephen Blower, as a group beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares.

XDM Geological Consultants Inc. through its employee Andre Panteleyev, Ph.D., P.Eng. has prepared the Shivee Tolgoi (Lookout Hill) Property 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, XDM Geological Consultants Inc and its principals, as a group beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares.

#### **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase the Corporation's Common Shares and interests of insiders in material transactions is contained in the management information circular for the annual general meeting of the Corporation to be held on May 18, 2006, which will be made available on SEDAR concurrent with the delivery of the document to the Corporation's shareholders. Additional financial information is contained in the Corporation's comparative financial statements and MD&A as at and for the years ended December 31, 2005 and 2004. Copies of the information circular (when filed), 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, BC V6E 3Z3.

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