

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Nine Months Ended September 30, 2005
(In United States Dollars unless stated otherwise)

1. INTRODUCTION

This discussion and analysis of financial position and results of operations (“MD&A”) and cash flows of Entrée Gold Inc. (the Company) should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the nine months ended September 30, 2005, and with the audited consolidated financial statements of the company for the year ended December 31, 2004. Additional information relating to the Company, including the Company’s Annual Information Form is available on SEDAR at www.sedar.com. The effective date of this MD&A is November 2, 2005.

The interim period financial statements have been prepared by the Company in conformity with generally accepted accounting principles in the United States of America (“US GAAP”). The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements, and in the opinion of management these financial statements contain all adjustments necessary (consisting of normally recurring adjustments) to present fairly the financial information contained therein. US GAAP differs in certain material respects from accounting principles generally accepted in Canada (“Canadian GAAP”) (See Note 12 to the interim financial statements).

In this MD&A, all monetary amounts are expressed in the United States dollars, unless otherwise specified. In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars, unless otherwise specified such as “Cdn \$” or “C\$” for Canadian dollars. All references to “common shares” refer to the common shares in our capital stock.

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

This MD&A contains forward-looking statements. 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.

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2. OUR CURRENT BUSINESS

We are an exploration stage resource company engaged in exploring mineral resource properties. Our current mineral properties consist of five mineral exploration licenses granted by the Mineral Resources and Petroleum Authority of Mongolia, a division of the government of Mongolia. All of these mineral exploration licenses have been registered in the name of our Mongolian subsidiary Entrée LLC.

There is no assurance that a commercially viable mineral deposit exists on any of our properties, and further exploration is required before we can evaluate whether any exist and, if so, whether it would be economically and legally feasible to develop or exploit those resources. Even if we complete our current exploration program and we are successful in identifying a mineral deposit, we would be required to spend substantial funds on further drilling and engineering studies before we could know whether that mineral deposit will constitute a reserve (a reserve is a commercially viable mineral deposit). Please refer to the section of this quarterly report entitled 'Risk Factors', beginning at page 43, for additional information about the risks of mineral exploration.

Equity Participation and Earn-In Agreement with Ivanhoe Mines Ltd.

We entered into an 'arms length' Equity Participation and Earn-In Agreement dated as of October 15, 2004, with Ivanhoe Mines Ltd. ("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 Mines Ltd. 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 Mines Ltd. on a portion of our company's Lookout Hill property consisting of approximately 40,000 hectares, or approximately 22% of the land area of our 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 Mines Ltd. 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 until the earlier to occur of (a) the expiration of the earn-in period, or (b) the date upon which Ivanhoe ceases to own at least ten

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percent (10%) of our issued and outstanding common shares (assuming the exercise by Ivanhoe of all securities convertible into our common shares).

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. In June 2005, Ivanhoe exercised its 4,600,000 share purchase warrants (see below).

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

Entree Gold Inc./Ivanhoe Mines Ltd.
Project Property Boundaries



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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.

We believe that the Equity Participation and Earn-In Agreement represents a significant milestone in the development of our company. It has enabled us to raise money that we can use to pursue our exploration activities on the balance of our Lookout Hill property and elsewhere. It has the potential, depending on how much money Ivanhoe actually expends on the project during the earn-in period, to enable the exploration of that portion of our Lookout Hill property at little or no cost to our company. Finally, their commitment to explore our property demonstrates that Ivanhoe, an internationally recognized mineral exploration and development company, has sufficient confidence in our company and our Lookout Hill property to invest significant time, money and effort in our future.

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 4.6 million 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.

Ivanhoe now owns approximately 16% of Entrée's issued and outstanding shares with the potential to hold up to a total of 17% upon the exercise of warrants.

Rio Tinto now owns approximately 9% of Entrée's issued and outstanding shares with the potential to hold up to a total of 17% 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.

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. 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.

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Our corporate headquarters are located in Vancouver, British Columbia, but we conduct all of our operations in Mongolia through our wholly-owned subsidiary, Entrée LLC. We maintain an office for this purpose in Ulaan Bataar, the capital of Mongolia. Our Mongolian office is staffed by our Vice-President, Exploration, a Canadian geologist who works in Ulaan Baatar for 11 months of the year on a 7 weeks in/3 weeks out basis; a Mongolian office administrator employed full-time, a Mongolian office assistant, on contract for 11 months per year, and a full-time accountant.

Listing of Common Stock on the American Stock Exchange

On July 7, 2005 the American Stock Exchange approved the listing of 86,807,154 shares of our common stock. The trading of our shares of common stock commenced on the American Stock Exchange effective July 18, 2005, under the trading symbol "EGI".

3. REVIEW OF OPERATIONS

Results of operations are summarized as follows:

	Three month period ended September 30, 2005	Three month period ended September 30, 2004	Nine month period ended September 30, 2005	Nine month period ended September 30, 2004
Exploration, cash	\$ 2,483,928	\$ 651,698	\$ 4,769,672	\$ 1,836,810
General and administrative expense, cash	524,579	234,755	1,357,160	959,520
Stock-based compensation	171,952	223,468	4,650,489	752,547
Escrow shares compensation	0	(139,903)	(435,583)	(1,049,123)
Interest income	(125,790)	(15,073)	(178,721)	(70,526)
Net loss	\$ 3,054,669	\$ 954,945	\$ 10,163,017	\$ 2,429,228

Exploration:

Exploration expenditures are summarized as follows:

	Three month period ended September 30, 2005	Three month period ended September 30, 2004	Nine month period ended September 30, 2005	Nine month period ended September 30, 2004
Lookout Hill	\$ 2,273,840	\$ 644,000	\$ 4,933,467	\$ 1,970,364
Ulziit Uul	295,569	20,491	747,153	20,491
Khatsavch	0	0	17	0
Other	0	10,129	0	30,160
Total costs	2,569,409	674,620	5,680,637	2,021,015
Less:				
Stock-based compensation	(85,481)	(22,922)	(910,965)	(82,504)
Escrow shares compensation				(101,701)
Total expenditures, cash	\$ 2,483,928	\$ 651,698	\$ 4,769,672	\$ 1,836,810

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Lookout Hill

Significant exploration was completed in the 3rd quarter and throughout 2005 on Lookout Hill.

In the Copper Flats area, which is subject to the joint Entrée – Ivanhoe Agreement, drilling in the 2nd quarter of 2005 (April 14, 2005 news release) confirmed the extension of the Hugo North system of mineralization onto Entrée’s ground. Some of the richest mineralization encountered to date (608 metres averaging 3.24% copper and 0.82 g/t gold with a contained 322 metres averaging 4.59% copper and 1.07 g/t gold) in the entire Oyu Tolgoi area lies on Entrée’s ground immediately north of the joint border. This rich-copper gold zone of mineralization has now been traced for up to 625 metres along strike to the north of the property boundary and remains open. Ivanhoe continues to drill the potential continuation to the north and is simultaneously conducting closer-spaced infill drilling along the 625 metres of defined mineralization, with the goal of completing a resource calculation by early 2006.

Ivanhoe announced its Integrated Development Plan for Oyu Tolgoi in September 2005. In this study there were several key items that were specific to the potential development of Entrée’s Copper Flats area. These include:

- The Hugo North deposit is now recognized as the richest of its kind in history and the gold:copper ratios and overall metal values in the vicinity of the Entrée-Ivanhoe property boundary are the highest in the entire deposit.
- The extension of the Hugo North deposit onto Copper Flats has now been traced for over 625 metres and remains open to the north and to depth.
- Ivanhoe has disclosed a targeted resource for current infill drilling at Copper Flats and it is expected that there will be sufficient drill density to estimate an inferred resource by early 2006 for the mineralized system delineated to date.
- The continued extension of the high-grade mineralization at Copper Flats could support the development of a mine on Entrée’s property.

To the west of the 40,000 hectares that are subject to the Entrée – Ivanhoe Agreement, Entrée continued exploration on its 100% owned ground. Deep probing IP and MT geophysical surveys, soil geochemistry and geological mapping were completed over Zones I/II and III and these surveys were extended to the south of the zones down to the most southern property boundary. Similar surveys were completed over the Bayan Ovoo copper showing. Drilling is in progress, testing these geophysical and geochemical targets, with two drills currently in the area of Zones I/II and III and one drill in the Bayan Ovoo area.

Reconnaissance exploration continues over the remainder of this 139,000 hectare land package.

We are required to pay annual fees to the Mineral Resources and Petroleum Authority of Mongolia in order to maintain our five mineral exploration licenses. Over the 12 month period ending June 30, 2006, we will be required to pay an aggregate of \$269,250 for the Lookout Hill property.

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Ulziit Uul

Deep probing IP and MT geophysical surveys along with geochemical soil sampling and geological mapping were conducted over a large portion of this licensed area. As part of the terms of the private placement by Rio Tinto plc in July 2005, Rio acquired a first right of refusal on Ulziit Uul and subsequently the overall exploration budget was increased to an estimated US\$1.9 million.

Drilling commenced on selected targets in September 2005 and is still in progress.

We are required to pay annual fees to the Mineral Resources and Petroleum Authority of Mongolia in order to maintain our five mineral exploration licenses. Over the next 12 months ending June 30, 2006, we will be required to pay \$10,500 for the Ikh Ulziit Uul property.

Khatsavch

No work was completed on the Khatsavch license in 2005.

We are required to pay annual fees to the Mineral Resources and Petroleum Authority of Mongolia in order to maintain our five mineral exploration licenses. Over the next 12 months ending June 30, 2006, we will be required to pay \$63 for the Khatsavch property.

Other

During 2004, we incurred \$30,160 in expenses related to due diligence on a potential acquisition in Khazakstan. The project did not meet our investment criteria.

General and administrative

For the quarter ended September 30, 2005, general and administrative expense before stock-based and escrow share compensation increased compared to the year ago quarter because of larger corporate offices, increased payroll, and an expanded investor relations program.

For the nine months ended September 30, 2005 general and administrative expense before stock-based and escrow share compensation increased compared to the year ago period because of larger corporate offices, increased payroll, additional legal expenses arising from contract negotiations and an expanded investor relations program.

Stock-based compensation

In March, 2005, the Company became a Tier I Issuer on the TSX-V and as a result all stock options previously granted became fully vested. Consequently, the fair value of all unvested options except those issued to investor relations consultants was expensed in the 1st quarter of 2005. The balance of stock-based compensation expense represents the fair value of stock options granted in 2005 less the unvested portion of options granted to investor relations consultants.

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Escrow shares compensation

The Company records compensation expense for performance shares held in escrow on a mark-to-market basis. For the three and nine months periods ended September 30, 2005 and 2004, the relative market price of the Company's stock was decreasing, and therefore expense recoveries were recognized. At June 30, 2005, all performance escrow shares had been released from escrow and consequently there was no further escrow compensation expense or recovery.

Interest income

The Company earns income on its cash and cash equivalents. The increase in interest income in the current quarter arises from the investment of approximately \$20,000,000 generated by private placements, warrants exercise and options exercise.

4. SELECTED QUARTERLY DATA

	Quarter ended Sept 30, 2005	Quarter ended Jun 30, 2005	Quarter ended Mar 30, 2005	Quarter ended Dec 31, 2004
Exploration	2,569,409	1,940,214	1,171,014	679,250
General and administrative	611,050	1,994,450	2,055,601	2,447,152
Loss on settlement of debt	0	0	0	0
Loss from operations	(3,180,459)	(3,934,664)	(3,226,615)	(3,126,402)
Interest income	125,790	23,339	29,592	27,516
Net loss	(3,054,669)	(3,911,325)	(3,197,023)	(3,098,886)
Basic and diluted loss per share	\$ (0.05)	\$ (0.08)	\$ (0.06)	\$ (0.07)
	Quarter ended Sept 30, 2004	Quarter ended Jun 30, 2004	Quarter ended Mar 30, 2004	Two months ended Dec 31, 2004
Exploration	674,620	1,189,707	156,688	9,304,626
General and administrative	295,398	92,822	90,519	1,834,182
Loss on settlement of debt	0	0	0	0
Loss form operations	(970,018)	(1,282,529)	(247,207)	(11,138,808)
Interest income	15,073	26,174	29,272	10,243
Net loss	(954,945)	(1,256,355)	(217,935)	(11,128,565)
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)	\$ (0.01)	\$ (0.34)

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5. LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2005, the Company had working capital of \$20,907,682 compared with \$6,024,532 at December 31, 2004. In October, 2005, the Company raised approximately \$3,500,000 from the exercise of warrants and stock options. Budgeted expenditures for the 12 months ending September 30, 2006 total approximately \$10,900,000 for exploration and \$1,600,000 for administration and shareholder communications. Working capital on hand is expected to exceed cash requirements for the ensuing twelve months by approximately \$11,900,000.

Operating activities

Cash used in operations was \$5,887,937 (2004 - \$2,573,374) for the nine month period ended September 30, 2005 and represents expenditures on mineral property exploration and general and administrative expense as described above. During the current period, the Company prepaid \$186,514 in exploration license fees for the ensuing year for the three Lookout Hill exploration licenses.

Financing activities

During the nine month period ended September 30, 2005, the Company issued common shares as follows:

		Common shares	Amount
Private placements			
1st quarter		-	\$ -
2nd quarter		5,665,730	10,170,207
3rd quarter		1,876,680	3,367,890
		7,542,410	13,538,097
Warrants exercised			
1st quarter		15,000	13,210
2nd quarter		6,245,800	5,827,614
3rd quarter		997,000	1,069,135
		7,257,800	6,909,959
Options exercised			
1st quarter		-	-
2nd quarter		245,000	151,590
3rd quarter		162,000	149,455
		407,000	301,045
Total, nine months ended September 30, 2005		15,207,210	\$ 20,749,101

During the nine months ended September 30, 2005, 1,170,000 warrants expired without exercise.

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Investing activities

During the nine month period ended September 30, 2005, the Company expended \$624,202 on equipment, primarily for exploration activities.

6. TRANSACTIONS WITH RELATED PARTIES

Related party transactions are summarized in Note 7 to the unaudited consolidated financial statements for the nine months ended September 30, 2005.

7. CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

A detailed summary of all of the Company's significant accounting policies and the estimates derived therefrom is included in Note 2 to the annual consolidated financial statements for the year ended December 31, 2004. Accounting policies used in the current period did not differ from the policies used in the preparation of financial statements at December 31, 2004.

8. OUTSTANDING SHARE INFORMATION

As of November 2, 2005, there were 69,448,926 common shares outstanding. In addition there were 8,673,000 stock options outstanding with exercise prices ranging from C\$0.34 to C\$2.32 per share. Share purchase warrants outstanding totalled 7,792,410 at prices ranging from C\$1.05 to C\$3.00 per share and expiring on dates varying from April 20, 2006 to July 7, 2007.

9. OUTLOOK

Our Lookout Hill exploration concessions comprise approximately 180,000 hectares and of this land area, 40,000 hectares is currently being explored by Ivanhoe under the terms of an Equity Participation and Earn-In Agreement. Entrée holds 100% of the concession rights to the remaining 140,000 hectares of the Lookout Hill concessions and continues an exploration program on several targets identified by previous geological and geophysical work carried out on this property. Subject to continuing positive drilling result, the Company intends to continue its exploration program on Lookout Hill for the next twelve months and longer.

Drilling commenced on our Ulziit Uul concession in the fourth quarter of 2005 and subject to positive drilling results, the Company intends to continue its exploration program on Ulziit UUL for the next twelve months as well.

Entrée continues to review and analyse new property acquisition opportunities, with a view to expanding its portfolio of exploration mineral properties.

10. RISKS AND UNCERTAINTIES

Material risks and uncertainties affecting Entrée Gold Inc. and their potential impact are substantially unchanged from those disclosed in its MD&A for the year ended December 31, 2004.