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

FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

Commission file number: 001-32570

ENTRÉE GOLD INC.

(Exact Name of Registrant as Specified in its Charter)

British Columbia	**1040**	**N/A**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code)	(I.R.S. Employer Identification No.)

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

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

National Registered Agents, Inc.
1090 Vermont Avenue NW, Suite 910
Washington, DC 20005
(888) 505-5229
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

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

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

Title of Each Class:	Name of Each Exchange On Which Registered:
Common Shares, no par value	**NYSE Amex**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **N/A**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **N/A**

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

☒ Annual Information Form ☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at December 31, 2011, 127,016,788 common shares of the Registrant were issued and outstanding.

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

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

EXPLANATORY NOTE

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

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements include, but are not limited to, statements with respect to the future prices of copper, gold and molybdenum, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production and capital expenditures, the costs and timing of the development of new deposits, the potential for the discovery of additional mineralized zones on properties in which the Company has an interest, the potential for the expansion of existing deposits in which the Company has an interest, plans to prepare a Preliminary Economic Assessment on the Ann Mason Project, the inclusion of metallurgical test results and assays from historical holes in a Preliminary Economic Assessment on the Ann Mason Project, the timing for the release of a Preliminary Economic Assessment on the Ann Mason Project, the timing of and potential for future resource estimates on properties in which the Company has an interest, plans for future exploration and/or development programs and budgets, the potential for the Company's inclusion in the Investment Agreement, the application of Resolution 175 to the Shivee Tolgoi and Javhlant licences, permitting time lines, currency fluctuations, requirements for additional capital, anticipated business activities, corporate strategies, proposed acquisitions and dispositions of assets, the use of proceeds from the Company's short form prospectus offering and future financial performance. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". While the Company has based these forward-looking statements on its expectations about future events as at the date that such statements were prepared, the forward-looking statements are not a guarantee of the Company's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements.

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

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, readers should not place undue reliance on forward-looking statements.

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

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

RESOURCE AND RESERVE ESTIMATES

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

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

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

CURRENCY

Unless otherwise indicated, all dollar amounts in this annual report on Form 40-F are in United States dollars. The exchange rate of Canadian dollars into United States dollars, on December 31, 2011, based upon the noon rate of exchange as quoted by the Bank of Canada was U.S.$1.00 = Cdn.$1.0170.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2011 is filed as Exhibit 1 and incorporated by reference in this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2011 and 2010, including the report of the independent auditor with respect thereto, are filed as Exhibit 2 and incorporated by reference in this annual report on Form 40-F.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

TAX MATTERS

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this annual report for the fiscal year ended December 31, 2011, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Company's CEO and CFO have concluded that the disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

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

A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management, including the CEO and CFO, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that, as of December 31, 2011, the Company's internal control over financial reporting was effective and no material weaknesses in the Company's internal control over financial reporting were discovered.

The Company is required to provide an auditor's attestation report on its internal control over financial reporting for the fiscal year ended December 31, 2011. In this annual report, the Company's independent registered auditor, Davidson & Company LLP, must state its opinion as to the effectiveness of the Company's internal control over financial reporting for the fiscal year ended December 31, 2011. Davidson & Company has audited the Company's financial statements included in this annual report on Form 40-F and has issued an attestation report on the Company's internal control over financial reporting.

Auditor's Attestation Report

Davidson & Company's attestation report on the Company's internal control over financial reporting is included in the audited consolidated financial statements of the Company for the years ended December 31, 2011 and 2010, which are filed as Exhibit 2 and are incorporated by reference in this annual report on Form 40-F.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during its fiscal year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CORPORATE GOVERNANCE

The Company's Board of Directors (the "Board") is responsible for the Company's Corporate Governance policies and has a separately designated standing Compensation Committee, Corporate Governance and Nominating Committee, Audit Committee, and Technical Committee. The Board has determined that all the members of the Compensation Committee, Corporate Governance and Nominating

Committee, and Audit Committee are independent, based on the criteria for independence and unrelatedness prescribed by section 803A of the NYSE Amex Company Guide.

Compensation Committee

The primary objective of the Compensation Committee is to discharge the Board’s responsibilities relating to compensation and benefits of the executive officers and directors of the Company to ensure that such compensation realistically reflects the responsibilities and risks of such positions. In addition, the Compensation Committee makes recommendations for grants made under the Company’s Stock Option Plan, determines the recipients of, and the nature and size of share compensation awards granted from time to time, and determines any bonuses to be awarded from time to time. The Company’s Compensation Committee is comprised of Michael Howard (chairman), Mark Bailey and Alan Edwards. The Company’s CEO cannot be present during the Committee’s deliberations or vote.

Corporate Governance and Nominating Committee

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

Technical Committee

The Technical Committee consists of Alan Edwards (Chairman), Mark Bailey, Lindsay Bottomer and Gregory Crowe. Mr. Edwards is a mining engineer, and Mssrs. Bailey, Bottomer and Crowe are professional geologists. Neither Mr. Crowe, the President and Chief Executive of the Company, nor Mr. Bottomer, the Vice-President, Business Development of the Company, is an independent director. The mandate of the Technical Committee is to exercise all the powers of the Board (except those powers specifically reserved by law to the Board itself) during intervals between meetings of the Board pertaining to the Company’s mining properties, programs, budgets, and other related activities and the administration thereof.

AUDIT COMMITTEE

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

Peter Meredith: Mr. Meredith has been a director of the Company since November 24, 2004. Mr. Meredith is a seasoned executive with a strong background in corporate management and in key facets of the mining industry, including exploration, mine construction, financing and operations. Mr. Meredith is deputy chairman of Ivanhoe Mines Ltd., overseeing the company's business development and corporate relations. Mr. Meredith joined the Ivanhoe Group in 1996 and was chief financial officer of Ivanhoe Mines prior to his appointment as deputy chairman. He is Chairman of SouthGobi Resources Ltd. Mr. Meredith is also currently a director of Great Canadian Gaming Corporation, Ivanhoe Energy Inc., Ivanhoe Mines Ltd., and Ivanhoe Australia Ltd. Prior to joining Ivanhoe Mines, Mr. Meredith, a Chartered Accountant, was a partner and director of Deloitte & Touche. Mr. Meredith has over 35 years of experience as a business advisor, specializing in regulatory compliance and corporate finance. He is also a member of the Canadian Institute of Chartered Accountants.

Mark Bailey: Mr. Bailey has been a director of the Company since June 28, 2002. Mr. Bailey is an exploration geologist with more than 35 years of industry experience. Since 1995, he has been the President and Chief Executive Officer of Minefinders Corporation Ltd. ("Minefinders"), a precious metals mining company whose shares are listed for trading on the Toronto Stock Exchange and the NYSE Amex. Minefinders operates the multi-million ounce Dolores gold and silver mine in Mexico. On March 26, 2012, Minefinders announced that its shareholders had approved a plan of arrangement pursuant to which Pan American Silver Corp. will acquire all of the issued and outstanding shares of Minefinders. The transaction is expected to close on or about March 30, 2012. Before joining Minefinders, Mr. Bailey held senior positions with Equinox Resources Inc. and Exxon Minerals. Since 1984, Mr. Bailey has worked as a consulting geologist with Mark H. Bailey & Associates LLC. Mr. Bailey is also currently a director of Minefinders, Dynasty Metals & Mining Inc. and Northern Lion Gold Corp.

Michael Howard: The Rt. Honourable Lord Howard of Lympne has been a director of the Company since May 16, 2007 and was appointed non-executive Deputy Chairman on the same day. He is the former leader of the Conservative Party in Britain, a distinguished lawyer, and served as a Member of Parliament in Britain for 27 years. He filled many government posts, including Home Secretary, Secretary of State for Employment and Secretary of State for the Environment, as well as Shadow Foreign Secretary and then Shadow Chancellor. After his retirement from the House of Commons at the 2010 General Election, Lord Howard was created a Life Peer. He was created a Companion of Honour in the Queen's Birthday Honours List, 2011. Lord Howard is currently a director of Orca Exploration Group.

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

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

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

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

Audit Committee Financial Expert

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

PRINCIPAL ACCOUNTING FEES AND SERVICES – INDEPENDENT AUDITORS

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

	2011	2010
Audit Fees(1)	$ 93,412	$ 139,718
Audit Related Fees(2)	$ 26,112	$ 30,810
Tax Fees(3)	$ 38,028	$ 13,436
All other fees(4)	$ 26,949	$ 78,578
Total:	$ 184,501	$ 262,542

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

(2) Audit-related fees paid for assurance and related services by the auditors that were reasonably related to the performance of the audit or the review of the Company's quarterly financial statements that are not included in *Audit Fees*.

(3) Tax compliance, taxation advice and tax planning for international operations.

(4) Audit fees associated with the June 30, 2010 acquisition of PacMag Metals Limited and the review of the Company's short form base shelf prospectus supplement.

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

The Audit Committee pre-approves all audit and non-audit services to be provided to the Company by its independent auditors. Non-audit services that are prohibited to be provided to the Company by its independent auditors may not be pre-approved. In addition, prior to the granting of any pre-approval, the Audit Committee must be satisfied that the performance of the services in question will not compromise the independence of the independent auditors. All non-audit services performed by the Company's auditor for the fiscal year ended December 31, 2011 were pre-approved by the Audit Committee of the Company. No non-audit services were approved pursuant to the *de minimis* exemption to the pre-approval requirement.

OFF-BALANCE SHEET TRANSACTIONS

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

CODE OF ETHICS

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

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

During the fiscal year ended December 31, 2011, the Company did not substantively amend, waive or implicitly waive any provision of the Code with respect to any of the directors, executive officers or employees subject to it.

CONTRACTUAL OBLIGATIONS

The following table lists as of December 31, 2011 information with respect to the Company's known contractual obligations.

	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Office Leases	$ 286,412	$ 389,173	$ 413,544	$ 86,723	$ 1,175,852
Total	$ 286,412	$ 389,173	$ 413,544	$ 86,723	$ 1,175,852

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Registrant sent during the year ended December 31, 2011 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NYSE AMEX CORPORATE GOVERNANCE

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

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

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

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

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

In addition, the Company may from time-to-time seek relief from NYSE Amex corporate governance requirements on specific transactions under Section 110 of the NYSE Amex Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by our home country law, in which case, the Company shall make the disclosure of such transactions available on the Company's website at www.entreegold.com and/or in its annual report. Information contained on its website is not part of this annual report.

On May 31, 2011, the NYSE Amex approved for listing 120,000 common shares of the Company, 20,000 of which were issued to (and 100,000 of which are issuable to) an individual pursuant to a Confidentiality and Finder's Fee Agreement dated October 2, 2009. Shareholder approval of the issuance of the shares would ordinarily have been required pursuant to Section 711 of the NYSE Amex Company Guide. Pursuant to Section 110 of the NYSE Company Guide, the Company did not seek shareholder approval, but provided written certification from independent local counsel that the non-complying practice is not prohibited by home country law.

MINE SAFETY DISCLOSURE

Pursuant to Section 1503(a) of the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the fiscal year ended December 31, 2011, our U.S. exploration properties were not subject to regulation by the Federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Act").

UNDERTAKING

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

CONSENT TO SERVICE OF PROCESS

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

EXHIBIT INDEX

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

Exhibit	Description
Annual Information	
1.	Annual Information Form of the Company for the year ended December 31, 2011
2.	The following audited consolidated financial statements of the Company, are exhibits to and form a part of this annual report: Independent Registered Public Accounting Firm's Report on Consolidated Financial Statements and Attestation on Internal Control Over Financial Reporting Consolidated Balance Sheets as of December 31, 2011 and 2010 Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2011, 2010 and since inception (July 19, 1995 to December 31, 2011); Consolidated Statement of Stockholders' Equity since the Date of Inception, including Balances as of July 19, 1995, April 30, 1996, April 30, 1997, April 30, 1998, April 30, 2000, April 30, 2001, April 30, 2002, April 30, 2003, December 31, 2003, December 31, 2004, December 31, 2005, December 31, 2006, December 2007, December 31, 2008, December 31, 2009, December 31, 2010 and December 31, 2011; Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and since inception (July 19, 1995 to December 31, 2011); Notes to Consolidated Financial Statements
3.	Management Discussion and Analysis
Certifications	
4.	Certificate of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act
5.	Certificate of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act
6.	Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
7.	Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Consents	
8.	Consent of Davidson & Company LLP, Chartered Accountants
9.	Consent of AMC Consultants Pty Ltd
10.	Consent of Robert Cann, Entrée Gold Inc.
11.	Consent of Robert Cinits, Entrée Gold Inc.
12.	Consent of Quantitative Geoscience Pty Ltd
13.	Consent of AGP Mining Consultants Inc.
14.	Consent of James Foster, Entrée Gold Inc.
15.	Consent of Scott Jackson, Quantitative Geoscience Pty Ltd
16.	Consent of Lyn Jones, AGP Mining Consultants Inc.
17.	Consent of Scott Jackson, Quantitative Geoscience Pty Ltd

SIGNATURES

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

ENTRÉE GOLD INC.

By:	*Gregory G. Crowe*
Name:	Gregory G. Crowe
Title:	Chief Executive Officer

Date: March 29, 2012

Exhibit 1

ENTRÉE GOLD INC.

Annual Information Form

FOR THE YEAR ENDED
DECEMBER 31, 2011

DATED March 29, 2012

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ENTRÉE GOLD INC.
ANNUAL INFORMATION FORM

DATE OF INFORMATION

Unless otherwise specified in this Annual Information Form (the "AIF"), the information herein is presented as at December 31, 2011, the last date of the Company's most recently completed financial year.

FORWARD LOOKING STATEMENT

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

Forward-looking statements include, but are not limited to, statements with respect to the future prices of copper, gold and molybdenum, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production and capital expenditures, the costs and timing of the development of new deposits, the potential for the discovery of additional mineralized zones on properties in which Entrée has an interest, the potential for the expansion of existing deposits in which Entrée has an interest, plans to prepare a Preliminary Economic Assessment on the Ann Mason Project, the inclusion of metallurgical test results and assays from historical holes in a Preliminary Economic Assessment on the Ann Mason Project, the timing for the release of a Preliminary Economic Assessment on the Ann Mason Project, the timing of and potential for future resource estimates on properties in which Entrée has an interest, plans for future exploration and/or development programs and budgets, the potential for Entrée's inclusion in the Investment Agreement, the application of Resolution 175 to the Shivee Tolgoi and Javhlant licences, permitting time lines, currency fluctuations, requirements for additional capital, anticipated business activities, corporate strategies, proposed acquisitions and dispositions of assets, the use of proceeds from the Company's short form prospectus offering and future financial performance. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". While Entrée has based these forward-looking statements on its expectations about future events as at the date that such statements were prepared, the statements are not a guarantee of Entrée's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors and assumptions include, amongst others, that the size, grade and continuity of deposits and resource and reserve estimates have been interpreted correctly from exploration results, that the results of preliminary test work are indicative of what the results of future test work will be, that the prices of copper, gold and molybdenum will remain relatively stable, the effects of general economic conditions, changing foreign exchange rates and actions by government authorities including the Government of Mongolia, uncertainties associated with legal proceedings and negotiations and misjudgements in the course of preparing forward-looking statements. In addition, there are also known and unknown risk factors which may cause the actual results, performances or achievements of Entrée to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations, including legal and political risk in Mongolia; recent global financial conditions; actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper, gold and molybdenum; possible variations in ore reserves, grade recovery and rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining government approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this AIF. Although Entrée has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

CURRENCY AND EXCHANGE

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

In this AIF, all dollar amounts are expressed in United States dollars unless otherwise specified. Because Entrée's principal executive office is located in Canada, many of its obligations are and will continue to be incurred in Canadian dollars (including, by way of example, salaries, rent and similar expenses). Where the disclosure is not derived from the annual financial statements for the year ended December 31, 2011, the Company has not converted Canadian dollars to United States dollars for purposes of making the disclosure in this AIF.

DEFINED TERMS AND ABBREVIATIONS

As used in this AIF, the term the "Company" refers only to Entrée Gold Inc. The terms "we", "us", "our" and "Entrée" mean Entrée Gold Inc. and/or one or more of its wholly-owned subsidiaries.

CANADIAN DISCLOSURE STANDARDS FOR MINERAL RESOURCES AND MINERAL RESERVES

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

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

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" may only be separately disclosed, have a great amount of uncertainty as to their existence, and have 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, descriptions in this AIF of our mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

CORPORATE STRUCTURE

Name, Address and Incorporation

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

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

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

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

Suite 3A, Temple View Residence
Building #12, Jamyan Gun Street
Sukhbaatar District 1st County
Ulaanbaatar, Mongolia
Phone: 976.11.318562 / 330953
Fax: 976.11.319426

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

Suite 210, 1111 Washington Avenue
Golden, CO 80401
Phone: 303.954.8752
Fax: 303.953.9401

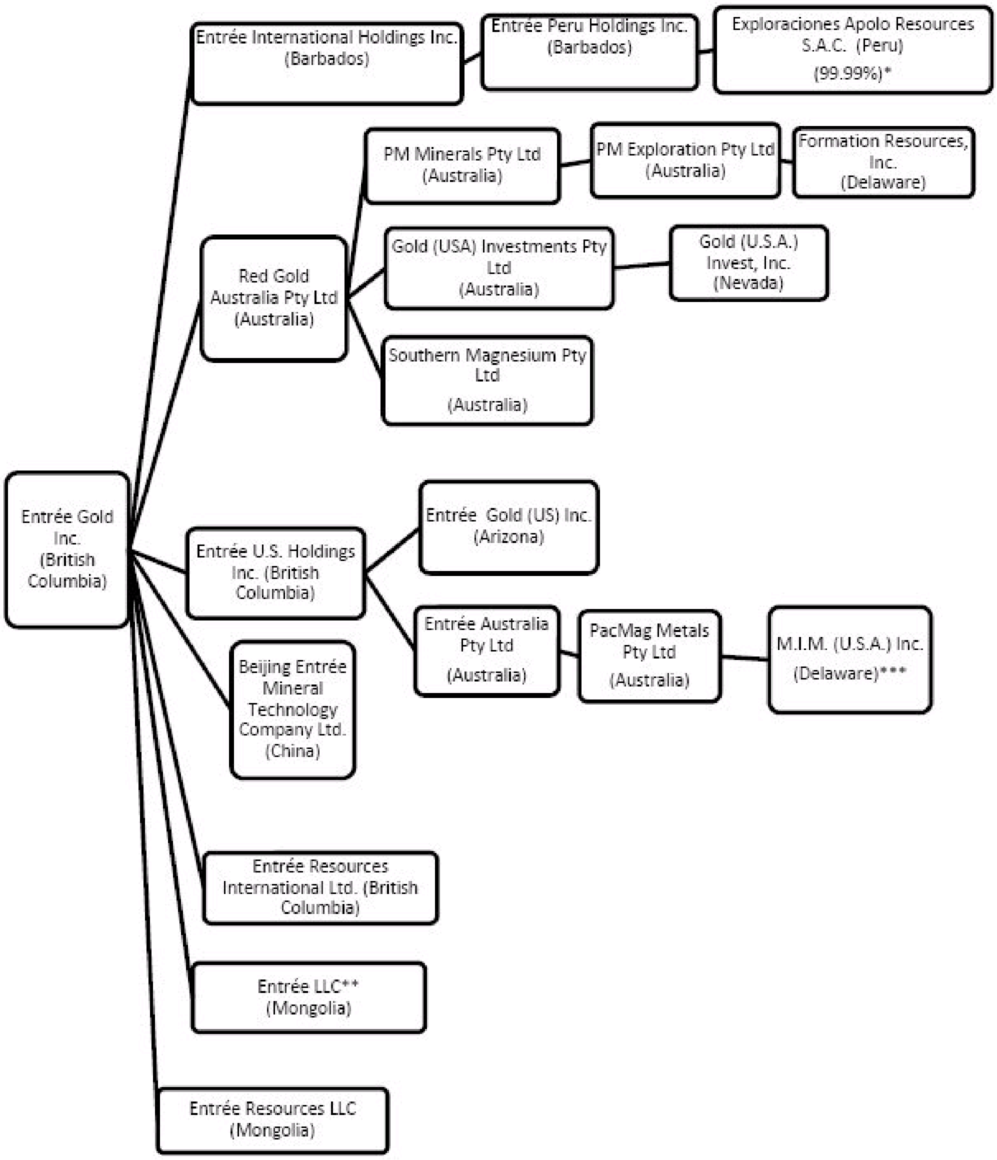
The Company was incorporated in British Columbia, Canada, on July 19, 1995, under the name "Timpete Mining Corporation". On February 5, 2001, the Company changed its name to "Entrée Resources Inc.". On October 9, 2002 the Company changed its name from "Entrée Resources Inc." to "Entrée Gold Inc." and,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

At inception the Company's Memorandum and Articles authorized it to issue up to 20 million common shares without par value. On September 30, 1997, the Company subdivided its authorized capital on a two new shares for one old share basis, resulting in authorized capital of 40 million common shares without par value. On February 5, 2001, the Company subdivided its common shares on a four new shares for one old share basis, thus increasing its authorized capital to 160 million common shares without par value and simultaneously reduced its authorized capital to 100 million common shares without par value. On October 9, 2002 the Company consolidated its authorized capital, both issued and unissued, on the basis of one new share for each two old shares, resulting in authorized capital of 50 million common shares without par value and simultaneously increased the authorized capital from 50 million common shares without par value to 100 million common shares without par value. On May 20, 2004, the Company received approval from its shareholders to increase its authorized share capital from 100 million common shares without par value to an unlimited number of common shares, all without par value (the "Common Shares"). This increase became effective June 16, 2004, the date the Company filed the amendment to its Articles.

The Company's Common Shares traded on the TSX Venture Exchange until April 24, 2006. On April 24, 2006, the Company's Common Shares began trading on the Toronto Stock Exchange ("TSX") under the symbol "ETG". The Company's Common Shares also trade on the NYSE Amex under the symbol "EGI" and on the Frankfurt Stock Exchange under the symbol "EKA".

Intercorporate Relationships

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



*The remaining 0.01% is held by Entrée Resources International Ltd.

**Entrée LLC holds the Shivee Tolgoi and Javhlant mining licences in Mongolia. A portion of the Shivee Tolgoi mining licence area and all of the Javhlant mining licence area are subject to a joint venture with Oyu Tolgoi LLC ("OTLLC"). OTLLC is owned as to 66% by Ivanhoe Mines Ltd. ("Ivanhoe Mines"), and as to 34% by the Government of Mongolia (through Erdenes Oyu Tolgoi LLC). See "Summary Description of the Business" below.

***M.I.M. (U.S.A.) Inc. and Entrée Gold (US) Inc. hold the Ann Mason Project in Nevada, United States. For details regarding Entrée's interest in the Ann Mason Project, see "Material Mineral Properties – United States – Ann Mason Project" below.

GENERAL DEVELOPMENT OF THE BUSINESS

Entrée is an exploration stage resource company engaged in exploring mineral resource properties. We have development and exploration properties in Mongolia, the United States, Australia and Peru. Our two principal assets are our interest in the Lookout Hill property in Mongolia, which hosts a copper-gold porphyry system with a NI 43-101 compliant probable reserve as well as indicated and inferred resources, and our Ann Mason copper-molybdenum project in Nevada (the "Ann Mason Project"), which hosts NI 43-101 compliant indicated and inferred resources.

If, from time to time, Entrée becomes aware of properties that are complementary to its existing projects, particularly large tonnage base and precious metal targets (or smaller, higher grade bodies that may be indicative of concealed larger tonnage mineralized systems) in eastern Asia and the Americas, it may negotiate and enter into agreements to acquire them. The commodities that Entrée is most likely to pursue include copper, gold and molybdenum, which are often associated with large tonnage, porphyry related environments. Smaller, higher grade systems will be considered by Entrée if they demonstrate potential for near-term production and cash-flow.

Three Year History

Over the last three completed financial years, Entrée has continued its exploration work at its Shivee West project, Mongolia, and has assembled a large land package in the Yerington copper camp, Nevada (the Ann Mason Project). In order to focus its resources on these two principal assets, Entrée has divested its interest in several non-material properties in China, Canada, Mongolia, Australia and the United States.

The following is a timeline summarizing the general development of Entrée's business over the last three completed financial years:

January 2009	Discovery of porphyry style mineralization at Lordsburg, New Mexico pursuant to the first exploration alliance agreement with Empirical Discovery, LLC ("Empirical").
July 2009	Entrée enters into an agreement with Honey Badger Exploration Inc. ("Honey Badger") to acquire up to 80% of Honey Badger's interest in the Blackjack property, Yerington, Nevada.
	Certain rights and obligations of Rio Tinto Exploration Canada Inc. ("Rio Tinto") under its equity participation agreement with the Company expire; however, Rio Tinto retains a pre-emptive right to maintain its ownership percentage in the Company.
September, 2009	Entrée enters into an agreement with Bronco Creek Exploration Inc. (now a wholly owned subsidiary of Eurasian Minerals Ltd.) ("Eurasian") to acquire up to an 80% interest in the Roulette property, Yerington, Nevada.

October 2009	The Investment Agreement (the "Investment Agreement") is signed in Mongolia (by the Government of Mongolia, Ivanhoe Mines, OTLLC and Rio Tinto International Holdings Ltd.), subject to 10 conditions precedent to be satisfied before it is finalized.
	Shivee Tolgoi and Javhlant (Lookout Hill) mining licences are granted to Entrée LLC.
November 2009	The Company enters into a Scheme Implementation Agreement with PacMag Metals Limited ("PacMag"), to acquire all outstanding shares and cancel all outstanding options of PacMag through Australian Schemes of Arrangement. PacMag's principal asset is the Ann Mason copper-molybdenum deposit, Yerington, Nevada.
January 2010	The Company announces a NI 43-101 compliant inferred resource estimate on the Ann Mason deposit, Yerington, Nevada of 810.4 million metric tonnes grading 0.40% copper, using a 0.30% copper cut-off containing approximately 7.1 billion pounds of copper.
March 2010	The Company announces an updated Heruga deposit resource estimate, Lookout Hill property, Mongolia.
	The conditions precedent included in the Investment Agreement are satisfied and the Investment Agreement takes legal effect.
May 2010	The Company announces the first NI 43-101 compliant ore reserves defined on the Hugo North Extension deposit, Lookout Hill property, Mongolia and the release of the 2010 Integrated Development Plan Technical Report by Ivanhoe Mines.
June 2010	The Company announces that it has commenced drilling programs on the Blackjack and Roulette copper properties, Yerington, Nevada.
	The Company announces the filing of a comprehensive NI 43-101 compliant technical report for Lookout Hill ("LHTR10"), which includes information from Ivanhoe Mines' 2010 Integrated Development Plan.
	The Company completes its acquisition of PacMag.
July 2010	The Togoot mining licence, which hosts the Nomkhon Bohr coal discovery, is granted to Entrée.
August 2010	Entrée acquires 51% of Honey Badger's interest in the Blackjack property, Yerington, Nevada.
September 2010	The Company announces an agreement to acquire a majority interest in the Lukkacha project in Peru.
	The Company announces an agreement to option the iron ore rights of the Blue Rose joint venture, Australia, to Bonython Metals Group Pty Ltd.
	The Company announces the discovery of a new porphyry system on the Roulette property, Yerington, Nevada.
November 2010	The Company announces that results of reverse circulation ("RC") drilling on the Blue Hill target, Yerington, Nevada, confirm a zone of shallow copper oxide mineralization and additional deeper sulphide mineralization.
	The Company announces the filing of a short form base shelf prospectus in Canada and shelf registration statement in the United States.
	The Company announces new copper zones and expanded potential on its Blackjack and Roulette copper properties in Nevada.
	The Company provides notice to Taiga Consultants Ltd. that it wishes to terminate its option to acquire the Crystal property, an early-stage copper-molybdenum project in central British Columbia.
December 2010	After reviewing the data from its drilling programs, Entrée notifies Zhejiang No. 11 Geological Brigade of its intention to terminate the agreement on three exploration licences in Pingyang County, Zhejiang Province, People's Republic of China.
January 2011	Entrée advises Giralia Resources NL that it does not wish to proceed with the Corktree earn-in, Australia.
March 2011	Entrée enters into a mining lease and option to purchase agreement on the Eagle Flats property, Nevada. The property is comprised of 58 unpatented lode claims, located 65 kilometres east of Yerington, in Mineral County, Nevada.

April 2011	The Company notifies Empirical that it does not wish to proceed with the second exploration alliance agreement, after holes drilled at Bisbee, Arizona fail to intercept significant mineralization.
June 2011	Entrée sells the Rainbow Canyon early stage epithermal gold property, Nevada to Acrex Ventures Ltd., retaining a 3% net smelter returns royalty.
	Entrée advises Minquest Inc. that it is terminating the lease on certain claims comprising the Meadow Valley property, Arizona. Entrée relinquishes the balance of the claims in September 2011.
July 2011	Entrée acquires the balance of Honey Badger's interest in the Blackjack property, Yerington, Nevada.
August 2011	Entrée, as operator of the Blue Rose joint venture, Australia, completes a soil sampling program over the Golden Sophia shallow gold target. In September 2011, the joint venture files notice to initiate negotiations with native title parties, as required under the Mining Act of South Australia before any drilling can be initiated.
September 2011	Entrée enters into an agreement to sell the Togoot mining licence for approximately $1.6 million, to enable it to better focus its resources on its two principal assets.
November 2011	The Company closes a marketed offering of 10,000,000 Common Shares at a price of $1.25 per Common Share. Rio Tinto exercises its pre-emptive rights in full and purchases an additional 1,482,216 Common Shares at the offering price. Total gross proceeds from the offering are $14,352,770 and are expected to be used to fund ongoing exploration on the Ann Mason Project, Yerington, Nevada and Shivee West project, Mongolia, and for general corporate purposes.
December 2011	The Company announces that the over-allotment option has been exercised and the underwriters will purchase an additional 1,150,000 Common Shares at a price of $1.25 per Common Share. The over-allotment closes on January 4, 2012. Rio Tinto exercises its pre-emptive rights in full and purchases an additional 170,455 Common Shares at the offering price.

DESCRIPTION OF THE BUSINESS

Mineral Exploration Business

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

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

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

A mineral resource may be identified and estimated through exploration and sampling, and supported by a technical report prepared in accordance with NI 43-101. A mineral resource company may then choose to have a preliminary economic assessment ("PEA") prepared, based on the mineral resource estimate. A PEA is a study that includes an economic analysis of the potential viability of mineral resources taken at an early stage of the project.

Once exploration is sufficiently advanced, and if the resource estimate is of sufficient quality (i.e. with mineralization classified in the indicated and/or measured categories), the next step would be to undertake a prefeasibility study. A prefeasibility study is a more comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method or pit configuration is established and an effective method of mineral processing is determined. The prefeasibility study may demonstrate that part of the measured or indicated mineral resource is economically minable, and can be classified as a mineral reserve.

The study with the highest level of confidence is the feasibility study, which is a comprehensive technical and economic study of the selected development option which demonstrates that mining of the minerals would be economic. The results of the study may reasonably serve as the basis for a final decision by a financial institution to finance the development of the project.

Business of Entrée

Entrée’s two principal assets are its interests in the Lookout Hill property in Mongolia, which hosts a copper-gold porphyry system and the Ann Mason copper-molybdenum project in Nevada.

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

A map that illustrates the areas of Lookout Hill more clearly and further details regarding the Lookout Hill property in Mongolia are provided under “Material Mineral Properties” below.

The Ann Mason Project in Nevada includes the 100% owned Ann Mason deposit and Blue Hill oxide target, as well as the Blackjack, Minnesota and Roulette targets. A map which shows the Ann Mason Project location and more information about the Ann Mason Project are provided in the “Material Mineral Properties” section below.

Aside from its two principal assets, Entrée has interests in exploration properties in the United States, Australia and Peru. Please see the “Non-Material Properties” section for more information.

Entrée’s exploration activities are under the supervision of Robert Cann, M.Sc., P.Geo., Entrée's Vice President, Exploration. Mr. Cann is a qualified person (“QP”) as defined in NI 43-101. Mr. Cann has approved the scientific and technical information in this AIF.

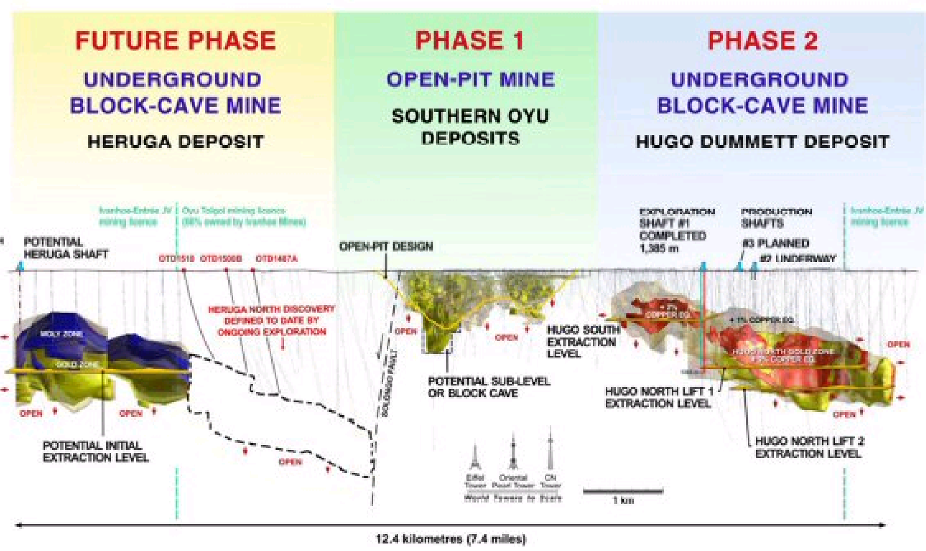
All mineral rock samples from our Mongolian properties are prepared and analyzed by SGS Mongolia LLC or Actlabs Asia LLC in Ulaanbaatar, Mongolia. Samples from Arizona, New Mexico and Nevada are analyzed at ALS Chemex in Sparks, Nevada, at Skyline Assayer and Laboratories, Tucson, Arizona and at Acme Analytical Laboratories, Vancouver, British Columbia, Canada.

Ivanhoe Mines, Rio Tinto and OTLLC

In October 2004, the Company entered into an arm's-length Equity Participation and Earn-In Agreement (the "Earn-In Agreement") with Ivanhoe Mines. Under the Earn-In Agreement, Ivanhoe Mines agreed to purchase equity securities of the Company, and was granted the right to earn an interest in a 39,807 hectare portion of the Lookout Hill property comprising the eastern portion of the Shivee Tolgoi, and all of the Javhlant mining licence (the "Joint Venture Property"). Most of Ivanhoe Mines' rights and obligations under the Earn-In Agreement were subsequently assigned by Ivanhoe Mines to what was then its wholly-owned subsidiary, Ivanhoe Mines Mongolia Inc. (now known as OTLLC). The Government of Mongolia (through Erdenes Oyu Tolgoi LLC) subsequently acquired from Ivanhoe Mines a 34% interest in OTLLC, which is also the title holder of the Oyu Tolgoi mining licence located adjacent to, and surrounded by, the Lookout Hill property.

The Joint Venture Property forms part of the Oyu Tolgoi mining complex, which is comprised of a series of deposits containing copper, gold, silver and molybdenum. The deposits stretch over 12 kilometres ("km"), from the Hugo North Extension deposit on the Joint Venture Property in the north, through the adjacent Hugo Dummett South deposit and Southern Oyu deposits on OTLLC's Oyu Tolgoi licence, to the Heruga deposit on the Joint Venture Property in the south (Figure 1). As part of its earn-in obligations under the Earn-In Agreement, OTLLC undertook an exploration program which established the presence of two significant deposits on the Joint Venture Property: the Hugo North Extension deposit and the Heruga deposit. The Hugo North Extension deposit is an extension of the Hugo Dummett North deposit into the Shivee Tolgoi mining licence. The Heruga deposit is to the south within the Javhlant mining licence, but mineralization extends north across the licence boundary towards the Heruga North and the Southwest deposits on the Oyu Tolgoi licence.

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



Additional information regarding the Joint Venture Property is discussed under "Material Mineral Properties" below.

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

Under the terms of the Entrée-OTLLC Joint Venture, Entrée may be carried through to production, at its election, by debt financing from OTLLC with interest accruing at OTLLC's actual cost of capital or prime plus 2%, whichever is less, at the date of the advance. Debt repayment may be made in whole or in part from (and only from) 90% of monthly available cash flow arising from the sale of Entrée's share of products. Such amounts will be applied first to payment of accrued interest and then to repayment of principal. Available cash flow means all net proceeds of sale of Entrée's share of products in a month less Entrée's share of costs of operations for the month. The debt financing and repayment provisions prevent dilution of Entrée's interest as the project progresses. Since formation, and as of December 31, 2011, the Entrée-OTLLC Joint Venture has expended $20.5 million to advance the Joint Venture Property. As of December 31, 2011, OTLLC has contributed on Entrée's behalf the required cash participation amount of $4.3 million, equal to 20% of the $20.5 million incurred to date, plus interest at prime plus 2%.

In accordance with the terms of the Joint Venture Agreement appended to the Earn-in Agreement, Entrée and OTLLC have established and appointed representatives to a management committee, to determine overall policies, objectives, procedures, methods and actions of the Entrée-OTLLC Joint Venture. The management committee is required to meet at least quarterly. OTLLC, as manager, prepares proposed programs and budgets and submits them to the management committee for review and consideration. Either joint venture participant may propose modifications or reject any or all of the components of the proposed program and budget, in which case the manager will work with the participants to complete a program and budget acceptable to both participants. Entrée and OTLLC have votes on the management committee in proportion to their respective interests in the Entrée-OTLLC Joint Venture. Decisions are made by a simple majority vote.

At December 31, 2011, Ivanhoe Mines owned approximately 10.9% of the Company's issued and outstanding Common Shares acquired pursuant to the Earn-In Agreement. Certain of Ivanhoe Mines' rights and obligations under the Earn-In Agreement, including a right to nominate one member of the Company's Board of Directors (the "Board"), a pre-emptive right to enable it to preserve its ownership percentage in the Company, and an obligation to vote its shares as the Company's Board directs on certain matters, expired with the formation of the Entrée-OTLLC Joint Venture. OTLLC's right of first refusal on the western portion of the Shivee Tolgoi licence ("Shivee West") is maintained.

Investment by Rio Tinto in Entrée

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

At December 31, 2011, Rio Tinto owned approximately 12.9% of the Company's issued and outstanding Common Shares.

Investment by Rio Tinto Holdings in Ivanhoe Mines

Following Rio Tinto's investment in the Company in June 2005, Rio Tinto plc, through its subsidiary Rio Tinto International Holdings Ltd. ("Rio Tinto Holdings"), acquired through a series of transactions approximately 49% of Ivanhoe Mines' issued and outstanding shares as at December 31, 2011. Rio Tinto Holdings' ownership interest in Ivanhoe Mines was capped at 49% until January 18, 2012, pursuant to a Heads of Agreement dated December 8, 2010 (the "Heads of Agreement"). On January 24, 2012, Rio Tinto plc announced that Rio Tinto Holdings had purchased an additional 15.1 million shares of Ivanhoe Mines increasing its ownership interest to 51%.

Heads of Agreement

Among other things, the Heads of Agreement between Ivanhoe Mines and Rio Tinto Holdings provides for the management structure of OTLLC and the project management structure of the Oyu Tolgoi mining complex. Under the Heads of Agreement, Rio Tinto Holdings is entitled to appoint three of the nine directors of OTLLC (with Ivanhoe Mines appointing three and the Government of Mongolia appointing three) and Rio Tinto Holdings assumes management of the building and operation of the Oyu Tolgoi mining complex, which includes the Heruga and Hugo North Extension deposits on the Joint Venture Property. Ivanhoe Mines will continue to directly manage ongoing exploration on the licences outside of the projected life-of-mine area, including the balance of the Joint Venture Property. On March 20, 2012, Ivanhoe Mines announced that overall construction of the first phase of the Oyu Tolgoi mining complex was 72.7% complete at the end of February 2012, and that construction remains on track to meet the targeted start of initial production in the third quarter of 2012. Commercial production from the Oyu Tolgoi mining complex is projected to begin in the first half of 2013.

Investment Agreement and the Mongolian Government

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

On October 6, 2009, Ivanhoe Mines, OTLLC and Rio Tinto Holdings signed the Investment Agreement with the Mongolian Government. The Investment Agreement regulates the relationship between these parties and stabilises the long term tax, legal, fiscal, regulatory and operating environment to support the development of the Oyu Tolgoi mining complex. The Investment Agreement specifies that the Government of Mongolia will own 34% of the shares of OTLLC (and by extension, 34% of OTLLC’s interest in the Joint Venture Property). Conditions precedent to the Investment Agreement were satisfied within six months of the signing date, and the Investment Agreement took legal effect on March 31, 2010.

The contract area defined in the Investment Agreement includes the Javhlant and Shivee Tolgoi mining licences, including Shivee West which is 100% owned by Entrée and not currently subject to the Entrée-OTLLC Joint Venture. However, Entrée is not presently a party to the Investment Agreement. Entrée does not have any direct rights or benefits under the Investment Agreement, and Entrée’s interest in the Joint Venture Property is not subject to the Investment Agreement. OTLLC has agreed, under the terms of the Earn-In Agreement, to use its best efforts to cause Entrée to be brought within the ambit of, made subject to and to be entitled to the benefits of the Investment Agreement. In order to become a party to the Investment Agreement, the Government of Mongolia may require Entrée or the Entrée-OTLLC Joint Venture to agree to certain concessions, including with respect to the ownership of the Entrée-OTLLC Joint Venture or the scope of the lands to be covered by the Investment Agreement.

In June 2011, the Government of Mongolia passed Resolution 175, the purpose of which is to authorize the designation of certain land areas for “state special needs” within certain defined areas in proximity to the Oyu Tolgoi mining complex. These state special needs areas are to be used for infrastructure facilities necessary in order to implement the development and construction of the Oyu Tolgoi mining complex. Portions of the Shivee Tolgoi and Javhlant licences are included in the land area that is subject to Resolution 175.

It is expected but not yet formally confirmed by the Government that to the extent that a consensual access agreement exists or is entered into between OTLLC and an affected licence holder, the application of Resolution 175 to the land area covered by the access agreement will be unnecessary. OTLLC has existing access and surface rights to the Joint Venture Property pursuant to the Earn-In Agreement. The Shivee Tolgoi and Javhlant licences are also part of the contract area of the Investment Agreement, which contains certain provisions respecting expropriation. Accordingly, Entrée considers that the application of Resolution 175 to the Joint Venture Property will likely be considered unnecessary. If Entrée is unable to reach a consensual arrangement with OTLLC with respect to Shivee West, Entrée’s right to use and access a corridor of land included in the state special needs areas for a proposed power line may be adversely affected by the application of Resolution 175. While the Mongolian Government would be responsible for compensating Entrée in accordance with the mandate of Resolution 175, the amount of such compensation is not presently quantifiable.

Base Shelf Prospectus and Marketed Offering

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

On November 23, 2011, the Company entered into an underwriting agreement and filed a final prospectus supplement to its short form base shelf prospectus, in connection with a marketed offering of its Common Shares (the “Offering”). The underwriters agreed to purchase 10,000,000 Common Shares at a price of C$1.25 per Common Share (the “Offering Price”) for gross proceeds of C$12,500,000. The Company also granted the underwriters an over-allotment option (the “Over-Allotment Option”) to purchase up to an additional 1,500,000 Common Shares at the Offering Price, exercisable for a period of 30 days following closing. Desjardins Securities Inc. acted as the lead underwriter in a syndicate that included National Bank Financial Inc., TD Securities Inc., Knight Capital Group and Trapeze Capital Corp. The Offering closed on November 30, 2011. Rio Tinto exercised its pre-emptive rights in full and purchased an additional 1,482,216 Common Shares of the Company at the Offering Price. Gross proceeds from the Offering (including the exercise of Rio Tinto’s pre-emptive rights) were C$14,352,770. The net proceeds are expected to be used to fund ongoing exploration on the Ann Mason Project in Nevada and Shivee West project in Mongolia, and for general corporate purposes.

On December 30, 2011, the Company announced that the underwriters had exercised the Over-Allotment Option. On January 4, 2012, the underwriters purchased 1,150,000 Common Shares at the Offering Price pursuant to the exercise of the Over-Allotment Option. Rio Tinto exercised its pre-emptive rights in full and purchased an additional 170,455 Common Shares at the Offering Price. Gross proceeds from the exercise of the Over-Allotment Option (including the exercise of Rio Tinto’s pre-emptive rights) were C$1,650,569.

Environmental Compliance

Entrée’s current and future exploration and development activities, as well as future mining and processing operations, if warranted, are subject to various federal, state and local laws and regulations in the countries in which we conduct our activities. These laws and regulations govern the protection of the environment, prospecting, development, production, taxes, labour standards, occupational health, mine safety, toxic substances and other matters. Entrée 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. Entrée intends to obtain all licences and permits required by all applicable regulatory agencies in connection with our mining operations and exploration activities. Entrée intends to maintain standards of compliance consistent with contemporary industry practice.

Mongolia

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

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

2012 exploration work planned on Shivee West may include drill pad construction which involves surface disturbance and excavation. Bonds remain in place at Bayan-Ovoo and Khanbogd soums equal to approximately $900 each. These bonds cover environmental reclamation to the end of 2012. These amounts are refundable to the Company on request once all environmental work has been completed to the satisfaction of the local soum.

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

Ann Mason Project, Nevada

Exploration permits issued by the Federal Bureau of Land Management (“BLM”) and Nevada Department of Environmental Protection (“NDEP”) are required for all exploration operations that include drilling or result in surface disturbance. Reclamation bonds remain in place until all reclamation work is complete and the Nevada Bureau of Mining Regulation and Reclamation (“BMRR”) of the NDEP has signed off on re-vegetation of drill sites and access roads.

On January 21, 2010, Plan of Operations NVN-084570 was approved by the BLM, Sierra Front Field Office and the BMRR. Under the Plan of Operations, M.I.M. (U.S.A.) Inc. was approved to conduct exploration activities on the Ann Mason deposit and Blue Hill oxide target consisting of drill sites and sumps construction, road construction, road maintenance, overland travel, exploration drilling and bulk sampling for a total of 50 acres of surface disturbance. A phased bond in the amount of $84,132 was provided by M.I.M. (U.S.A.) Inc. for exploration surface disturbance totalling 19.11 acres. Following the acquisition of PacMag, a Change of Operator form was filed with the BLM. Effective August 3, 2010, Entrée Gold (US) Inc. (“Entrée US“) was approved as operator and added as a co-principal on the bond.

In January 2011, Entrée US submitted an amendment (“Amendment #1”) to the approved Plan of Operations and minor modifications to the Nevada Reclamation Permit No. 0291 to the BLM and BMRR. In Amendment #1, an increase in the approved work area is proposed, with no change to the approved surface disturbance of 50 acres, or exploration techniques. Amendment #1 was approved by the BLM Sierra Front Field Office on June 28, 2011 and the amount of the financial guarantee for surface disturbance totalling 19.11 acres was increased to $147,568. An additional cash bond, in the amount of $63,436 paid by Entrée US, was accepted by the Nevada State Office of the BLM on July 5, 2011.

The BLM also holds bonds totalling $78,163.70 for reclamation related to exploration activities on the Blackjack and Roulette targets.

Competition

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

Employees

At December 31, 2011, we had 87 employees working for us in Canada, Mongolia and the United States. 15 employees are based in Vancouver, 8 employees are based in Ulaanbaatar, Mongolia, and 4 employees are based at our field camp in the southern Gobi desert. We also employ 33 seasonal and 10 part-time employees who support our Mongolian field programs. Our seasonal and part-time employees include geologists, labourers, geophysical helpers, geochemical helpers, cooks, camp maintenance personnel, drivers and translators in Mongolia. The number of local hires fluctuates throughout the year, depending on the workload.

In the United States, Entrée has 17 full time employees. The field operations are headed by an Exploration Manager who is supported by 6 geologists, 1 core technician, 3 administrative staff and 6 labourers. None of our employees belong to a union or are subject to a collective agreement. We consider our employee relations to be good.

MATERIAL MINERAL PROPERTIES

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

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

Entree's other material property, the Ann Mason Project in Nevada, includes the 100% owned Ann Mason porphyry deposit, which hosts indicated and inferred mineral resources; the Blue Hill oxide target, which is located approximately 3 km northwest of the Ann Mason deposit; and the Blackjack, Roulette and Minnesota targets.

MONGOLIA

Lookout Hill Property

Lookout Hill is comprised of two mining licences: Shivee Tolgoi and Javhlant. Shivee Tolgoi and Javhlant completely surround OTLLC's Oyu Tolgoi mining licence and host the Hugo North Extension copper-gold deposit and the Heruga copper-gold-molybdenum deposits respectively. The licences are held by our wholly owned subsidiary, Entrée LLC.

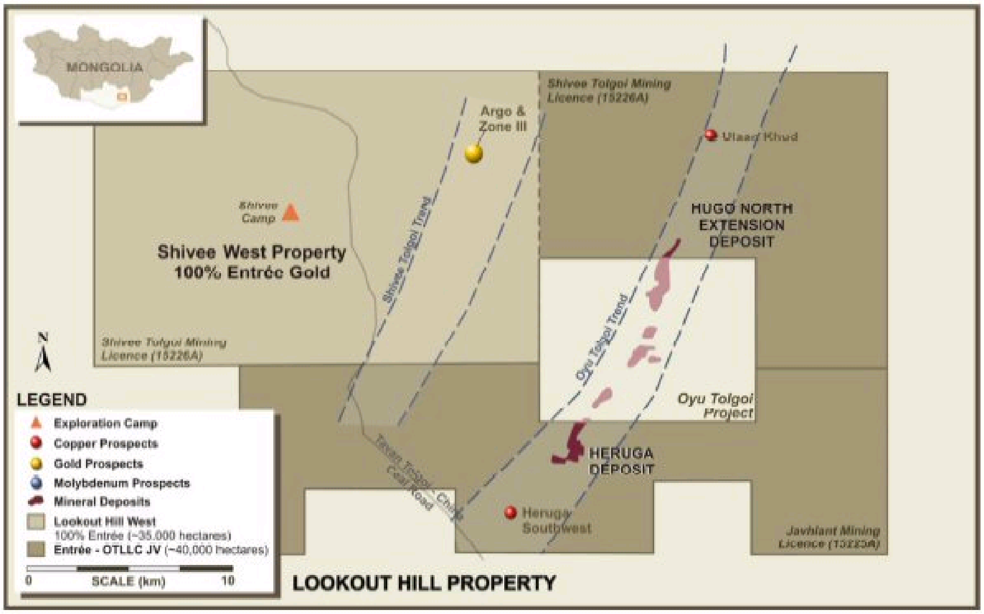
The Shivee Tolgoi and Javhlant mining licences are divided between Entrée and the Entrée-OTLLC Joint Venture as follows:

- The Entrée-OTLLC Joint Venture covers 39,807 hectares ("ha") consisting of the eastern portion of the Shivee Tolgoi and all of the Javhlant mining licences. The Joint Venture Property is contiguous with, and on three sides (to the north, east and south) surrounds OTLLC's Oyu Tolgoi mining licence. The Joint Venture Property hosts the Hugo North Extension deposit and the Heruga deposit. OTLLC is the manager of the Entrée-OTLLC Joint Venture.

- The portion of the Shivee Tolgoi mining licence outside of the Joint Venture Property (Shivee West) covers an area of 35,173 ha. Shivee West is 100% owned by Entrée but is subject to a first right of refusal by OTLLC.

The illustration below depicts the different areas of Lookout Hill:

Figure 2 – Shivee West and Joint Venture Property



The Javhlant and Shivee Tolgoi exploration licences were converted to mining licences in October 2009. The total estimated annual fees in order to maintain both the licences in good standing are approximately $1.1 million, of which OTLLC is responsible for approximately $500,000.

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

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

Name of Property	Licence Number	Date Granted	Renewal Date	Expiration Date
Javhlant	15225A	October 27, 2009	October 27, 2039	TBD
Shivee Tolgoi	15226A	October 27, 2009	October 27, 2039	TBD

Ivanhoe Mines announced the release of its IDOP Technical Report ("Ivanhoe TR12") in March 2012. The Ivanhoe TR12 is based on the technical, production and cost information contained in the OTLLC study titled “Integrated Development and Operations Plan” (“OTIDOP12”). OTIDOP12 was completed by the Rio Tinto Holdings appointed management of OTLLC in March 2011 as the basis for the proposed Oyu Tolgoi mining complex financing.

On March 30, 2012, the Company filed an updated technical report titled “Technical Report 2012 on the Lookout Hill Property” (“LHTR12”). LHTR12 is dated March 29, 2012 and was prepared by AMC Consultants Pty Ltd (“AMC”) in Adelaide, Australia, a QP as defined in NI 43-101. Unless stated otherwise, information in this AIF of a scientific or technical nature regarding the Lookout Hill property is summarized, derived or extracted from LHTR12. For a complete description of the assumptions, qualifications and procedures associated with the information in LHTR12, reference should be made to the full text of LHTR12, which is available for review on SEDAR located at www.sedar.com or on www.entreegold.com.

History

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

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

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

The Shivee Tolgoi and Javhlant exploration licences, which form the Lookout Hill property, were converted to mining licences in October 2009. The third exploration licence, Togoot, was converted to a mining licence in June 2010, and was subsequently sold by Entrée in November 2011 to an arm’s length private Mongolian company.

Property Location and Accessibility

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

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

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

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

Entrée periodically engages in small programs of basic infrastructure improvements to assist the nearby communities in the vicinity of the project. In addition, Entrée maintains close contact with the district officials as part of its community relations efforts.

Climate, Local Resources, Physiography

The property is located in the southern Gobi desert near elevation 1180 masl (above mean sea level). The surrounding topography is very flat with low rising hills up to elevation 1350 masl within 40 km of the site. The main regional drainage is the Umdai River, approximately 2 km west, which flows southward during periods of rainfall. The Oyu Tolgoi mining complex area is located within the closed Central Asian drainage basin and has no outflow to the ocean. Most riverbeds in this drainage basin are ephemeral creeks that remain dry most times of the year.

The southern Gobi region has a continental, semi-desert climate with cool springs and autumns, hot summers, and cold winters. The average annual precipitation is approximately 80 millimetres ("mm"), 90% of which falls in the form of rain with the remainder as snow. Snowfall accumulations rarely exceed 50 mm. Maximum rainfall events of up to 43 mm have been recorded for short-term storm events. In an average year, rain falls on only 25 to 28 days and snow falls on 10 to 15 days. Local records indicate that thunderstorms are likely to occur between 2 and 8 days a year at the property.

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

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

The flora in the Oyu Tolgoi project area has been classified as representative of the eastern region of the Gobi Central Zone within the Central Asian Greater Zone. Vegetation tends to be homogenous across the Eastern Gobi Desert Steppe and consists of drought-tolerant shrubs and thinly distributed low grasses. Four rare plant species occur within the mining licence area.

Regional Geology

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

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

Recent Exploration – Entree-OTLLC Joint Venture Property

An overall exploration budget (including geotechnical drilling) of approximately $9.0 million has been proposed for the Joint Venture Property for 2012 but has yet to be approved by OTLLC.

In 2010, surface work comprising deep penetrating proprietary induced polarization (“IP”) surveying and drilling was completed on both licences comprising the Joint Venture Property.

On the Shivee Tolgoi licence in 2010, IP surveying was extended north to cover the Ulaan Khud prospect located approximately 7 km northwards of the Hugo North Extension deposit. Previous shallow drilling in this area outlined a low grade copper occurrence in a geological setting similar to that of the Oyu Tolgoi mineralization. North of the Hugo North Extension, four deep core holes totalling 6,601 m were completed along the projected extension of the Oyu Tolgoi Trend between Hugo North Extension deposit and Ulaan Khud, and further north near the new airport. A fifth hole, started in 2010 and completed in 2011, was drilled 650 m north from Hugo North Extension. None of these holes were successful at reaching the planned target. Condemnation drilling consisting of two 200 m RC holes was also completed over the International Airport Area at the north boundary of Shivee Tolgoi.

During 2011, a total of 7,660 m of drilling was completed on Shivee Tolgoi in three sections located 350 m, 800 m and 2.4 km north of the Hugo North Extension deposit. On the two southern sections, most holes failed to intersect significant mineralization or only intersected narrow slivers of weakly-mineralized host rocks below 2,000 m. The drilling showed that if there is a northern extension of the Hugo North Extension deposit it would be down-dropped by faulting to depths greater than 2,000 m. On the section 2.4 km to the north of Hugo North Extension, only hornfelsed carboniferous rocks were intersected, despite drilling to 1,450 m.

During 2011, 10 geotechnical holes were completed to test the geotechnical character of Lift 1 at Hugo North and to test the area of a planned shaft to the west of Hugo North Extension.

On the Javhlant licence in early 2010, two core holes were completed on Heruga Southwest, located approximately 5 km southwest of the Heruga orebody. EJD0035A intersected 56 m grading 0.6% copper at a depth of approximately 1400 m in Devonian-aged volcanics. The second hole entered a younger Carboniferous-aged intrusion before intersecting mineralization.

In 2011, approximately 10,490 m of drilling was completed on Javhlant. Two existing holes were deepened on the Heruga deposit but did not intersect significant mineralization. An additional hole (EJD0038) tested the Heruga Southwest target previously tested by EJD0035A. Within a 220-metre-thick, weakly-mineralized zone, the best assay interval was four metres of 0.11 g/t of gold and 1.05% copper at 2,110 - 2,114 m. Six other holes tested various IP/gravity and geological targets but did not locate significant mineralization.

As of December 31, 2011, exploration drilling continued with two drill rigs on the Joint Venture Property. One drill was testing a target to the west of Heruga and the other drill was testing an IP/geology target to the southwest of Heruga, both located on the Javhlant licence.

Joint Venture Property – Mineral Resources

The following Table 1 summarizes the mineral resources for the Hugo North Extension deposit and the Heruga deposit as reproduced in LHTR12. The resource estimate for the Hugo North Extension deposit is effective as of February 20, 2007 and is based on drilling completed to November 1, 2006. The Heruga mineral resource estimate is effective as of March 30, 2010. Scott Jackson, F.AusIMM of Quantitative Group Pty Ltd ("QG") in Perth acts as QP for both the Hugo North Extension and Heruga resource estimates.

Table 1 Entrée-OTLLC Joint Venture Mineral Resources (0.6% CuEq cut-off), based on Technical Report March 2010							
Deposit	**Tonnage (Mt)**	**Copper (%)**	**Gold (g/t)**	**CuEq (%)**	**Contained Metal**		
					Copper (000 lb)	**Gold (oz)**	**CuEq (000 lb)**
Hugo North Extension Deposit							
Indicated Shivee Tolgoi (Hugo North Extension)	117.0	1.80	0.61	2.19	4 640 000	2 290 000	5 650 000
Inferred Shivee Tolgoi (Hugo North Extension)	95.5	1.15	0.31	1.35	2 420 000	950 000	2 840 000
Heruga Deposit							
Inferred Javhlant (Heruga)	910.0	0.48	0.49	0.87	9 570 000	14 300 000	17 390 000

Notes:

- Copper Equivalent ("CuEq") has been calculated using assumed metal prices of \$1.35/lb for copper, \$650/oz for gold, and \$10.50 for molybdenum. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and 72% of copper recovery respectively. CuEq was calculated using the formula: CuEq% = Cu% + ((Au g/t*18.98)+(Mo g/t*.01586))/29.76.
- Mo content in Heruga deposit is 141 ppm and included in calculation of CuEq.
- The contained copper, gold and molybdenum in the tables have not been adjusted for metallurgical recovery.
- The 0.6% CuEq cut-off is highlighted as the base case resource for underground bulk mining.
- Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- The Entrée-OTLLC Joint Venture Property comprises the eastern portion of the Shivee Tolgoi licence and all of the Javhlant licence. Title to both licences is held by Entrée. The Joint Venture Property is managed by OTLLC. OTLLC will receive 80% of cash flows after capital and operating costs for material originating below 560 m, and 70% above this depth.

Hugo North Extension Deposit

The Hugo North Extension deposit mineral resource estimate was last updated in March 2007 and remains unchanged in LHTR12.

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

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

Geological models were constructed by OTLLC using lithological and structural interpretations completed in late 2006. QG checked the lithological and structural shapes for interpretational consistency on section and plan, and found them to have been properly constructed.

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

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

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

Heruga Deposit

The Heruga mineral resource estimate was updated in March 2010 and remained unchanged in LHTR12. This estimate is in conformance with the CIM mineral resource and mineral reserve definitions referred to in NI 43-101. The mineral resource estimate was prepared under the supervision of Scott Jackson of QG in Perth. The Heruga deposit within the Joint Venture Property contains copper–gold-molybdenum porphyry style mineralization hosted in Devonian basalts and quartz monzodiorite intrusions, concealed beneath a deformed sequence of Upper Devonian and Lower Carboniferous sedimentary and volcanic rocks. The deposit is cut by several major brittle fault systems, partitioning the deposit into discrete structural blocks. Internally, these blocks appear relatively undeformed, and consist of southeast-dipping volcanic and volcaniclastic sequences. The stratiform rocks are intruded by quartz monzodiorite stocks and dykes that are probably broadly contemporaneous with mineralization. The deposit is shallowest at the south end (approximately 500 m below surface) and plunges gently to the north.

QG reviewed OTLLC’s quality assurance/quality control procedures in 2008 and 2009 and found them to be followed and to exceed industry standards.

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

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

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

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

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

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

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

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

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

Sampling, Analysis and Security – Joint Venture Property

Currently, split core samples are prepared for analysis at the on-site sample preparation facility operated by SGS Mongolia. The prepared pulps are then shipped by air under the custody of OTLLC to Ulaanbaatar, where they are assayed at a laboratory (lab) facility operated by SGS Mongolia.

The quality control samples comprise one duplicate split core sample, one uncrushed field blank, a reject or pulp preparation duplicate, and one or two standard reference material (SRM) samples (one less than 2% copper and one greater than 2% copper if higher-grade mineralization is present based on visual estimates). These were generally small and not consistent and therefore considered acceptable. QG is of the opinion that OTLLC's current sample preparation, analytical and QA/QC procedures and the sample security measures in place are strictly followed and adhere to industry standards and that the drill samples are acceptable for resource estimation purposes.

QG has also reviewed the current OTLLC systems for sample security and chain of custody to QG. QG is of the opinion that OTLLC's current sample preparation, analytical and QA/QC procedures and the sample security measures in place are strictly followed and adhere to industry standards and that the drill samples are acceptable for resource estimation purposes

Joint Venture Property - Mineral Reserves

In June 2010, Ivanhoe Mines released a technical report titled Oyu Tolgoi Integrated Development Plan 2010 ("Ivanhoe TR10"), which represented the first opportunity to publically update the previous Oyu Tolgoi Integrated Development Plan 2005 for all aspects of the project within the framework of a signed and effective Investment Agreement with the Government of Mongolia. The Ivanhoe TR10 included the first mineral reserve on the Entrée-OTLLC Joint Venture Property. All resources and reserves identified on the Joint Venture Property have been registered with the Mineral Resources Authority of Mongolia in accordance with Mongolian law.

In March 2012, Ivanhoe Mines released its Ivanhoe TR12. The Ivanhoe TR12 updates the current path of development for the initial phases of the Oyu Tolgoi group of deposits (Southern Oyu Pits and Hugo North Underground Lift 1, which includes the Hugo North Extension deposit). The work of the Ivanhoe TR12 meets the standards of US Industry Guide 7 requirements for reporting reserves. The qualified persons responsible for the Ivanhoe TR12 are the same qualified persons responsible for preparing LHTR12 for the Company. LHTR12 considers the conclusions and recommendations raised within the Ivanhoe TR12 in the context of Entrée's operations.

LHTR12 analyses a reserve case only (OTIDOP Reserve Case) and is based on a prefeasibility quality level study complying with NI 43-101, although some parts of the Oyu Tolgoi mining complex are further advanced and are at feasibility level. The Entrée-OTLLC Joint Venture Property mineral reserve is contained within the Hugo North Block Cave Lift 1 as defined within the Ivanhoe TR12. The mine design work on Hugo North Lift 1 prepared for Ivanhoe TR10 was reviewed by OTLLC and accepted as the basis for the underground mine planning in OTIDOP12. AMC also reviewed the work extensively, and it agreed with OTLLC's conclusions and used the work as the basis for reporting the 2012 Hugo North underground mineral reserve.

The underground mineral reserves for the Hugo North deposit, including the Entrée-OTLLC Joint Venture's Hugo North Extension deposit, were updated in the LHTR12. The mineral reserves tonnage on the Joint Venture Property remained the same as those that were reported in LHTR10. The probable reserve for Hugo North Extension totals 27 million tonnes ("Mt") grading 1.91% copper and 0.74 g/t gold.

LHTR12 only considers mineral resources in the indicated category, and engineering that has been carried out to a prefeasibility level or better to state the underground mineral reserve. There is no measured resource in the Hugo North mineral resource. Copper and gold grades on inferred resources within the block cave shell were set to zero and such material was assumed to be dilution. The block cave shell was defined by a $20/tonne net smelter return ("NSR"); further mine planning will examine lower shut-offs. The Hugo North mineral reserve is on both the OTLLC Oyu Tolgoi licence and the Entrée-OTLLC Joint Venture portion of the Shivee Tolgoi licence.

The portion of the Hugo North mineral reserve attributable to the Entrée-OTLLC Joint Venture is outlined in Table 2 below.

Table 2
Entrée-OTLLC Joint Venture Mineral Reserve, 29 March 2012

Classification	Ore (Mt)	NSR ($/t)	Cu (%)	Au (g/t)	Copper (Billion lb)	Gold (Moz)
Proven	-	-	-	-	-	-
Probable	27	79.40	1.91	0.74	1.0	0.5
Total Entrée-OTLLC Joint Venture	**27**	**79.40**	**1.91**	**0.74**	**1.0**	**0.5**

Notes:

- Table shows only the part of the mineral reserve on the Entrée-OTLLC Joint Venture portion of the Shivee Tolgoi licence.
- Metal prices used for calculating the Hugo North underground NSR are copper $1.80/lb, gold $750/oz, and silver $12.00/oz based on long term metal price forecasts at the beginning of the mineral reserve work. The analysis indicates that the mineral reserve is still valid at these metal prices.
- The NSR has been calculated with assumptions for smelter refining and treatment charges, deductions and payment terms, concentrate transport, metallurgical recoveries and royalties.
- For the underground block cave all material within the shell has been converted to mineral reserve; this includes low grade indicated material and inferred material assigned zero grade treated as dilution.
- Only measured resources were used to report proven reserves and only indicated resources were used to report probable reserves.
- The Entrée-OTLLC Joint Venture Property comprises the eastern portion of the Shivee Tolgoi licence and all of the Javhlant licence. Title to both licences is held by Entrée. The Joint Venture Property is managed by OTLLC. OTLLC will receive 80% of cash flows after capital and operating costs for material originating below 560 m, and 70% above this depth.
- The base case financial analysis has been prepared using current long term metal price estimates of copper $2.85/lb, gold $1200/oz, and silver $16.60/oz. Metal prices are assumed to fall from current prices to the long term average over five years.
- The mineral reserves are not additive to the mineral resources.

A reconciliation of the Ivanhoe TR10 and LHTR12 mineral reserves is shown in Table 3. Calculation of the underground mineral reserve by OTLLC resulted in a rounding up of the Hugo North Lift 1 tonnage on the Oyu Tolgoi licence by 1 Mt to 411 Mt and on the Entrée-OTLLC Joint Venture portion of the Shivee Tolgoi licence the same tonnage but increased grades.

Table 3 LHTR12 and Ivanhoe TR10 Probable Mineral Reserve Comparison

Classification	Ore (Mt)	NSR ($/t)	Cu (%)	Au (g/t)	Copper (billion lb)	Gold (Moz)
Ivanhoe TR10	27	55.57	1.85	0.72	1.0	0.5
LHTR12	27	79.40	1.91	0.74	1.0	0.5
Difference	0	23.83	0.06	0.02	0.0	0.0

Notes:

- Ivanhoe TR10 mineral reserves have the effective date of May 11, 2010.
- LHTR12 mineral reserves have the effective date of March 29, 2012.
- Metal prices used for calculating the LHTR12 Hugo North underground NSR are copper $1.80/lb, gold $750/oz, and silver $12.00/oz based on long term metal price forecasts at the beginning of the mineral reserve work.
- Metal prices used for calculating the Ivanhoe TR10 Hugo North underground NSR are copper $1.50/lb, gold $640/oz, and silver $10.50/oz based on long term metal price forecasts at the beginning of the mineral reserve work.
- The NSR has been calculated with assumptions for smelter refining and treatment charges, deductions and payment terms, concentrate transport, metallurgical recoveries and royalties.
- For the underground block cave, all material within the shell has been converted to mineral reserve; this includes low grade indicated material and inferred material assigned zero grade treated as dilution.
- Only measured resources were used to report proven reserves and only indicated resources were used to report probable reserves.
- The Entrée-OTLLC Joint Venture Property comprises the eastern portion of the Shivee Tolgoi licence and all of the Javhlant licence. Title to both licences is held by Entrée. The Joint Venture Property is managed by OTLLC. OTLLC will receive 80% of cash flows after capital and operating costs for material originating below 560 m, and 70% above this depth.
- The mineral reserves are not additive to the mineral resources.

OTLLC Integrated Development Operation Plan

OTIDOP uses the same mineral resources as those reported in Ivanhoe TR10 and the mineral reserves of OTIDOP12 are very similar to those in Ivanhoe TR10. The OTIDOP Reserve Case includes resources from the Oyu Tolgoi deposit (wholly owned by OTLLC) and Entrée-OTLLC Joint Venture licence areas. Although the overall strategy for the development of Oyu Tolgoi remains the same in OTIDOP12 as it did in previous studies, there have been changes to several key areas which are addressed in the Ivanhoe TR12. Changes to date include:

- Updated open pit designs on Southern Oyu Tolgoi and commencement of open pit mining.
- Revised start date for first ore production from third quarter 2013 to third quarter 2012.
- Revision of production schedule to account for changed timing of the underground and plant expansion.

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

The Oyu Tolgoi mining complex has a large mineral resource providing management with flexibility in studying alternative paths for mine development to match future economic conditions.

Five deposits have been identified in the mineral resource at Oyu Tolgoi. They are Southwest and Central, Hugo South, Hugo North and Heruga (including the portion on the Entrée-OTLLC Joint Venture Property). Southwest and Central comprise the Southern Oyu deposits. Hugo South and Hugo North (including Hugo North Extension) comprise the Hugo Dummett deposit. For mine planning purposes, the nine open pit stages at Southern Oyu and one block cave at Hugo North (including Hugo North Extension) have been identified for the mineral reserve. In addition to these, long term mine planning has identified potential for another block cave lift at Hugo North (including Hugo North Extension), open pit or block caving at Hugo South and two block caving scenarios at Heruga. The mine planning work in previous studies, which is confirmed in OTIDOP12 suggests the following relative ranking for overall return from each deposit, from highest value to lowest:

- Hugo North (including Hugo North Extension)
- Southwest
- Central
- Hugo South
- Heruga

The OTIDOP Reserve Case assumes processing of 1.4 billion tonnes ("Bt") of ore over a 27 year period, mined from the Southern Oyu open pit and the first lift in the Hugo North underground block cave. The Entrée-OTLLC Joint Venture mineral reserve is 27 Mt within the 1.4 Bt. The mining areas included in the OTIDOP Reserve Case are shown schematically in Figure 3. The location of the Entree-OTLLC Joint Venture mineral reserve relative to the OTLLC portion of the Hugo North Lift 1 block cave is depicted in Figure 4.

Figure.3 OTIDOP Reserve Case Mining Areas

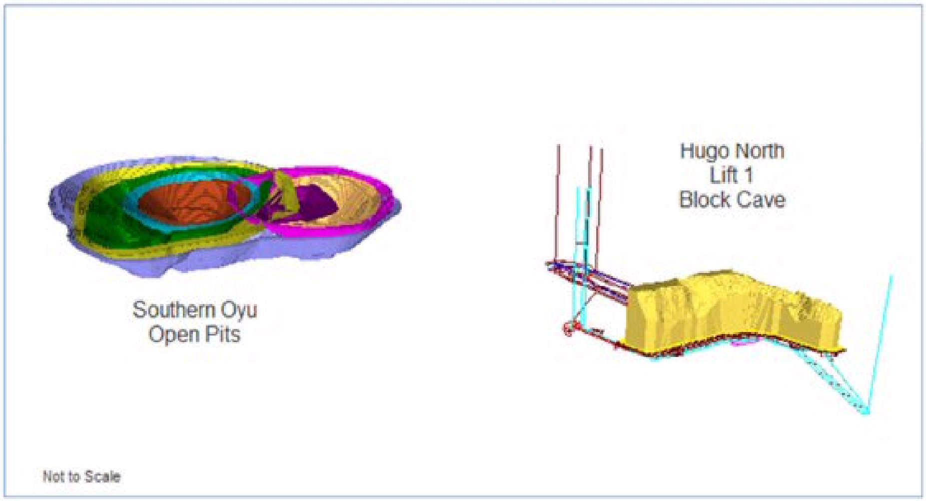


Figure 4 Hugo North Lift 1 Block Cave Plan

The predominant source of ore at start up is the Southern Oyu open pit. In parallel to this surface construction, underground infrastructure and mine development is ongoing for the Hugo North underground block cave deposit. Stockpiling allows the higher grade ore from Hugo North to gradually displace the open pit ore as the underground production ramps up to reach 85 kilotonnes per day.

The ore is planned to be processed through conventional crushing, grinding and flotation circuits. The concentrate produced will be trucked to smelters in China.

Oyu Tolgoi is a remote greenfields project and therefore requires extensive infrastructure to be constructed in addition to the concentrating facilities. The major initial infrastructure elements include:

- Water Borefields
- Water Treatment
- Housing
- Airstrip
- Supporting Facilities
- Railroads
- Power

OTIDOP Reserve Case

A summary of the Entrée – OTLLC Joint Venture Property production and financial results for the OTIDOP Reserve Case is shown in Table 4. The after tax Net Present Value ("NPV") at 8% discount rate attributable to Entrée for the OTIDOP Reserve Case is $129 million.

Table 4 OTIDOP Summary Production and Financial Results

Description	**Units**	**OTIDOP Reserve Case**
Inventory		Mineral Reserve
Production Rate (after expansion)	Mt/a	58
Total Processed	Bt	1.4
Joint Venture Property Results		
Processed	Mt	27.1
NSR	$/t	79.40
Cu Grade	%	1.91
Au Grade	g/t	0.74
Copper Recovered	billion lb	1.0
Gold Recovered	Moz	0.5
NPV (8%) After Tax (Entrée)	$M	129

Notes:

- Metal prices used for calculating the Hugo North underground NSR are copper $1.80/lb, gold $750/oz, and silver $12.00/oz based on long term metal price forecasts at the beginning of the mineral reserve work. The analysis indicates that the mineral reserve is still valid at these metal prices.
- The NSR has been calculated with assumptions for smelter refining and treatment charges, deductions and payment terms, concentrate transport, metallurgical recoveries and royalties.
- For the underground block cave, all material within the shell has been converted to mineral reserve; this includes low grade indicated material and inferred material assigned zero grade treated as dilution.
- Only measured resources were used to report proven reserves and only indicated resources were used to report probable reserves.
- The base case financial analysis has been prepared using current long term metal price estimates of copper $2.85/lb, gold $1200/oz, and silver $16.60/oz. Metal prices are assumed to fall from current prices to the long term average over five years.
- The Entrée-OTLLC Joint Venture Property comprises the eastern portion of the Shivee Tolgoi licence and all of the Javhlant licence. Title to both licences is held by Entrée. The Joint Venture Property is managed by OTLLC. OTLLC will receive 80% of cash flows after capital and operating costs for material originating below 560 m, and 70% above this depth.
- The mineral reserves are not additive to the mineral resources.

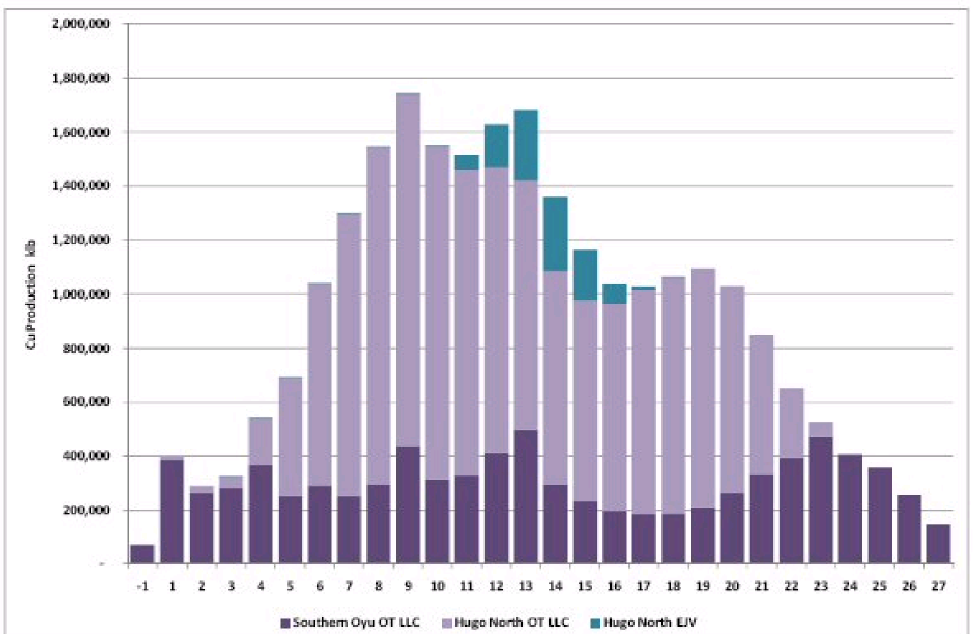
The mineral reserve reported for NI 43-101 is also applicable for reporting the ore reserve under the SEC Industry Guide 7. The metal prices for the previous 3 years, their average and the metal prices used for the mineral reserve estimates are shown in Table 5. The only metal price that is higher than the three year average is the forecast silver price. The three year average silver price is $13.69 per ounce ("/oz") silver and the forecast price is $16.60/oz silver. The sensitivity analysis using the 3 year averages shows the Entrée after tax NPV (at an 8% discount) of $150 million compared to the base case $129 million. The results are improved compared to the base case financial analysis, as the averages for the copper and gold prices are higher.

Table 5 – Metal Price Summary

Year Ended	Cu ($/lb)	Au ($/oz)	Ag ($/oz)
2009	2.34	972	12.74
2010	3.42	1,225	15.44
2011	4.00	1,572	12.89
Average	3.25	1,256	13.69
Reserve NSR	1.80	750	12.00
Base Case Financial Analysis	2.85	1,200	16.60

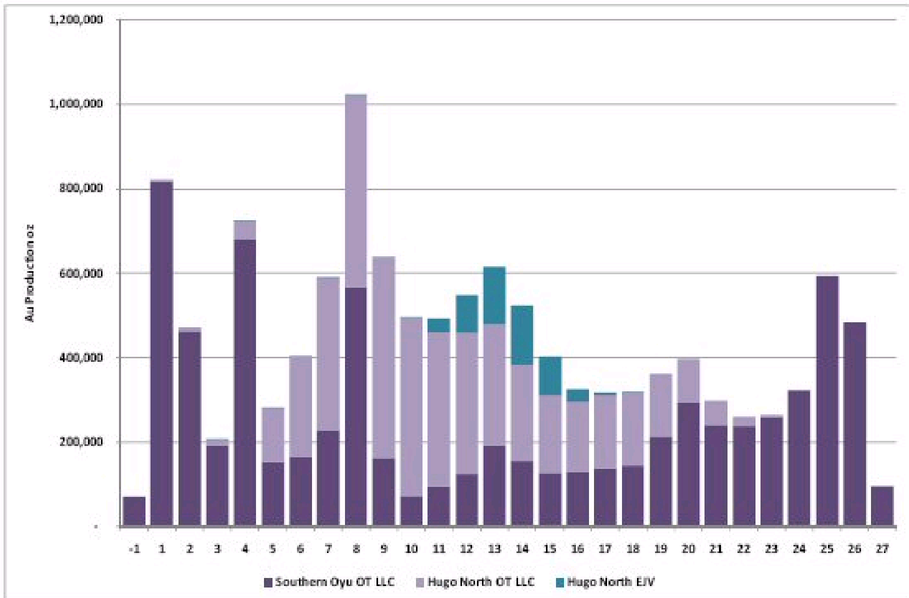
The Entrée-OTLLC Joint Venture and OTLLC copper and gold metal production and processing tonnages in the OTIDOP Reserve Case are shown in Tables 5 to 7. The production shown is the total production from the Entrée-OTLLC Joint Venture of which 20% is attributable to Entrée. Under the terms of the Entrée-OTLLC Joint Venture, OTLLC is responsible for 80% of all costs incurred on the Joint Venture Property, including capital expenditures, and Entrée for the remaining 20%. Also under the terms of the Entrée-OTLLC Joint Venture, Entrée may be carried through to production, at its election, by debt financing from OTLLC with interest accruing at OTLLC's actual cost of capital or prime +2%, whichever is less, at the date of the advance. Debt repayment may be made in whole or in part from (and only from) 90% of monthly available cash flow arising from sale of Entrée's share of products. Such amounts will be applied first to payment of accrued interest and then to repayment of principal. Available cash flow means all net proceeds of sale of Entrée's share of products in a month less Entrée's share of costs of operations for the month. Therefore, Entrée will not be obliged to contribute cash to the Entrée-OTLLC Joint Venture for its portion of operating and capital expenditures and will receive 10% of its share of cash flow from the Entrée-OTLLC Joint Venture until such time as any loans outstanding are repaid and 100% thereafter. Entrée's cash flows from the OTIDOP Reserve Case are shown in Figure 8.

Figure 5 Copper Production – OTIDOP Reserve Case



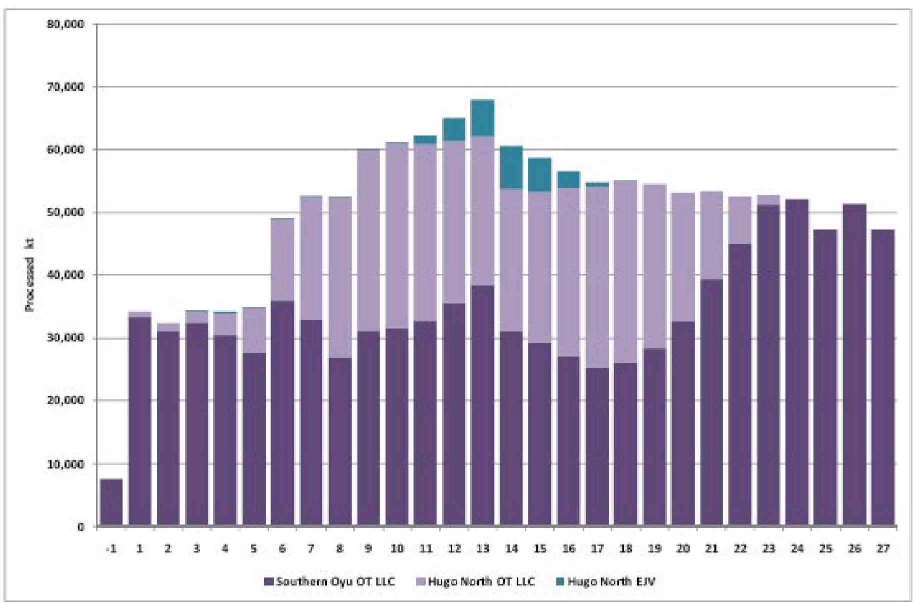
Entrée-OTLLC Joint Venture total production values are shown.

Figure 6 Gold Production – OTIDOP Reserve Case



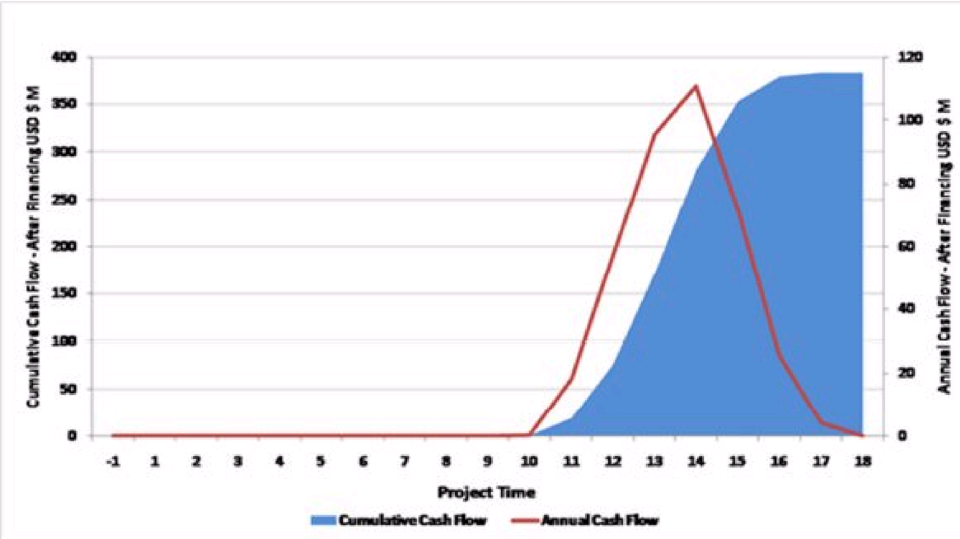
Entrée-OTLLC Joint Venture total production values are shown.

Figure 7 Processing by Source – OTIDOP Reserve Case



Entrée- OTLLC Joint Venture total production values are shown.

Figure 8 **Entrée Cumulative Cash Flow – OTIDOP Reserve Case (Undiscounted)**



Entrée-OTLLC Joint Venture Future Work

Exploration and development of the Joint Venture Property is under the control of manager OTLLC. The future work recommendations in the Ivanhoe TR12, although focussed on the Oyu Tolgoi licence, will be of benefit to Entrée as they will include examination of the Joint Venture Property.

Detailed Integrated Development and Operating Plan

The next phase in the project planning process by OTLLC on the Oyu Togoi mining complex is the preparation of a Detailed Integrated Development and Operating Plan ("DIDOP") that builds on OTIDOP. The DIDOP will integrate a number of detailed capital expansion studies into an overall project report. The key additional work to be assessed in DIDOP includes: Phase 2 project expansion, power supply, water permitting, concentrate marketing, the underground feasibility study and further work on mine closure and reclamation plans.

Phase 2 Project Expansion Plan

A detailed execution plan will be developed for Phase 2 that includes lessons learned and incorporates tools and advancements from the Phase 1 project execution.

OTLLC plans to undertake engineering studies of the concentrator expansion. The focus of the study will be the addition of a third grinding line and other requirements for the Phase 2 plant production.

Power Supply Determination

The supply of power has been recognized as being critical to the execution of the Oyu Tolgoi mining complex in the Investment Agreement. OTLLC has been given the right to import power initially but must secure power from sources within Mongolia from the fourth year of operation.

Power is currently assumed in the Ivanhoe TR12 to be initially imported from Inner Mongolia and sourced from a power station constructed by OTLLC by the fourth year of operation in accordance with the terms of the Investment Agreement.

OTLLC is currently considering a range of options to ensure a reliable and efficient power supply after Year 4. Central to their considerations are two options:

- Option 1 – Build a coal-fired power plant (four 150 MW units) at the Oyu Tolgoi project site. A feasibility study and detailed drawings for a power plant with three 150 MW units capacity have already been completed. This study will need to be re-worked to reflect the addition of another generator and auxiliaries.

- Option 2 – Build a coal-fired power plant (four 150 MW units) at the Tavan Tolgoi project site and erect a double-circuit 220 kV transmission line to the Oyu Tolgoi project site. With the power plant at this location, the feasibility study would need to address changes in capacity, water supply, and other design issues, as well as the 140 km long 220 kV transmission line.

OTLLC's preferred option is to pursue the accelerated construction of a power station at Oyu Tolgoi with construction to commence as soon as all stakeholders agree. OTLLC intends to seek approval from its board of directors for an accelerated program if government permits are approved.

Currently, there is no clear date for the issuing of those permits and the Ivanhoe TR12 assumes that capital is expended by OTLLC to bring a power station into production by the fourth year of operation.

It is expected that the timing of power station construction would be finalised in the preparation of DIDOP.

Water Permit

The current estimate of average water demand for the concentrator expansion to 160 kilotonnes per day is 918 litres per second ("L/s"), which is marginally above the rate of 870 L/s that has already been approved by the Government of Mongolia.

OTLLC's strategy is to obtain approval for increases to the currently approved water reserve ahead of any mine expansion plans. The objective of the study will be to assess the impact of the concentrator expansion on water demand and to determine the need for obtaining Government of Mongolia approval for any substantial increase in the approved water demand from the Gunii Hooloi aquifer.

Concentrate Marketing

OTLLC has developed a marketing plan and currently includes consideration of the following factors:

- Location value to customer compared to imported material landed at Chinese ports
- Precious metals recovery and payment
- Length of contract
- Percentage of off-take to smelters versus traders
- Percentage of tonnage on contract versus spot
- Percentage of feed for any one smelter
- Number of smelters for a given scale of operation
- Management of concentrate quality and volume during commissioning and ramp-up
- Alternate off-shore logistics and costs
- Delivery point and terms
- Packaging

A detailed timeline has been developed for marketing, logistics, and contract-to-cash functions. Finalisation of the letters of intents and execution of contracts is planned to be completed in the near future. Non-binding memoranda of understanding for concentrate sales to two large Chinese smelters were agreed to during the third quarter of 2011. Contracts are expected to be finalized with these smelters over the coming months. In addition, non-binding agreements on principal sales terms have been reached with two international trading companies; conversion of these agreements to binding contracts is under discussion. Most of the concentrate initially produced at Oyu Tolgoi is expected to be delivered to customers in China. OTLLC's sales and marketing will be supported by Rio Tinto Copper marketing, led by its Chief Marketing Officer. The marketing team will oversee and execute all sales and marketing activities on behalf of OTLLC.

Underground Feasibility Study

As part of DIDOP the underground study work is being brought to feasibility study level, the scope of work includes all activities from extraction to the shaft collars and will optimise the development and production of Hugo North Lift 1. OTLLC plans to finalise DIDOP in late 2012. OTLLC has reported that there could be a delay in production due to changes in ventilation design for the Hugo North Lift 1 block cave. Initial analysis by OTLLC suggests that the underground production could be delayed by around twelve months. A delay in production is less significant to Entrée than to OTLLC. As most of the ore in the Entrée-OTLLC Joint Venture mineral reserve is scheduled for production between years 10 and 18 the impact of a one year delay on the return to Entrée would be small. A one year delay would reduce the NPV at 8% discount rate by $10 million.

In addition possible scope changes have been indicated including:

- Additional development and excavation expenditures
- The addition of a shaft No. 5
- An additional crew underground
- Increased operating cost

Socio-economic Aspects of Mine Closure Plan

The preliminary mine closure and reclamation plan includes provisions to ensure that adverse socio-economic impacts of mine closure are minimized and positive impacts are maximized. To this end, OTLLC has planned that allowances will be incorporated into the annual mine operations budget starting 10 years before mine closure to address the costs of:

- Lost employment by the mine workforce
- Adverse effects on supply chain businesses and downstream businesses, affected communities, public services, and infrastructure
- Promoting ongoing sustainability among affected stakeholders and communities

The details of additional socio-economics aspects of a conceptual mine closure plan have not yet been fully developed and are the subject of work to be done in the near future.

Infrastructure

As part of the preparation of DIDOP, work is continuing on further defining the ongoing infrastructure needs for the Oyu Tolgoi project. OTLLC has advised that they expect future additions to the project scope which may include:

- Operations camp expansion
- Border facilities upgrade
- Concentrate bagging plant upgrade
- Power substation expansions
- Central maintenance complex
- Central control room
- Borefield expansion
- Operations warehouse expansion
- Core storage warehouse

There may be additions to scope beyond these items and all items and updated cost estimates will be included in DIDOP.

Entrée-OTLLC Joint Venture Potential for Further Development

Ivanhoe TR10 and LHTR10 presented two complementary development cases:

- Reserve Case, based strictly on proven and probable mineral reserves for initial phases of the Oyu Tolgoi group of deposits (Southern Oyu Pits and Hugo North Underground Lift 1, which includes the Hugo North Extension deposit)

- Life of Mine (Sensitivity) Case, which considers the potential economic viability of additional deposits and mines at Oyu Tolgoi and adds a large base of inferred resources to the Reserve Case.

Development of the additional resources (the second lift of Hugo North, Hugo South and Heruga) will require separate decisions in the future based on then prevailing conditions and the development experience obtained from developing and operating the initial phases of the Oyu Tolgoi group of deposits. The Life of Mine (Sensitivity) Case considers the potential economic viability of developing the second lift of Hugo North, Hugo South and the Heruga deposit. Accordingly, the Life of Mine (Sensitivity) Case is effectively a PEA.

Under NI 43-101, a PEA that includes inferred mineral resources may be disclosed after a feasibility study or pre-feasibility study that establishes mineral reserves has been completed, provided the disclosure describes the impact of the PEA on the results of the feasibility study or pre-feasibility study on the project. The development and initial production periods of both the Reserve Case and the Life of Mine (Sensitivity) Case are common. The Life of Mine (Sensitivity) Case is an extension of the Reserve Case that does not restrict the execution of the Reserve Case. Each additional part of the Life of Mine (Sensitivity) Case would be subject to further study and approval by OTLLC before a commitment to capital expenditure and development for each additional mine. Therefore, the Life of Mine (Sensitivity) Case has a positive not a negative impact on the Reserve Case.

Insofar as the Life of Mine (Sensitivity) Case includes an economic analysis that is based, in part, on inferred mineral resources, the Life of Mine (Sensitivity) Case does not have as high a level of certainty as the reserve case. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would allow them to be categorized as mineral reserves, and there is no certainty that the Life of Mine (Sensitivity) Case will be realized.

The Reserve Case in LHTR10 has been updated by the OTIDOP Reserve Case and is planned to be updated again by DIDOP. The Life of Mine (Sensitivity) Case is also planned to be updated. The Life of Mine (Sensitivity) Case is significant to Entrée because it presents the possible development path that could result in a substantial increase in the mining inventory from additional mines that might be recovered for the Entrée-OTLLC Joint Venture. The mineral resources in Heruga and Hugo North Lift 2 are substantially more than the current Entrée-OT LLC Joint Venture mineral reserve. Figure 11 shows the production profile of the Life of Mine (Sensitivity) Case as it was presented in LHTR10. A plan showing Hugo North Lift 1 & 2 relative to the mining licence boundaries is shown in Figure 12. Figure 13 shows an isometric view of the two lifts.

The LHTR10 which describes the Life of Mine (Sensitivity) Case can be found on www.sedar.com or on the Company website www.entreegold.com.

Figure 9 Ivanhoe TR10 Processing by Source – Life of Mine (Sensitivity) Case

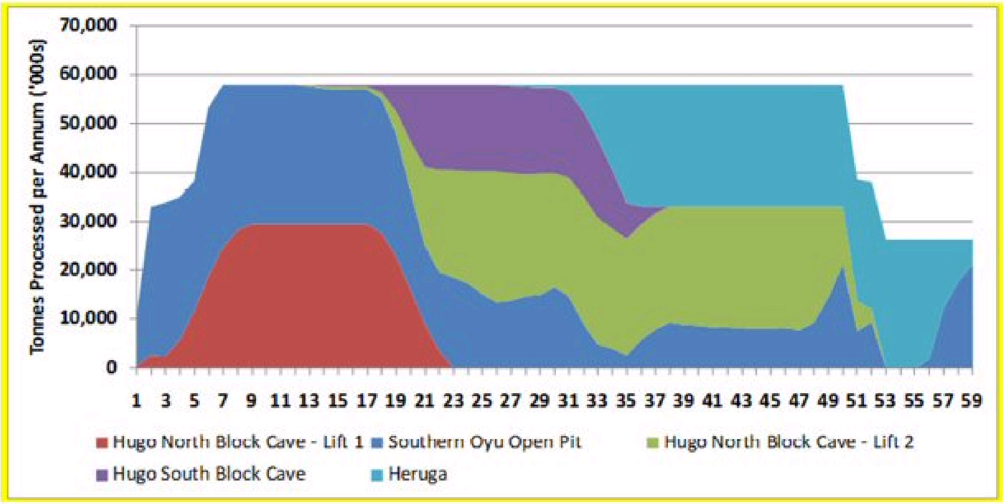


Figure 10 Hugo North Lift 1 & 2

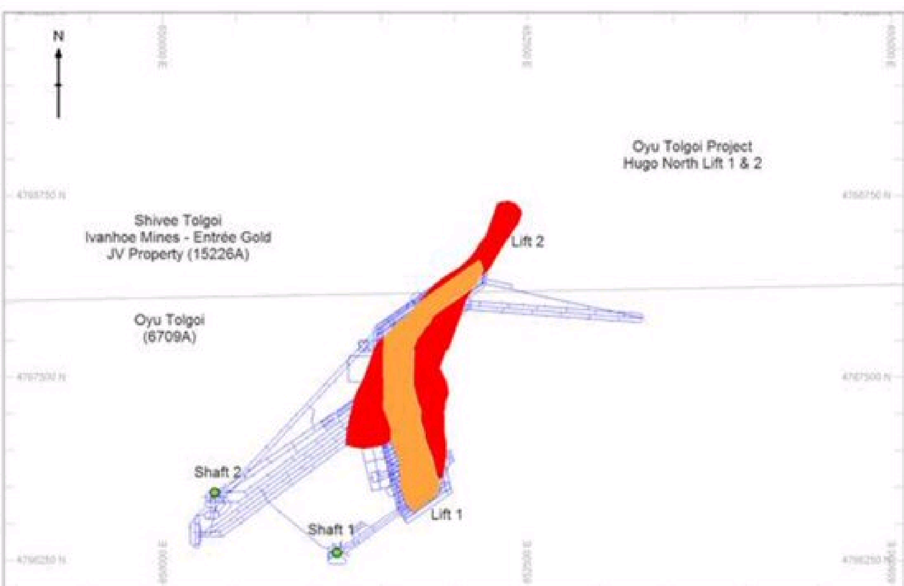
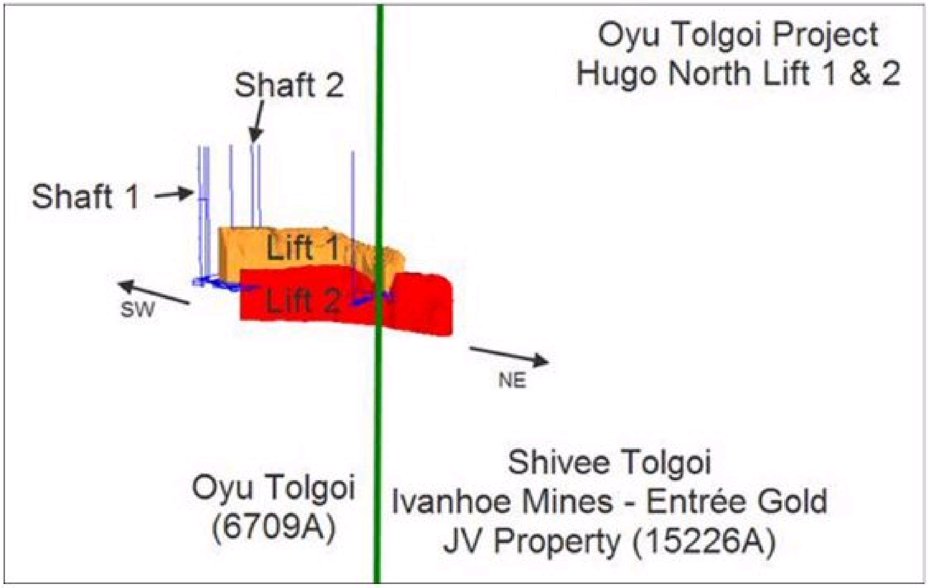


Figure 11 Isometric View of Hugo North Lift 1 & 2



Shivee West

Entrée has a 100% interest in the western portion of the Shivee Tolgoi mining licence.

Shivee West – Exploration

In 2010 exploration work was designed to test for deep Oyu Tolgoi-style copper mineralization, and comprised geological mapping, soil and rock sampling, excavator trenching, geophysical surveying (46.5 line-kilometres of gravity and 1,831 line-kilometres of IP), and a total of 11,664 m of core drilling. Four major and continuous chargeability anomalies were interpreted from the IP survey.

In 2010 mapping and geological work was carried out in five selected areas of the Devonian corridor to determine the occurrence and extent of the Oyu Tolgoi stratigraphy on Shivee West. A total of 4,610 mobile metal ion ("MMI") soil samples were collected over Shivee West Devonian and Carboniferous stratigraphy similar to that exposed at Oyu Tolgoi. This technique is used to detect very low concentrations of elements in bedrock buried below think overburden and cover rocks. Anomalous molybdenum results tend to follow drainages are interpreted as being structure related.

Trenching in 2010 comprised two exploration trenches totalling 107 m dug on the Khoyor Mod target primarily for geological mapping. 131 grab and chip samples were collected for precious metals and base metals analyses, and 34 samples for whole rock analyses.

Activities in 2011 included 1:2,000 geological mapping on specific targets, 1:10,000 mapping of four areas to fill in and revise existing mapping, rock sampling, excavator trenching, magnetometer surveying (1,670 line-kilometres) over the "Devonian Corridor", and RC drilling. Results from the drill program returned significant gold values on Zone III and further to the north in the newly defined Argo Zone.

As part of the 2011 program, mapping was carried out over four selected areas to determine the occurrence and extent of the Oyu Tolgoi stratigraphy on Shivee West.

Nine exploration trenches totalling 1,120 m were dug on Zone III and two trenches totalling 92 m on Zone I. 17 grab and 629 chip samples were collected for precious metals and base metals analyses, and 14 samples for whole rock analyses. Two chip samples on the newly define Argo Zone, north of Zone III returned high grade gold mineralization (42.4 g/t gold over 4 m and 19.3 g/t gold over 3 m).

Entrée carried out a total of 2,470 m of RC drilling in 19 holes, targeting near-surface epithermal gold mineralization of Zone III and its interpreted strike extension to the north. The drilling and chip sampling resulted in a new gold mineralized target, called the Argo Zone, which lies to the north and separate from Zone III. Mineralization is associated with narrow quartz veinlets hosted in rhyolitic volcaniclastic rocks interpreted to be of Carboniferous age.

Gold intercepts in excess of 0.25 g/t gold were encountered in eleven holes, including: hole EGRC-11-112 returned 14 m of 1.82 g/t gold and hole 11-111 returned 3 m of 2.21 g/t gold. Two separate high-grade surface chip samples averaged 42.4 g/t gold over 4 m and 19.3 g/t gold over 3 m.

Shivee West – Sampling, Analysis and Security

Sampling programs on Shivee West have included soil, rock chip, drill core and RC samples. In 2010 and 2011 sampling was limited to drill core, RC and rock chip (trench) samples. All of the sampling was carried out by Entrée personnel or contractors.

Routine sample preparation and analyses in 2010 of Entrée's diamond drill core samples was carried out by SGS Mongolia LLC at the Ulaanbaatar facility, an ISO9000:2001 accredited lab. SGS Mongolia benchmark testing is restricted to confidential internal-SGS round-robins.

In 2011, Entrée submitted 2470 RC chip samples along with 145 duplicate samples, 146 field blanks and 146 standards. All samples have been submitted to Actlabs Asia LLC in Ulaanbaatar, Mongolia for gold and silver analysis by FA/AA methods on a 30 gram sample.

No sample preparation is undertaken in the field. Samples of any type for analytical work are collected in uniquely numbered sample bags with corresponding sample tag inside and stored in a secure facility in the exploration camp until ready for shipment to the lab. Samples are placed in rice bags and shipped by ground transportation using a locked box, keys of which are kept in the exploration camp and at the destination laboratory. A chain-of-command document is used to verify receipt of the samples by the driver and by the analytical laboratory.

UNITED STATES

Ann Mason Project

The Ann Mason Project is Entrée's most advanced project outside of Mongolia. The project area is currently defined by the mineral rights to 1008 unpatented lode claims on public land administered by the Bureau of Land Management, and title to 3 patented lode claims. The project covers a total area of approximately 7,570 ha (18,700 acres). Entrée assembled this package of claims through a combination of staking and a series of transactions undertaken since August 2009, including the acquisition of PacMag. The project area includes the Ann Mason deposit and the Blue Hill oxide target, as well as several early-stage copper porphyry targets located within 12 km of the Ann Mason deposit, including the Blackjack, Roulette and Minnesota targets. Unless otherwise described below, Entrée has a 100% interest in the claims comprising the Ann Mason Project.

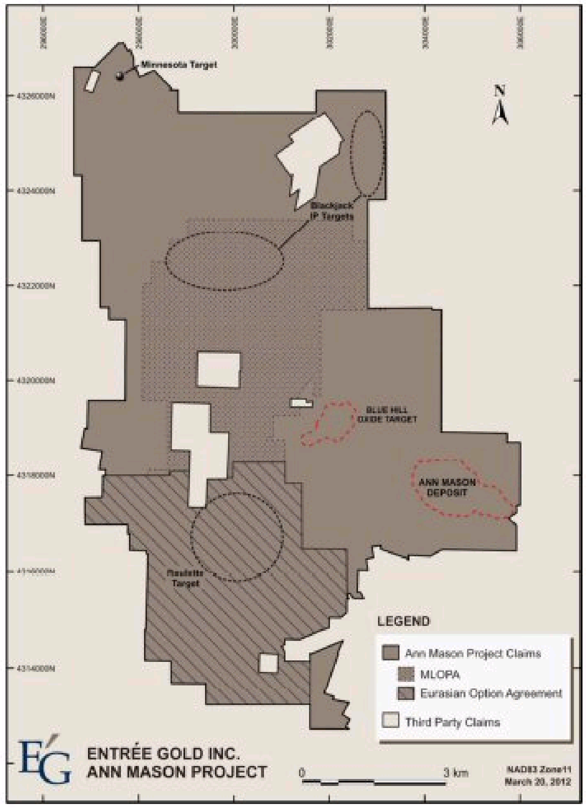
227 of the claims, to the west and north of the Ann Mason deposit and the Blue Hill prospect, are subject to a mining lease and option to purchase agreement ("MLOPA") with two individuals. The agreement provides for an option to purchase the claims for $500,000, a 3% net smelter returns ("NSR") royalty (which may be bought down to a 1% NSR royalty for $2 million) and annual advance minimum royalty payments of $27,500, which commenced in June, 2011 and will continue until the commencement of sustained commercial production.

Entrée entered into an agreement to acquire an interest in the Roulette property in September 2009 with a wholly-owned subsidiary of Eurasian Minerals Inc. ("Eurasian"). Under the terms of the agreement, Entrée may acquire an 80% interest in 214 unpatented lode claims by: (a) incurring expenditures of $1,000,000, making cash payments of $140,000 and issuing 85,000 shares of the Company by October 27, 2012; (b) making aggregate advance royalty payments totaling $375,000 between the fifth and tenth anniversaries; and (c) delivering a bankable feasibility study before the tenth anniversary of the agreement. To date, Entrée has incurred minimum expenditures of $600,000, made cash payments totaling $140,000 and issued 85,000 shares.

Three of the claims are subject to a purchase and sale agreement which is expected to close by September 2012.

Entrée's exploration work on the Ann Mason Project has primarily been focused on upgrading and expanding the mineral resources of the Ann Mason deposit, outlining new copper-oxide and sulphide mineralization at Blue Hill and identifying and drill testing new copper targets on other areas of the Project.

Figure 12 - Ann Mason Project Map



In January 2010, the Company released a resource estimate on the Ann Mason deposit of 810 Mt averaging 0.40% copper (using a 0.30% copper cut-off), estimated to contain over 7 billion pounds of copper. Since the Company acquired PacMag in June 2010, Entrée has drilled an additional 30,000 metres. The Company released an updated resource estimate on the Ann Mason copper deposit in March 2012. The Ann Mason deposit is estimated to contain an indicated resource of 640 Mt averaging 0.41% CuEq (at a 0.3% copper cut-off) estimated to contain 5.38 billion pounds of copper and 100 million pounds of molybdenum, and an inferred resource of 444 Mt averaging 0.38% CuEq (at a 0.3% copper cut-off) estimated to contain 3.54 billion pounds of copper and 40 million pounds of molybdenum.

The following information was taken from "Technical Report and Updated Mineral Resource Estimate, Ann Mason Project, Nevada, USA" with an effective date of March 26, 2012 ("AMTR12"). This report was prepared by Robert Cinits, P. Geo., the Director, Technical Services for Entrée; Scott Jackson, F.AusIMM, a principal of QG and Lyn Jones, P. Eng., a senior associate metallurgist for AGP Mining Consultants Inc. A copy of AMTR12 is filed on SEDAR at www.sedar.com. AMTR12 forms the basis for the information in this AIF regarding the Ann Mason Project. Portions of the information are based on assumptions, qualifications and procedures, which are not fully described herein. Reference should be made to the full text of AMTR12.

Location, Accessibility, Climate and Local Resources

The Ann Mason Project is located in west-central Nevada, approximately 75 km southeast of Reno, 45 km southeast of Carson City, the capital of Nevada, and 7 km west of the town of Yerington. It is centered at approximately latitude 38°60' 00" N and longitude 119°18' 00 W, within both Douglas and Lyon counties.

Both the Ann Mason copper-molybdenum deposit and Blue Hill copper-oxide target are located approximately 2 km apart in the southeast portion of the project, where topography is mostly rolling mountains, with occasional steep slopes and wide, open valleys. Elevations range from roughly 1,400 to 1,940 masl. Roulette, Blackjack, Blackjack Northeast and Minnesota are all early-stage targets. Access is very good to all parts of the project and work can be completed all year round in a desert environment with hot dry summers and cool winters with occasional snow.

Reno is the closest major city, whose international airport has daily flights to various international and domestic destinations. Yerington (population 3,300) is the closest city to the project, and can be accessed from Reno along 132 km of paved highway (approximately 1.5 hours). Yerington is about 7 km east of the project boundary and has an economy primarily based on agriculture and ranching. Mining was also significant between the 1950s and early 1980s. Although Yerington has limited services for an advanced project, basic consumables and accommodations are available there.

Northwest Nevada has a well-developed network of paved highways and secondary roads. Highway 95 links Yerington to the interstate highway system. The nearest access to the rail network is located at Wabuska, 19 km north of Yerington. There is a small airport in Yerington with a 1.8 km paved runway but no regular scheduled flights. Yerington is connected to the State power grid and there is a power substation located in Weed Heights, adjacent to the former Yerington mine, 2.5 km east of the project.

The nearest known sources of water are the Walker River, located about 5.5 km east of the project, and the northern portion of Smith Valley, 7 km southwest of Ann Mason.

History

Anaconda explored the Ann Mason Project area between 1956 and 1975, with the bulk of the work focused on the Ann Mason deposit area. During 1969 and 1970, approximately 78,000 feet (~23,775 m) of drilling was done, delineating the initial resources for the Ann Mason deposit. Anaconda also completed geophysical surveys and preliminary metallurgical testwork and the initial drill holes over the Blue Hill oxide target.

Other companies, including Phelps Dodge, Mount Isa Mines (MIM), Lincoln Gold, PacMag and Honey Badger completed exploration programs over the project between 1995 and 2009, including varying amounts of RC and/or core drilling. The historical drilling completed on the project is summarized in the Table 6 below:

Table 6 - Ann Mason Historical Drilling

Date	Target	Company	No. Drill Holes (core or RC)	Metres (m)
1967 – 1980	Ann Mason	Anaconda	103	40,577.2
1990	Ann Mason	Arimetco	1	170.7
2002	Ann Mason	MIM	5	914.4
2006 - 2008	Ann Mason	PacMag	12	6,972.9
Subtotal (Ann Mason)			121	48,635.2
1968 - 1970	Blue Hill	Anaconda	12	2,546.8
1995	Blue Hill	Phelps Dodge	4	609.6
2007 - 2008	Blue Hill	PacMag	5	2,648.3
Subtotal (Blue Hill)			21	5,804.7
2008	Minnesota	PacMag	3	560
TOTAL		All Companies	145	54,999.9

Geological Setting and Mineralization

Ann Mason

The Ann Mason deposit has the characteristics of a typical, large copper-molybdenum porphyry system. Projected to the surface, the 0.15% copper envelope covers an area approximately 2.3 km northwest and up to 1.3 km northeast. The known extent of the envelope is more than a kilometre below the surface. The mineralization remains open in most directions.

The deposit is hosted by lithologies from several phases of the Yerington batholith, including, granodiorite (Jgd), porphyritic quartz monzonite (Jpqm), quartz monzonite (Jqm) and younger quartz monzonite porphyry dykes (Qmp-a, Qmp-b and Qmp-c). Copper mineralization occurs within two primary mineral assemblages: a broad zone of main-stage potassic alteration containing chalcopyrite and bornite; and an overprinted assemblage of chalcopyrite-epidote or chalcopyrite-epidote-quartz.

Within the 0.15% copper envelope the highest grades occur within a 200 to 800 m thick, west-plunging zone that surrounds the intrusive contact between granodiorite and porphyritic quartz monzonite. Within this zone the highest copper grades are dependent on vein density, sulphide species, frequency and relative age of quartz monzonite porphyry dykes and the mafic content of the granodiorite. Mineralization is closely associated with Qmp-a and Qmp-b quartz monzonite porphyry dykes.

Sulphide domains within the deposit include:

- an outer pyrite-dominated shell (less than 0.10% copper),
- varying ratios of pyrite that is greater than chalcopyrite (0.10 to 0.2% copper),
- chalcopyrite that is greater than or equal to pyrite (0.2 to 0.5% copper),
- chalcopyrite (0.2 to 0.5% copper),
- chalcopyrite-bornite (0.3 to 0.6% copper).

Of these domains, the chalcopyrite and chalcopyrite-bornite are the most dominant in terms of overall deposit tonnage; however the chalcopyrite "greater than or equal to" pyrite domain provides significant tonnage in the northwest portion of the deposit, where recent interpretations show this domain to be more than 600 m thick, grading above 0.30% copper.

Molybdenum occurs in several of the copper domains, primarily as molybdenite in quartz veins and on fracture or shear surfaces as molybdenum paint. Quartz-chalcopyrite-molybdenite and quartz-molybdenite veins are both present. In quartz veins, molybdenum occurs as disseminations, center-line segregations and borders or selvages.

Alteration types include a broad, main-stage zone of potassic alteration (secondary biotite, K-feldspar), an outer propylitic zone (chlorite and epidote occurring with pyrite) and restricted late-stage overprints of chlorite, sodic (albite or albite + chlorite), sericite, zeolite and gypsum.

Late-stage sodic and sericite alteration occur along late, high-angle faults and as local, pervasive alteration of rocks. In areas of strong (greater than 15%) albite or sericite alteration, the copper grades can locally be greatly reduced, resulting in copper grades less than 0.2% and in places, less than 0.05%. Molybdenum mineralization is not significantly affected by the late sodic alteration, beyond partial remobilization from veins into nearby fractures and shears.

Within the Yerington district, Mesozoic host rocks and copper-molybdenum porphyry deposits have been rotated 60-90º westward by Miocene age normal faulting and extension. As a result, mineralized intercepts in vertical drill holes through Ann Mason represent approximately horizontal intervals across the original pre-tilt geometry of the deposit.

Two prominent structures form structural boundaries to the Ann Mason resource:

- The relatively flat Singatse Fault truncates the upper surface of the 0.15% copper envelope over most of the northern part of the deposit and juxtaposes sterile, Tertiary volcanic rocks on top of the mineralized intrusives.

- A high-angle, northwest-trending, southwest dipping fault located along the southwest margin of the resource juxtaposes chlorite-altered rocks with pyrite mineralization in the hanging wall against potassically altered rocks with copper-molybdenum mineralization in the footwall. Copper-molybdenum mineralization in the footwall remains open at depth along the entire strike length of the fault.

Other late, high-angle faults, either with or without sodic or sericite alteration cross the deposit in various orientations.

<u>Blue Hill Target</u>

The Blue Hill Target is about 2 km northwest of Ann Mason and occurs in a very similar geologic environment. Two main styles of porphyry mineralization have been identified here:

- near surface, oxide/mixed-copper mineralization,

- underlying copper-molybdenum sulphide mineralization.

Mineralization at both is hosted primarily by granodiorite and quartz monzonite, with lesser amounts of porphyritic quartz monzonite and quartz monzonite porphyry. The low-angle, southeast dipping Blue Hill fault strikes northeast through the middle of the target, cutting off a portion of the near-surface oxide mineralization. However, sulphides continue below the fault to the southeast.

The oxide zone is exposed on surface and has been traced by drilling as a relatively flat-lying zone covering an area of about 800 by 500 m, and continuing for several hundred metres further to the west as a thinner zone. Significant copper oxides, encountered in both RC and core drill holes extend from surface to an average depth of 124 m. Oxide copper mineralization consists of malachite, rare azurite, black copper-manganese oxides, copper sulphates and copper-bearing limonites. Mineralization occurs primarily on fracture surfaces and in oxidized veins or veinlets. A zone of mixed oxide/sulphide mineralization with minor chalcocite is present below the oxide mineralization to depths of 185 m. The copper oxide zone remains open to the northwest and southeast.

Oxide copper mineralization at Blue Hill is interpreted to be the result of in-place oxidation of copper sulphides with only minor transport of copper into vugs, fractures and faults or shear zones. No significant zones of secondary enrichment have been observed.

The copper-mineralized sulphide zone underlies the southern half of the oxide mineralization and continues to depth to the southeast below the Blue Hill fault. Mineralization consists of varying quantities of chalcopyrite, pyrite, magnetite and molybdenite. Local, higher grade sulphide mineralization commonly occurs within zones of sheeted veins containing chalcopyrite, magnetite and secondary biotite. Significant amounts of disseminated molybdenum mineralization have been observed locally, often in contact with dykes. To the northwest, below the oxides only a few holes have tested the sulphide potential, however in this direction the sulphides appear to be increasingly pyritic with only minor amounts of copper.

Alteration assemblages are similar to Ann Mason except that original zoning is difficult to discern in areas of pervasive oxidation. Within zones of sulphide mineralization, propylitic alteration is more widespread and potassic alteration is more restricted to quartz monzonite porphyry dykes and immediately adjacent rocks of the Yerington batholith. Late stage sodic alteration locally reduces copper grades, similar to what has been observed at Ann Mason.

The sulphide mineralization remains a very early-stage target, with only a few widely-spaced core holes testing it. It remains open to the southeast, towards Ann Mason.

Exploration

Entrée has been actively exploring the Ann Mason Project continuously since early 2010, focused primarily on drilling at the Ann Mason deposit and Blue Hill target.

At Ann Mason, drilling has concentrated on expanding and upgrading the mineral resources within the 0.15% copper envelope, and defining zones of higher grade mineralization. At Blue Hill, drilling was primarily by RC, designed to test the extent of shallow oxide copper mineralization, but also to establish the potential for deeper, sulphide mineralization.

PacMag conducted a soil program over the Blue Hill target in 2010, in-filling the data points from their previous survey. In total, 72 samples were collected resulting in a 100-metre sample spacing. Combined with the soil geochemical results acquired from Honey Badger, the program outlined a zone of anomalous copper values that trend about two km northwest (away from the Blue Hill fault) and over a width of approximately 1.3 km.

In August 2010, a dipole-dipole IP and resistivity survey was conducted on the Ann Mason deposit and Blue Hill target of the project. The survey was contracted to Zonge Engineering and Research Organization (Zonge). A total of 52.2 line-kilometres were surveyed over ten north-south lines. The chargeability results show a strong 1.5 km wide anomaly extending northwestward from Ann Mason to beyond Blue Hill. The current 0.15% copper envelope occurs at the southeastern limit of the chargeability anomaly and then continues northwest along the central portion of the anomaly. A large portion of the anomaly remains untested by drilling.

The diamond drill program currently ongoing at Ann Mason is designed to increase both the size and confidence of the resource model. To date, 27 holes totalling approximately 30,000 m have been completed and all have been incorporated into the current mineral resource estimate. All sampling from Entrée's drilling includes copper, molybdenum, gold and silver analyses.

A selection of some of the best results from Entree's drilling at the Ann Mason deposit is provided in Table 7:

Table 7 – Selected Significant Drill Intercepts – Ann Mason Deposit

	From (m)	To (m)	Length (m)	Cu %	Au g/t	Ag g/t	Mo %	CuEq* %
EG-AM-10-001	214	1202	988	0.31	0.04	0.76	0.010	0.38
including	472	812	340	0.40	0.06	1.10	0.016	0.51
including	608	646	38	0.60	0.12	2.09	0.018	0.75
EG-AM-10-003	436	1078	642	0.35	0.03	0.65	0.012	0.42
including	714	838	124	0.58	0.06	1.32	0.021	0.71
EG-AM-11-005	139	496	357	0.39	0.05	1.01	0.004	0.44
including	318	450	132	0.52	0.09	1.66	0.002	0.58
EG-AM-11-009	66	768	702	0.41	0.03	0.96	0.011	0.49
including	268	396	128	0.52	0.02	0.74	0.012	0.59
and	554	768	214	0.48	0.07	1.92	0.017	0.60
EG-AM-11-012	658	1096	438	0.38	0.01	0.46	0.004	0.41
including	696	910	214	0.47	0.01	0.58	0.005	0.50
EG-AM-11-013	80	764	684	0.34	0.04	0.88	0.016	0.43
including	290	558	268	0.41	0.05	1.24	0.023	0.54
and	680	764	84	0.40	0.09	1.69	0.012	0.50
EG-AM-11-014	203	1048	845	0.30	0.05	1.14	0.004	0.35
including	570	784	214	0.40	0.07	2.24	0.005	0.47
and	910	1010	100	0.37	0.07	1.31	0.011	0.46
EG-AM-11-015	240	1138	898	0.32	0.01	0.37	0.004	0.35
including	332	488	156	0.41	0.02	0.63	0.004	0.45
and	644	720	76	0.41	0.00	0.45	0.006	0.45
and	944	1024	80	0.58	0.02	0.69	0.002	0.61
EG-AM-11-020	334	1093	759	0.45	0.02	0.35	0.007	0.49
EG-AM-11-023	132	1030	898	0.33	0.02	0.44	0.011	0.39
including	314	408	94	0.41	0.02	0.33	0.006	0.44
and	736	892	156	0.51	0.06	1.06	0.023	0.64
EG-AM-11-024	244	1026.5	782.5	0.35	0.03	0.49	0.009	0.41
including	244	528	284	0.54	0.04	0.54	0.003	0.58
EG-AM-12-026	314	1032	718	0.37	0.01	0.41	0.006	0.40
including	542	592	50	0.56	0.02	0.70	0.013	0.63
and	660	710	50	0.48	0.01	0.35	0.007	0.52
and	804	1020	216	0.48	0.01	0.46	0.009	0.53
EG-AM-12-027	484	1054	570	0.38	0.02	0.48	0.005	0.41
including	548	658	110	0.47	0.02	0.63	0.007	0.51
and	696	840	144	0.44	0.02	0.41	0.006	0.48

*CuEq is calculated using assumed metal prices of: copper $2.50/lb; molybdenum $15.00/lb; gold $1000/oz; and silver $15.00/oz and assumed metallurgical recoveries relative to copper of: molybdenum 70%; gold 85%; and silver 85%.

Fourteen RC exploration holes were drilled on the Blue Hill copper oxide target in 2010 and an additional 10 RC holes plus 4 core holes were completed in 2011. The Blue Hill drill program successfully outlined copper oxide mineralization over an area of 800 by 500 m, and has partially defined a sulphide mineralized porphyry target that partially underlies the oxides and remains open to the southeast.

A selection of some of the best results from Entrée's drilling at Blue Hill is provided on Table 8:

Table 8 - Selected Significant Drill Intercepts – Blue Hill Target

HOLE NUMBER	From (m)	To (m)	Width (m)	Cu (%)	Mo (%)	CuEq** (%)	Comment	Hole Type
EG-BH-10-001*	18.29	182.88	164.59	0.18			Oxide/Mixed/Sulphide	RC
including	18.29	44.20	25.91	0.26			Oxide	
and	59.44	99.06	39.62	0.21			Oxide	
and	105.16	109.73	4.57	0.31			Oxide	
and	164.59	172.21	7.62	0.38			Mixed	
EG-BH-10-003*	7.62	68.58	60.96	0.19			Oxide	RC
including	56.39	64.01	7.62	0.38			Oxide	
	129.54	156.97	27.43	0.28			Mixed/Sulphide	
	176.78	184.40	7.62	0.13			Sulphide	
EG-BH-10-005	85.34	106.68	21.34	0.40	0.014		Mixed	RC
including	92.96	106.68	13.72	0.48	0.018		Mixed	
EG-BH-10-009	12.19	163.07	150.88	0.18			Oxide/Mixed	RC
including	12.19	39.62	27.43	0.36			Oxide	
and	111.25	118.87	7.62	0.15	0.019		Oxide	
EG-BH-11-015*	18.00	184.00	166.00	0.18			Oxide/Mixed	Diamond
	184.00	191.26	7.26	0.31			Mixed/Sulphide	
EG-BH-11-016*	18.00	198.00	180.00	0.18			Oxide/Mixed	Diamond
	198.00	214.28	16.28	0.13			Sulphide	
EG-BH-11-017	8.00	144.00	136.00	0.16			Oxide/Mixed	Diamond
including	8.00	78.00	70.00	0.21			Oxide	
and	106.00	144.00	38.00	0.15			Mixed	
EG-BH-11-018	4.00	108.00	104.00	0.17			Oxide	Diamond
including	4.00	82.00	78.00	0.19			Oxide	
EG-BH-11-019***	176.00	190.00	14.00	0.24	0.001	0.25	Sulphide	Diamond
	238.00	882.00	644.00	0.19	0.007	0.22	Sulphide	
including	238.00	452.00	214.00	0.24	0.008	0.28	Sulphide	
and	764.00	882.00	118.00	0.18	0.017	0.26	Sulphide	
EG-BH-11-020	51.82	57.91	6.09	0.17			Oxide	RC
EG-BH-11-021***	218.00	484.00	266.00	0.18	0.003	0.19	Sulphide	Diamond
including	364.00	484.00	120.00	0.24	0.003	0.25	Sulphide	
and	532.00	588.00	56.00	0.04	0.046	0.23	Sulphide	
EG-BH-11-026	67.06	152.40	85.34	0.21			Oxide/Mixed	RC
EG-BH-11-027*	68.58	179.83	111.25	0.23			Oxide/Mixed	RC
	179.83	188.98	9.15	0.24			Sulphide	
EG-BH-11-028*	114.30	140.21	25.91	0.24		0.001	Mixed	RC
	140.21	152.40	12.19	0.26		0.001	Sulphide	
EG-BH-11-030	54.86	198.12	143.26	0.21			Oxide/Mixed	RC
including	54.86	135.64	80.78	0.25			Oxide/Mixed	
	201.17	240.79	39.62	0.18			Sulphide	
EG-BH-11-031*	22.22	33.53	11.31	0.31		0.001	Oxide	Diamond

* Drill holes ending in copper mineralization

** Copper equivalent is calculated using assumed metal prices of: copper $2.50/lb; molybdenum $15.00/lb; gold $1000/oz; and silver $15.00/oz and assumed recoveries relative to copper of: molybdenum 70%; gold 85%; and silver 85%.

*** Reported gold and silver values for holes EG-BH-11-019 and 021 are not shown above, however weighted average intervals are in the range of 0.003 to 0.009 g/t gold and 0.08 to 0.35 g/t silver. The copper equivalent calculation includes these gold and silver values.

Drilling conducted by Entrée has been accompanied by a thorough QA/QC program, which currently includes the regular insertion of coarse blanks, core twins, coarse duplicates, pulp duplicates and standards with each batch. A review of the regular QC data indicates that the copper and molybdenum assays are of acceptable precision and accuracy to be used in the mineral resource estimate.

At the completion of the assaying, a percentage of the pulps are sent to an independent secondary laboratory for check assays. This program was still on-going at the time of the AMTR12, however initial batches indicate no significant bias between the primary and secondary labs for both copper and molybdenum grades. A portion of the Anaconda historical core was re-assayed by PacMag and no significant bias was noted for either copper or molybdenum between the two sampling campaigns. Entrée has initiated a program of re-sampling and assaying an additional 13,700 m of Anaconda core (approximately 5,200 samples) from 41 historical drill holes. This includes additional core from 19 of the 23 drill holes re-sampled by PacMag and core from 22 holes selected by Entrée to provide more uniform coverage within the deposit. The purpose of the re-assay work is to increase the database of molybdenum, gold and silver assays and to allow these to be brought into future estimates.

Metallurgical Testwork

Metallurgical testwork conducted in 2011 at Metcon Research in Tuscon has indicated that the Ann Mason ore is amenable to concentration by conventional grinding and froth flotation. Locked cycle testing of two composites, representing the chalcopyrite, and chalcopyrite-bornite domains, resulted in copper recovery to final concentrate in excess of 93%, at saleable concentrate grades, and with no penalty elements identified. Good liberation of sulfide minerals was achieved at a moderate primary grind P80 of 100 µm. The potential for producing a separate molybdenum concentrate has also been investigated, but larger scale testing is required in order to generate grade and recovery estimates, as a result of the low sample head grade.

On-going metallurgical testwork on the Ann Mason deposit includes locked-cycle flotation of composite samples from the chalcopyrite-pyrite domain and grindability testing. In addition, column leaching tests are also in progress on samples from the Blue Hill oxide and oxide-sulfide zones.

Mineral Resource Estimate

The Ann Mason property contains a NI 43-101 compliant indicated resource of 640 Mt at 0.41% CuEq (at a 0.3% copper cut-off) for 5.38 billion pounds of contained copper and 100 million pounds of contained molybdenum, and an inferred resource of 444 Mt at 0.38% CuEq (at a 0.3% copper cut-off) for 3.54 billion pounds of contained copper and 40 million pounds of contained molybdenum (Table 8).

The mineral resources at the Ann Mason deposit were estimated by Scott Jackson, of QG. The estimate incorporates most of the historical drilling at Ann Mason and Entrée drilling to hole EG-AM-12-027. The effective date of the mineral resource estimate is March 6, 2012.

Approximately 30,000 metres of new drilling in 27 holes were analyzed and evaluated in conjunction with 50,200 metres (119 holes) of historic drilling to prepare this resource estimate. This estimate also includes re-assay results from portions of 23 holes sampled by PacMag Metals in 2006 and portions of two holes sampled by Entrée in 2011. Deposit geology, structure, alteration and sulphide zoning have been reinterpreted and modelled based on the integration of historic data with current drilling results.

The basic parameters of the estimate are as follows:

- A single estimation domain for copper was created based on using an approximate 0.15% copper threshold that continues approximately 150 m from the outermost drill holes. The mineralization is still open in most directions.
- A similar but smaller domain was built for molybdenum using a 0.005% threshold.
- Assays were composited to 5 m in line.
- Copper and molybdenum variograms show that there is not a high degree of anisotropy; there is a moderate nugget effect and ranges up to 300 m were modelled.

- Estimation parameters were chosen based on Quantitative Kriging Neighbourhood Analysis ("QKNA"). For copper, searches were oriented similar to the faults striking northeast. Inside the copper domain, composites above 2% were given a restricted range of influence (40 m). For molybdenum a similar strategy was applied at 0.01% molybdenum.
- Estimation of 40 x 40 x 15 m blocks was by Ordinary Kriging.
- A single bulk density value was used inside the copper domain (2.59) and two average density values outside that domain (2.61 in quartz monzonite and 2.57 in granodiorite).
- The resource was classified using a number of factors, taking into account confidence in the model, data spacing and various complimentary geostatistical parameters, as follows:

  - Indicated: Material inside the 0.15% copper domain, with a spacing of approximately 100 x 75 or less and a slope of regression (a measure of conditional bias) above 0.7.

  - Inferred: Material inside the 0.15% copper domains with a spacing of greater than 100 m but less than 175 m (i.e. the rest of the copper domain).

  - Not Classified: all material outside the 0.15% copper domain.

- The Ann Mason mineral resource has not been constrained by an economic pit shell, but QG's review of the geometry and depth of the deposit, as well as the grade distribution and cut-off grades and comparison of these to similar-style deposits world-wide demonstrates that the inferred and indicated material has reasonable prospects for eventual economic extraction.

The following table summarizes the mineral resource for the Ann Mason deposit produced in the AMTR12. The resource estimate for the Ann Mason deposit is effective as of March 6, 2012. Readers are cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Table 9 – Ann Mason Deposit Mineral Resource Estimate

Cut-off Cu (%)	Indicated Resources					
	Tonnes (million)	Cu (%)	Mo (%)	lb Cu (billion)	lb Mo (billion)	CuEq* (%)
0.2	1,115	0.33	0.007	8.04	0.16	0.35
0.25	904	0.35	0.007	6.98	0.13	0.38
0.3	640	0.38	0.007	5.38	0.10	0.41
0.35	391	0.42	0.007	3.60	0.06	0.45
0.4	201	0.46	0.008	2.04	0.03	0.49

Cut-off Cu (%)	Inferred Resources					
	Tonnes (million)	Cu (%)	Mo (%)	lb Cu (billion)	lb Mo (billion)	CuEq* (%)
0.2	1,131	0.29	0.004	7.31	0.11	0.31
0.25	780	0.32	0.004	5.56	0.07	0.34
0.3	444	0.36	0.004	3.54	0.04	0.38
0.35	215	0.40	0.004	1.90	0.02	0.42
0.4	82	0.45	0.005	0.82	0.01	0.47

*Copper equivalent is calculated using assumed metal prices of: copper $2.50/lb; and molybdenum $15.00/lb and assumed metallurgical recoveries relative to copper of: molybdenum 70%.

Current Exploration Program

Step-out drilling continues on the northern and western margins of the Ann Mason deposit.

Entrée has retained the services AGP Mining Consultants Inc., of Toronto, Canada to begin preparation of a PEA for the Ann Mason deposit and the Blue Hill oxide target. Re-assaying of portions of the historical Anaconda core is also underway. Entrée plans to incorporate assay results for molybdenum, gold and silver from these historic drill holes into future mineral resource estimates and the PEA.

Entrée has forwarded two additional composites of core samples from the pyrite-chalcopyrite domain at Ann Mason to METCON Research in Tucson for additional metallurgical testing. This round of testing will help further refine flotation parameters to be used in the PEA.

NON-MATERIAL PROPERTIES

Entrée has interests in other non-material properties in the United States, Australia and Peru as follows. For additional information regarding these non-material properties, including Entrée's ownership interest and obligations, see the Company's Management's Discussion and Analysis for the financial year ended December 31, 2011, which is available on SEDAR at www.sedar.com.

- Lordsburg and Oak Grove Properties, New Mexico. Work on the 1,435 hectare Oak Grove property to date has consisted of permitting, negotiation of access agreements, a 17 line-kilometre IP survey and a 50 line-kilometre magnetic survey. The work defined moderate chargeability anomalies associated with a strong, circular magnetic feature. No work was completed in 2011 but drill testing of the target is planned for 2012.

  The Lordsburg claims cover 2,013 ha adjacent to the historic Lordsburg copper-gold-silver district in New Mexico. Drilling at Lordsburg has been successful in discovering a new porphyry copper-gold occurrence in an area previously known only for vein-style gold mineralization. No work was completed in 2011. Future drilling will be directed towards expanding the existing drill defined copper and gold zone.

- Shamrock Property, Nevada. The Shamrock property is a copper skarn exploration target located in the Yerington copper porphyry district in western Nevada, approximately 5 km southeast of the Ann Mason Project.

- Eagle Flats Property, Nevada. The Eagle Flats property consists of 58 unpatented lode claims, 65 kilometres east of Yerington, in Mineral County, Nevada.

- Sentinel Property, North Dakota. The Sentinel uranium exploration property consists of a mineral lease of approximately 2,100 ha which includes the Church uranium deposit, and two nearby non-contiguous prospecting permits covering approximately 1,160 ha.

- Blue Rose Joint Venture, Australia. The Blue Rose copper-iron-gold-molybdenum joint venture property covers exploration licence EL 3848 in the Olary Region of South Australia, 300 kilometres north-northeast of Adelaide. Magnetite iron formations occur in the southern portion of this 1,000 square kilometre tenement, and a zone of copper oxide mineralization and a gold target (Golden Sophia) are located in the north-central area of the tenement.

  A soil sampling program was completed over the Golden Sophia shallow gold target in August 2011. The survey confirmed the previous Battle Mountain gold in soil anomaly and defined a new, linear gold anomaly located approximately 700 m to the northeast. An RC drill program is planned for the first quarter of 2012 after completion of all native title requirements. On September 22, 2011, the joint venture filed notice to initiate negotiations with native title parties, as required under the Mining Act of South Australia. Drilling may not commence until either an ex parte order has been obtained or a native title and heritage agreement has been concluded.

- Mystique Farm-Out, Australia. Mystique is an early stage gold exploration property comprised of exploration licence E28/1915, held by Entrée. The property is located in the Albany-Fraser Province of West Australia.

- Lukkacha Property, Peru. The Lukkacha property is located in Tacna Province of southeastern Peru. The property consists of seven concessions totalling 4,400 ha which cover two large areas of surface alteration, iron oxides and quartz veining approximately 50 kilometres along the structural trend southeast from the giant Toquepala mining operation of Grupo Mexico. The property has never been drilled and represents a unique opportunity for early stage exploration within an under-explored major copper district. The property is situated within 50 kilometres of the international border with Chile, and initiation of further exploration (geophysics and drilling) is subject to Entrée obtaining a Supreme Decree allowing it to work on the property.

RISK FACTORS

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

An investment in the Company's Common Shares involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this AIF in evaluating Entrée and our business before purchasing the Company's Common Shares. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below are not the only ones facing Entrée. 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 The Development of the Oyu Tolgoi Mining Complex.

The Joint Venture Property forms part of the Oyu Tolgoi mining complex. As a result, certain risk factors associated with the development of the Oyu Tolgoi mining complex are also applicable to Entrée and may adversely affect Entrée, including the following.

There can be no assurance that OTLLC will be capable of raising the additional funding that it needs to complete the development of the Oyu Tolgoi mining complex, including the Hugo North Extension and Heruga deposits.

OTLLC's existing financial resources are insufficient to meet all anticipated development expenditures required to advance the Oyu Tolgoi mining complex to the commencement of commercial production. There can be no assurance that OTLLC will be capable of raising the additional funding that it needs. Failure to obtain sufficient additional funding would likely have a material adverse impact on OTLLC's ability to maintain the current development schedule for the Oyu Tolgoi mining complex.

Development of the Oyu Tolgoi mining complex may involve unexpected problems or delays.

There are a number of uncertainties inherent in the development and construction of any new mine, including the Oyu Tolgoi mining complex. These uncertainties include: the timing and cost, which can be considerable, of the construction of mining and processing facilities; the availability and cost of skilled labour, power and transportation; the annual usage costs to the local province for sand, aggregate and water; the availability and cost of appropriate smelting and refining arrangements; the need to obtain necessary environmental and other government permits, and the timing of those permits; and the availability of funds to finance construction and development activities. The cost, timing and complexities of mine construction and development are increased by the remote location of the Oyu Tolgoi mining complex. It is common in new mining operations to experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there is no assurance that future development activities will result in profitable mining operations.

Lack of sufficient sophisticated electrical power and transportation infrastructure in proximity to the Oyu Tolgoi mining complex could adversely affect mining feasibility.

The Oyu Tolgoi mining complex is located in an extremely remote area in the South Gobi region of Mongolia, which currently lacks basic infrastructure, including sources of electrical power, housing, food and transport necessary to develop and operate a major mining project. While the Oyu Tolgoi mining complex has established the limited infrastructure, including diesel-generated power, necessary to conduct its current exploration and development activities, substantially greater sources of electrical power, physical plant and transportation infrastructure in the area will need to be established before mining operations are conducted. In addition, satisfactory agreements for the purchase of electrical power will have to be entered into, and any necessary government approvals or licences obtained. Lack of availability of the means and inputs necessary to establish such infrastructure may adversely affect mining feasibility. Establishing such infrastructure will, in any event, require significant financing, identification of adequate sources of raw materials and supplies and cooperation from international, national and regional governments, none of which can be assured.

Development of the Joint Venture Property may be delayed by OTLLC in favour of development of the Oyu Tolgoi licence.

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

Legal and Political Risks

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

Although the Shivee Tolgoi and Javhlant licences in Mongolia are included in the contract area for the Investment Agreement, Entrée's interest in the Joint Venture Property and Shivee West are not covered by the Investment Agreement. There can be no assurance that Entrée's assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. In addition, there can be no assurance that neighbouring countries' political and economic policies in relation to Mongolia will not have adverse economic effects on the development of the Lookout Hill property, including the ability to access power, transport and sell product and access labour, supplies and materials.

There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would be effective to restore the full value of Entrée's original investment or to compensate for the loss of the current value of its interest in the Lookout Hill property. Entrée's interest in the Lookout Hill property may be affected in varying degrees by, among other things, government regulations with respect to restrictions on production, price controls, export controls, income taxes, environmental legislation, mine safety and annual fees to maintain mining licences in good standing. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. Although some legal title risks in respect of Lookout Hill may be mitigated by the fact that the licences are included in the contract area of the Investment Agreement, there may still be ambiguities, inconsistencies and anomalies in the agreements, licences and title documents through which Entrée holds its interest in the Lookout Hill property, or the underlying legislation upon which that interest is based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of Entrée's rights and obligations. Local institutions and bureaucracies responsible for administering laws may lack a proper understanding of the laws or the experience necessary to apply them in a modern business context. Many laws have been enacted, but in many instances they are neither understood nor enforced and may be applied in an inconsistent, arbitrary and unfair manner, while legal remedies may be uncertain, delayed or unavailable. For decades, Mongolians have looked to politicians and bureaucrats as the sources of the "law". This has changed in theory, but often not in practice. With respect to most day-to-day activities in Mongolia, government civil servants interpret, and often effectively make, the law. This situation is gradually changing but at a relatively slow pace. Accordingly, while Entrée believes that it has taken the legal steps necessary to obtain and hold its interest in Mongolia, there can be no guarantee that such steps will be sufficient to preserve that interest.

Entrée's rights to use and access certain land area could be adversely affected by the application of Mongolia's Resolution 175.

In June 2011, the Government of Mongolia passed Resolution 175, the purpose of which is to authorize the designation of certain land areas for "state special needs" within certain defined areas in proximity to the Oyu Tolgoi mining complex. These state special needs areas are to be used for infrastructure facilities necessary in order to implement the development and construction of the Oyu Tolgoi mining complex. Portions of the Shivee Tolgoi and Javhlant licences are included in the land area that is subject to Resolution 175.

It is expected but not yet formally confirmed by the Government that to the extent that a consensual access agreement exists or is entered into between OTLLC and an affected licence holder, the application of Resolution 175 to the land area covered by the access agreement will be unnecessary. OTLLC has existing access and surface rights to the Joint Venture Property pursuant to the Earn-In Agreement. The Shivee Tolgoi and Javhlant licences are also part of the contract area of the Investment Agreement, which contains certain provisions respecting expropriation. If Entrée is unable to reach a consensual arrangement with OTLLC with respect to Shivee West, Entrée's right to use and access a corridor of land included in the state special needs areas for a proposed power line may be adversely affected by the application of Resolution 175. While the Mongolian Government would be responsible for compensating Entrée in accordance with the mandate of Resolution 175, the amount of such compensation is not presently quantifiable.

Recent and future amendments to Mongolian laws could adversely affect Entrée's interest in the Lookout Hill property or make it more difficult or expensive to develop the property and carry out mining.

The Government of Mongolia has, in the past, expressed its strong desire to foster, and has to date protected the development of, an enabling environment for foreign investment. Entrée believes that the successful negotiation of the Investment Agreement in respect of the Oyu Tolgoi mining complex clearly demonstrates the level of commitment of the current government to continue to do so. However, there are political constituencies within Mongolia that have espoused ideas that would not be regarded by the international mining community as conducive to foreign investment if they were to become law or official government policy. This was evidenced by revisions to the Minerals Law in 2006. At present, Entrée has no reason to believe that the Government of Mongolia intends to sponsor, or that Parliament intends to enact, amendments to the Minerals Law or other legislation that would be materially adverse to the interests of international investors in Mongolia's mining sector, including those of Entrée. Nevertheless, there can be no assurance that the present government, or a future government, will refrain from enacting legislation or adopting government policies that are adverse to Entrée's interests or that impair Entrée's ability to explore Shivee West and/or OTLLC's ability to develop and operate the Oyu Tolgoi mining complex on the basis presently contemplated, which may have a material, adverse impact on Entrée and its share price.

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact Entrée's business.

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and regulations may impact Entrée's decision as to whether to continue to operate in a particular jurisdiction or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, Entrée is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Changes in governments, regulations and policies and practices could have an adverse impact on Entrée's future cash flows, earnings, results of operations and financial condition, which may have a material, adverse impact on Entrée and its share price.

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

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

Entrée is not presently a party to the Investment Agreement, and there can be no assurance that Entrée will be entitled to all of the benefits of the Investment Agreement.

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

Entrée may experience difficulties with its joint venture partners.

OTLLC has earned an interest in the Joint Venture Property from Entrée. OTLLC and Entrée have formed a joint venture and OTLLC has effective control of the development of the Joint Venture Property. Entrée is also or may become party to additional joint ventures in respect of other properties with third parties.

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

Risks Associated With Mining

Resource and reserve estimates, including estimates for the Hugo North Extension, Heruga and Ann Mason deposits, are estimates only, and are subject to change based on a variety of factors.

The estimates of reserves and resources, including the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized, are estimates only and no assurances can be given as to their accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. It may also take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a deposit may change. Reserve and resource estimates are materially dependent on prevailing market prices and the cost of recovering and processing minerals at the mine site. Market fluctuations in the price of metals or increases in the costs to recover metals may render the mining of ore reserves uneconomical and materially adversely affect operations. Moreover, various short-term operating factors may cause a mining operation to be unprofitable in any particular accounting period.

Prolonged declines in the market price of metals may render reserves containing relatively lower grades of mineralization uneconomic to exploit and could reduce materially reserves and resources. Should such reductions occur, the discontinuation of development or production might be required. The estimates of mineral reserves and resources attributable to a specific property are based on accepted engineering and evaluation principles. The estimated amount of contained metals in probable mineral reserves does not necessarily represent an estimate of a fair market value of the evaluated property.

There are numerous uncertainties inherent in estimating quantities of mineral reserves and resources. The estimates in the Company's disclosure documents are based on various assumptions relating to commodity prices and exchange rates during the expected life of production, mineralization, the projected cost of mining, and the results of additional planned development work. Actual future production rates and amounts, revenues, taxes, operating expenses, environmental and regulatory compliance expenditures, development expenditures, and recovery rates may vary substantially from those assumed in the estimates. Any significant change in the assumptions underlying the estimates, including changes that result from variances between projected and actual results, could result in material downward revision to current estimates.

Mineral prices are subject to dramatic and unpredictable fluctuations.

Entrée expects to derive revenues, if any, from the extraction and sale of precious and base metals such as copper, gold, silver and molybdenum. The price of those commodities has fluctuated widely in recent years, and is affected by numerous factors beyond Entrée's control, including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities, increased production due to improved extraction and production methods and economic events, including the performance of Asia's economies. Mongolian law requires the sale or export of gold mined in Mongolia to be made through the Central Bank of Mongolia and/or other authorised entities at world market prices. The effect of these factors on the price of base and precious metals, and, therefore, the economic viability of any of Entrée's exploration projects, cannot accurately be predicted. Should prevailing metal prices remain depressed, there may be a curtailment or suspension of mining, development and exploration activities. Entrée would have to assess the economic impact of any sustained lower metal prices on recoverability and, therefore, the cut-off grade and level of reserves and resources.

Entrée has interests in properties that are in the exploration and development stages. There is no assurance that the existence of any mineral reserves will be established on any of the exploration properties in commercially exploitable quantities.

Mineral reserves have been established on the Hugo North Extension deposit at Lookout Hill. Mineral resources have been outlined on the Hugo North Extension and Heruga deposits at Lookout Hill and the Ann Mason deposit in Nevada. Unless and until mineral reserves are established in economically exploitable quantities on a deposit, and the property is brought into commercial production, Entrée cannot earn any revenues from operations on that deposit or recover all of the funds that it has expended on exploration.

Development of a mineral property is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. There is no assurance that commercial quantities of ore will be discovered on any of the exploration properties in which Entrée has an interest. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of Entrée.

The probability of an individual prospect ever having mineral reserves that meet the requirements of the definition is extremely remote. In all probability, exploration properties in which Entrée has an interest do not contain any mineral reserves and any funds that Entrée spends on exploration will be lost.

There can be no assurance that Entrée or its joint venture partners will be able to obtain or maintain any required permits.

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

Entrée is subject to substantial environmental and other regulatory requirements and such regulations are becoming more stringent. Non-compliance with such regulations could materially adversely affect Entrée.

Entrée's operations are subject to environmental regulations in the various jurisdictions in which it operates. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Entrée's operations. Environmental hazards may exist on the properties in which Entrée holds interests which are presently unknown to Entrée and which have been caused by previous or existing third-party owners or operators of the properties. Government approvals and permits are also often required in connection with various aspects of Entrée's operations. To the extent that such approvals are required and not obtained, Entrée may be delayed or prevented from proceeding with planned exploration or development of its mineral properties, which may have a material, adverse impact on Entrée and its share price.

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

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

There can be no assurance that the interest held by Entrée in exploration and development properties is free from defects.

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

Entrée has investigated title to the Shivee Tolgoi and Javhlant mining licences and Entrée is satisfied that the title to these licences is properly registered in the name of Entrée LLC, and that these licences are currently in good standing. Entrée has investigated the title to the claims comprising the Ann Mason Project and is satisfied that the title to these claims is properly registered in the name of M.I.M. (U.S.A.) Inc., Entrée Gold (US) Inc. or the party from whom Entrée is acquiring its interest, and that the claims are currently in good standing.

Entrée cannot guarantee that the rights to explore its properties will not be revoked or altered to its detriment as a result of Mongolia's Resolution 175 or otherwise. The ownership and validity of mining claims and concessions are often uncertain and may be contested.

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

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

If mineral reserves in commercially exploitable quantities are established on any of Entrée's properties (other than the Joint Venture Property), Entrée will require additional capital and may need to acquire additional lands in order to develop the property into a producing mine. If Entrée cannot raise this additional capital or acquire additional lands, Entrée will not be able to exploit the resource, and its business could fail.

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

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

Mineral exploration and development is subject to extraordinary operating risks. Entrée does not currently insure against these risks.

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

Climatic Conditions can affect operations.

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

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

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

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

Risks Related To Our Company

Entrée can provide investors with no assurances that it will generate any operating revenues or ever achieve profitable operations.

Although Entrée has been in the business of exploring mineral resource properties since 1995, mineral reserves have only recently been established on a deposit in which Entrée has an interest. As a result, Entrée has never had any revenues from its operations. In addition, its operating history has been restricted to the acquisition and exploration of its mineral properties. Entrée anticipates that it will continue to incur operating costs without realising any revenues until such time as the Joint Venture Property is brought into production. Entrée expects to continue to incur significant losses into the foreseeable future. Entrée recognises that if it is unable to generate significant revenues from mining operations and any dispositions of its interests in properties, Entrée will not be able to earn profits or continue operations. Entrée can provide investors with no assurance that it will generate any operating revenues or ever achieve profitable operations.

The fact that Entrée has not earned any operating revenues since its incorporation may impact its ability to explore certain of its mineral properties or require that exploration be scaled back.

Entrée has not generated any revenue from operations since its incorporation. Entrée anticipates that it will continue to incur operating expenses without revenues unless and until it is able to generate cash flows from the Entrée-OTLLC Joint Venture or it is able to identify a mineral reserve in a commercially exploitable quantity on one or more of its mineral properties and it builds and operates a mine. As at December 31, 2011, Entrée had working capital of approximately $19 million. Entrée's average monthly operating expenses in 2011 were approximately $1.9 million, including exploration, general and administrative expenses and investor relations expenses. Entrée has a carried interest on all exploration activity carried out on the Joint Venture Property and, due to the nature of Entrée's other mineral property interests, Entrée has the ability to alter its exploration expenditures and, to a lesser extent, its general and administrative expenses. As a result, Entrée believes that it will not have to raise any additional funds to meet its currently budgeted operating requirements for the next 12 months. If these funds are not sufficient, or if Entrée does not begin generating revenues from operations sufficient to pay its operating expenses when Entrée has expended them, Entrée will be forced to raise necessary funds from outside sources. While Entrée may be able to raise funds through strategic alliances, joint ventures, product streaming or other arrangements, it has traditionally raised its operating capital from sales of equity, but there can be no assurance that Entrée will continue to be able to do so. If Entrée cannot raise the money that it needs to continue exploration of its mineral properties, there is a risk that Entrée may be forced to delay, scale back, or eliminate certain of its exploration activities.

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

Recent global financial and market conditions have been subject to increased volatility as a result of, among other things, apprehension over the ongoing debt crisis in the Eurozone and Japan, and concerns that the Chinese economy is slowing. This increased volatility may impact the ability of Entrée to obtain equity or debt financing in the future and, if obtained, on terms favourable to Entrée. If these increased levels of volatility and market turmoil continue, Entrée's operations could be adversely impacted and the value and the price of the Company's Common Shares could be adversely affected.

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

The shareholdings of each of Ivanhoe Mines and Rio Tinto in the Company together with Rio Tinto's pre-emptive rights, and Rio Tinto Holdings' 51% interest in Ivanhoe Mines, potentially give Ivanhoe Mines and Rio Tinto the voting power to influence the policies, business and affairs of Entrée and the outcome of any significant corporate transaction or other matter, including a merger, business combination or a sale of all, or substantially all, of Entrée's assets. In addition, OTLLC has operational control over the Joint Venture Property. OTLLC also has a right of first refusal with respect to any proposed disposition by Entrée of an interest in Shivee West, which is not subject to the Entrée-OTLLC Joint Venture. The share position in the Company of each of Ivanhoe Mines and Rio Tinto and the other rights of each may have the effect of delaying, deterring or preventing a transaction involving a change of control of the Company in favour of a third party that otherwise could result in a premium in the market price of the Company's Common Shares in the future.

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

The Company's Articles contain provisions requiring the Company to indemnify Entrée's officers and directors against all judgements, penalties or fines awarded or imposed in, or an amount paid in settlement of, a legal proceeding or investigative action in which such party, by reason of being a director or officer of Entrée, is or may be joined. The Company also has indemnity agreements in place with its officers and directors. Such limitations on liability may reduce the likelihood of derivative litigation against the Company's officers and directors and may discourage or deter the Company's shareholders from suing its officers and directors based upon breaches of their duties to Entrée, though such an action, if successful, might otherwise benefit Entrée and the Company's shareholders.

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

Entrée has never generated revenue from operations. Entrée is currently without a source of revenue and the Company will most likely be required to issue additional Common Shares to finance Entrée's operations and, depending on the outcome of the exploration programs, may issue additional Common Shares to finance additional exploration programs on any or all of Entrée's properties or to acquire additional properties. In order to provide the Company with flexibility to quickly raise funds should the need or opportunity arise, the Company announced on November 19, 2010 that it had filed a short form base shelf prospectus with the securities commissions in each of the provinces of Canada, except Quebec, and a corresponding shelf registration statement with the United States Securities and Exchange Commission on Form F-10/A. These filings will allow the Company to make offerings of Common Shares, warrants, subscription receipts or any combination of such securities up to an aggregate offering price of C$100,000,000 until the short form base shelf prospectus expires in December 2012.

The Company may also in the future grant to some or all of Entrée's directors, officers, consultants, and employees options to purchase Common Shares as non-cash incentives to those persons. Such options may be granted at prices equal to market prices, or at prices as allowable under the policies of the TSX and the Company's Stock Option Plan, when the public market is depressed. The issuance of any equity securities could, and the issuance of any additional Common Shares will, cause the Company's existing shareholders to experience dilution of their ownership interests.

If the Company issues additional Common Shares, investors' interests in the Company will be diluted and investors may suffer dilution in their net book value per Common Share depending on the price at which such securities are sold. As at December 31, 2011 Entrée had outstanding options exercisable into 9,135,500 Common Shares which, if exercised as at March 29, 2012 would represent approximately 6.64% of its issued and outstanding Common Shares. If all of these options are exercised and the underlying Common Shares are issued, such issuance will cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the market price of the Company's Common Shares.

Earnings and Dividend Record.

The Company has no earnings or dividend record. The Company has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The Company's current intention is to apply any future net earnings to increase its working capital. Prospective investors seeking or needing dividend income or liquidity should, therefore, not purchase the Company's Common Shares. The Company currently has no revenue and a history of losses, so there can be no assurance that the Company will ever have sufficient earnings to declare and pay dividends to the holders of Common Shares.

Conflicts of Interest.

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

Dependence on Key Management Employees.

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

Fluctuations in Currency Exchange Rates.

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

The Company is subject to the U.S. Foreign Corrupt Practices Act.

The Company is subject to the U.S. Foreign Corrupt Practices Act (the "FCPA"), which prohibits Entrée or any officer, director, employee or agent of Entrée or any shareholder of the Company on its behalf from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The FCPA also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. Entrée's international activities create the risk of unauthorized payments or offers of payments by its employees, consultants or agents, even though they may not always be subject to its control. Entrée discourages these practices by its employees and agents. However, Entrée's existing safeguards and any future improvements may prove to be less than effective, and its employees, consultants and agents may engage in conduct for which it might be held responsible. Any failure by Entrée to adopt appropriate compliance procedures and ensure that its employees and agents comply with the FCPA and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on Entrée's ability to conduct business in certain foreign jurisdictions, which may have a material adverse impact on Entrée and its share price.

The Company believes that it was a passive foreign investment company during 2011, which may have a material effect on U.S. holders.

The Company believes it was a "passive foreign investment company" ("PFIC") during the year ended December 31, 2011 and may be a PFIC for subsequent tax years, which may have a material effect on United States shareholders ("US Holders"). United States income tax legislation contains rules governing PFICs, which can have significant tax effects on US Holders of foreign corporations. A US Holder who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to United States federal income taxation under one of two alternative tax regimes at the election of each such US Holder. The United States federal income tax consequences to a US Holder of the acquisition, ownership, and disposition of common shares will depend on whether such US Holder makes an election to treat the Company as a "qualified electing fund" or "QEF" under Section 1295 of the Code ("QEF Election") or a mark-to-market election under Section 1296 of the Code ("Mark-to-Market Election"). Upon written request by a US Holder, the Company will make available the information necessary for such US Holder to make QEF Elections with respect to the Company. Additional adverse rules would apply to US Holders for any year the Company is a PFIC and Entrée owns or disposes of shares in another corporation which is a PFIC.

DIVIDENDS

The Company has not declared any dividends on its Common Shares since the inception of our Company on July 19, 1995. There is no restriction in the Company's Articles that will limit its ability to pay dividends on its Common Shares. However, the Company does not anticipate declaring and paying dividends to its shareholders in the near future.

CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares without par value, of which 127,016,788 were issued and outstanding at December 31, 2011 and 128,377,243 are issued and outstanding at March 29, 2012. Each Common Share is entitled to one vote. All Common Shares of the Company rank equally as to dividends, voting power and participation in assets. No Common Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provision for exchange, exercise, redemption and retraction, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to modification, amendments or variation of such rights or such provisions are contained in the *Business Corporations Act* (British Columbia) and the Company's Articles.

MARKET FOR SECURITIES

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

Trading History

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

TSX
Trading 2011

	High Cdn$	Low Cdn$	Close Cdn$	Volume
January	3.40	2.61	2.94	2,966,749
February	3.35	2.91	2.97	3,480,350
March	3.14	2.69	3.03	1,951,673
April	3.01	2.54	2.62	1,367,687
May	2.62	2.16	2.34	794,723
June	2.32	1.82	2.06	1,338,741
July	2.34	2.02	2.16	666,139
August	2.40	1.62	2.00	1,064,476
September	2.40	1.39	1.44	1,327,598
October	1.98	1.23	1.89	973,373
November	1.93	1.08	1.29	1,959,710
December	1.36	1.05	1.25	2,366,080

NYSE Amex
Trading 2011

	High $	Low $	Close $	Volume
January	3.41	2.70	2.94	7,134,748
February	3.38	3.03	3.05	4,813,059
March	3.18	2.76	3.12	3,764,935
April	3,07	2.69	2.77	2,681,895
May	2.68	2.26	2.42	2,868,560
June	2.26	1.91	2.14	2,847,885
July	2.43	2.11	2.26	1,758,777
August	2.42	1.67	1.98	3,769,605
September	2.40	1.39	1.39	2,928,949
October	1.94	1.32	1.92	1,978,010
November	1.91	1.21	1.33	1,772,089
December	1.35	1.03	1.20	2,075,730

The closing price of the Company's Common Shares as reported by the TSX on December 31, 2011 was C$1.25.

The Company's Common Shares are issued in registered form. Computershare Investor Services Inc. is the registrar and transfer agent for the Company's Common Shares.

On December 31, 2011, the shareholders' list for the Company's Common Shares showed 1,225 registered shareholders and 127,016,788 Common Shares outstanding.

The Company has no outstanding securities not listed on a marketplace other than incentive stock options. Since the beginning of the most recently completed financial year, stock options to purchase an aggregate 2,357,000 Common Shares were granted. The following table outlines the details of each grant:

Number of Options	Exercise Price (CDN$)	Grant Date
200,000	3.47	January 4, 2011
125,000	2.94	March 8, 2011
150,000	2.05	July 7, 2011
100,000	2.23	July 15, 2011
1,732,000	1.25	January 6, 2012
50,000	1.27	February 1, 2012

ESCROWED SECURITIES

There were no escrowed securities at December 31, 2011.

DIRECTORS AND OFFICERS

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

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

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

Mr. Crowe was self-employed from 1997 to 2002, providing exploration and management services for junior resource companies.

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

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

Mark H. Bailey, Director

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

Mr. Bailey is an exploration geologist with more than 35 years of industry experience. Since 1995, he has been the President and Chief Executive Officer of Minefinders Corporation Ltd. ("Minefinders"), a precious metals mining company whose shares are listed for trading on the Toronto Stock Exchange and the NYSE Amex. Minefinders operates the multi-million ounce Dolores gold and silver mine in Mexico. On March 26, 2012, Minefinders announced that its shareholders had approved a plan of arrangement pursuant to which Pan American Silver Corp. will acquire all of the issued and outstanding shares of Minefinders. The transaction is expected to close on or about March 30, 2012. Before joining Minefinders, Mr. Bailey held senior positions with Equinox Resources Inc. and Exxon Minerals. Since 1984, Mr. Bailey has worked as a consulting geologist with Mark H. Bailey & Associates LLC. Mr. Bailey is also currently a director of Minefinders, Dynasty Metals & Mining Inc. and Northern Lion Gold Corp.

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

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

Mr. Bottomer is a professional geologist with more than 38 years experience in global mineral exploration and development with major and junior mining companies, the last 23 years based in Vancouver, BC. Currently, he is Vice-President, Business Development with Entrée Gold Inc. He was formerly President and Chief Executive Officer of Silver Quest Resources Ltd., a public company focused on gold and silver exploration in Canada. Mr. Bottomer has also served as Director of Canadian Exploration with Echo Bay Mines Ltd., and Vice-President of New Projects with Prime Equities International. Mr. Bottomer is also a director of several other TSX-V and CSNX listed companies in the resource sector.

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

James L. Harris, Non-Executive Chairman and Director

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

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

Peter G. Meredith, Director

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

Mr. Meredith is a seasoned executive with a strong background in corporate management and in key facets of the mining industry, including exploration, mine construction, financing and operations. Mr. Meredith is Ivanhoe Mines' Deputy Chairman, overseeing the company's business development and corporate relations. Mr. Meredith joined the Ivanhoe group in 1996 and was Chief Financial Officer of Ivanhoe Mines prior to his appointment as Deputy Chairman. He is Chairman of SouthGobi Resources Ltd. Mr. Meredith is also currently a director of Great Canadian Gaming Corporation, Ivanhoe Energy Inc., Ivanhoe Mines Ltd., and Ivanhoe Australia Ltd.

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

The Rt. Honourable Lord Howard of Lympne, Non-Executive Deputy Chairman and Director

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

He is the former leader of the Conservative Party in Britain, a distinguished lawyer, and served as a Member of Parliament in Britain for 27 years. He filled many government posts, including Home Secretary, Secretary of State for Employment and Secretary of State for the Environment, as well as Shadow Foreign Secretary and Shadow Chancellor. After his retirement from the House of Commons at the 2010 General Election, Mr. Howard was created a Life Peer. He was created a Companion of Honour in the Queen's Birthday Honours List, 2011. Lord Howard is currently a director of Orca Exploration Group.

Alan Edwards, Director

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

Mr. Edwards has 30 years of diverse mining industry experience. He is a graduate of the University of Arizona, where he obtained a Bachelor of Science Degree in Mining Engineering and an MBA (Finance). Mr. Edwards is currently the President of AE Consulting, a Colorado based company. He served as President and Chief Executive Officer of Copper One Inc. from 2009 to2011 and President and Chief Executive Officer of Frontera Copper Corporation from 2007 to 2009, and as Executive Vice President and Chief Operating Officer of Apex Silver Mines Corporation from 2004 to 2007, where he directed the engineering, construction and development of the San Cristobal project in Bolivia. Mr. Edwards has also worked for Kinross Gold Corporation, P.T. Freeport Indonesia, Cyprus Amax Minerals Company and Phelps Dodge Mining Company, where he started his career. He currently serves on the boards of several other publicly traded companies.

Bruce Colwill, Chief Financial Officer

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

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

Robert M. Cann, Vice-President, Exploration

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

Mr. Cann has been in charge of the start-up and management of all of the Company's support operations and exploration projects since July, 2002. He has extensive experience in project management and development, geological consulting and office management. Prior to joining the Company, Mr. Cann was Exploration Manager for Spokane/Sand River Resources in Chihuahua, Mexico, from 1999 to 2000. From 1995 through 1999, Mr. Cann worked as an independent consulting geologist for various companies contemplating property acquisitions in Honduras, Mexico, Peru and Nevada. Mr. Cann holds a Master of Science degree in Economic Geology from the University of British Columbia and is a member of the Association of Professional Engineers and Geoscientists of British Columbia, the Canadian Institute of Mining and Metallurgy (CIMM) and the Society of Economic Geologists.

Mona M. Forster, Executive Vice President

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

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

Susan McLeod, Vice President, Legal Affairs and Corporate Secretary

Ms. McLeod joined the Company as Vice President, Legal Affairs on September 22, 2010 and was appointed Corporate Secretary on November 22, 2010.

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

The table below sets out the municipality of residence and securities held by directors and executive officers as at December 31, 2011.

Name and municipality of residence	No. of Common Shares beneficially owned, directly or indirectly, or controlled [(2)].	No. of securities held on a fully-diluted basis[(1)]
Gregory Crowe Bowen Island, British Columbia, Canada	1,413,320	Shares: 1,413,320 Warrants: 0 Stock options:910,000 ***Total: 2,323,320***
Mark H. Bailey Bellingham, Washington U.S.A.	292,922	Shares: 292,922 Warrants: 0 Stock options:855,000 ***Total: 1,147,922***
Lindsay Bottomer North Vancouver, British Columbia Canada	554,985	Shares: 554,985 Warrants: 0 Stock options:710,000 ***Total: 1,264,985***

Name and municipality of residence	No. of Common Shares beneficially owned, directly or indirectly, or controlled (2).	No. of securities held on a fully-diluted basis(1)
James L. Harris West Vancouver, British Columbia Canada	373,062	Shares: 373,062 Warrants: 0 Stock options:795,000 ***Total: 1,168,062***
Peter Meredith Vancouver, British Columbia Canada	67,877	Shares: 67,877 Warrants: 0 Stock options:655,000 ***Total: 722,877***
Rt. Honourable Lord Howard of Lympne London, UK	128,800	Shares: 128,800 Warrants: 0 Stock options:1,135,000 ***Total: 1,263,800***
Alan Edwards Morrison, Colorado U.S.A	10,000	Shares: 10,000 Warrants 0 Stock options100,000 ***Total: 110,000***
Bruce Colwill Vancouver, British Columbia Canada	4,700	Shares: 4,700 Warrants 0 Stock options300,000 ***Total: 304,700***
Robert M. Cann Nanaimo, British Columbia Canada	129,225	Shares: 129,225 Warrants: 0 Stock options:600,000 ***Total: 729,225***
Mona M. Forster Vancouver, British Columbia Canada	116,374	Shares: 116,374 Warrants: 0 Stock options:570,000 ***Total: 686,374***
Susan McLeod West Vancouver, British Columbia Canada	9,500	Shares: 9,500 Warrants: 0 Stock options:300,000 ***Total: 309,500***

(1) As at December 31, 2011.
(2) Meaning an officer of the issuer, or a director or senior officer that has direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of and control or direction over securities of the issuer carrying more than 10% of the voting rights attached to all the issuer's outstanding securities.

To the best of the Company's knowledge as at December 31, 2011, directors and executive officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 3,100,765 Common Shares (not including Common Shares issuable upon exercise of stock options) representing 2.44% of the then outstanding Common Shares.

Standing Committees of the Board of Directors

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

Audit Committee

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

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

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

Audit Fees

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

	2011	**2010**
Audit Fees[(1)]	$93,412	$139,718
Audit Related Fees[(2)]	$26,112	$30,810
Tax Fees[(3)]	$38,028	$13,436
All other fees[(4)]	$26,949	$78,578
Total:	$184,501	$262,542

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

(2) Audit-related fees paid for assurance and related services by the auditors that were reasonably related to the performance of the audit or the review of the Company’s quarterly financial statements that are not included in *Audit Fees*.

(3) Tax compliance, taxation advice and tax planning for international operations.

(4) Audit fees associated with the June 30, 2010 acquisition of PacMag and the review of the short form base shelf prospectus supplement.

Compensation Committee

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

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

Corporate Governance and Nominating Committee

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

Technical Committee

The members of the Technical Committee consist of Alan Edwards (chairman), Mark Bailey, Lindsay Bottomer and Gregory Crowe. Mr. Edwards is a mining engineer, and Mssrs. Bailey, Bottomer and Crowe are professional geologists. Neither Mr. Crowe, the President and Chief Executive of the Company, nor Mr. Bottomer, the Vice-President, Business Development of the Company, is an independent director. The mandate of the Technical Committee is to exercise all the powers of the Board (except those powers specifically reserved by law to the Board itself) during intervals between meetings of the Board pertaining to the Company's mining properties, programs, budgets, and other related activities and the administration thereof.

Potential Conflicts of Interest

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

PROMOTERS

Not applicable.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Not applicable.

INTEREST IN MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Not applicable.

TRANSFER AGENTS AND REGISTRARS

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

MATERIAL CONTRACTS

1. *Underwriting Agreement dated November 23, 2011 between Entrée Gold Inc. and Desjardins Securities Inc., National Bank Financial Inc., TD Securities Inc., Knight Capital Group and Trapeze Capital Corp.*

   Pursuant to the Underwriting Agreement, the underwriters agreed to purchase 10 million Common Shares at a price of C$1.25 per Common Shares for gross proceeds of C$12.5 million. The offering closed on November 30, 2011. As consideration, the Company paid the underwriters a cash fee equal to 6% of the gross proceeds received by the Company for the offering. The Company granted the underwriters an over-allotment option to purchase up to an additional 1.5 million Common Shares at the offering price, exercisable for a period of 30 days following closing. On December 30, 2011, the underwriters exercised the over-allotment option and agreed to purchase an additional 1.15 million Common Shares. Closing occurred on January 4, 2012.

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

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

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

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

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

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

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

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

INTEREST OF EXPERTS

Entrée's auditor is Davidson & Company LLP, Chartered Accountants, in Vancouver, British Columbia. The Corporation's audited consolidated financial statements as at and for the years ended December 31, 2011 and 2010 have been filed under National Instrument 51-102 in reliance on the report of Davidson & Company, independent registered chartered accountants, given on their authority as experts in auditing and accounting. Davidson & Company LLP have confirmed they are independent of the Company in accordance with the rules of professional conduct of the Institute of Charted Accountants of British Columbia.

AMC Consultants Pty Ltd prepared LHTR12, which 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. To the knowledge of the Company, AMC Consultants Pty Ltd, the principals of AMC Consultants Pty Ltd, the authors of the report and their respective employers as a group beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares. One of the authors of LHTR12, James Foster, H.B.Sc., P.Geo is the Company's Exploration Manager, Lookout Hill Property, Mongolia. Mr. Foster owns no Common Shares of the Company and holds options to purchase 240,000 Common Shares.

Robert Cinits, P. Geo., the Company's Director, Technical Services, Scott Jackson, F.AusIMM, a principal of Quantitative Group Pty Ltd and Lyn Jones, P. Eng., a senior associate metallurgist for AGP Mining Consultants Inc. prepared AMTR12, which forms the basis of the scientific and technical disclosure regarding the Ann Mason Project, a copy of which is available on SEDAR at www.sedar.com. To the knowledge of the Company, Quantitative Group Pty Ltd, AGP Mining Consultants Inc., their principals and the authors of the report as a group, beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares. Mr. Cinits owns no Common Shares of the Company and holds options to purchase 200,000 Common Shares.

Robert Cann, P. Geo, the Company's Vice President, Exploration approved the technical information in this AIF and the Company's news releases and other disclosure documents. Mr. Cann owns 129,225 Common Shares of the Company and holds options to purchase 725,000 Common Shares.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation is contained in the management information circular for the annual general meeting of the Company's held on May 16, 2011. Additional financial information is contained in the Company's comparative financial statements and MD&A as at and for the years ended December 31, 2011, 2010 and 2009. Copies of the information circular, financial statements and MD&A are available on SEDAR, and may also be obtained upon request from the Company at 1201-1166 Alberni Street, Vancouver, British Columbia V6E 3Z3.

Additional information relating to Entrée Gold Inc. may be found on SEDAR at www.sedar.com.

APPENDIX

TO ANNUAL INFORMATION FORM DATED MARCH 29, 2012

ENTRÉE GOLD INC.

AUDIT COMMITTEE CHARTER

As Adopted by the Board of Directors on December 16, 2011

I. Purpose of Audit Committee of Entrée Gold Inc. (the "Company")

The purpose of the Audit Committee (the "Committee") is to:

1. Assist the Board of Directors of the Company (the "Board") in fulfilling its oversight responsibilities relating to:

   (a) the quality and integrity of the Company's financial statements, financial reporting process and systems of internal controls and disclosure controls regarding risk management, finance, accounting, and legal and regulatory compliance;

   (b) the appointment, independence, qualifications, and compensation of the Company's independent accountants and review of the audit efforts of the Company's independent accountants; and

   (c) the development and implementation of policies and processes regarding corporate governance matters.

2. Provide an open avenue of communication between the independent accountants, the Company's financial and senior management and the Board.

3. Prepare any reports required to be prepared by the Committee pursuant to the rules of any stock exchange on which the Company's shares are listed and pursuant to the rules of any securities commission or other regulatory authority having jurisdiction, whether for inclusion in the Company's annual proxy statement or otherwise.

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

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

II. Composition

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

Exchange Act Rule 10A-3 requires that *each* member of the Audit Committee must serve on the Board and satisfy independence requirements. For the purposes of satisfying the independence requirement, Audit Committee members may not, other than in their capacity as members of the Committee, the Board, or any other committee of the Board (i) accept, directly or indirectly, any consulting, advisory, or other compensatory fee[1] from the Company, or of the Company's subsidiaries; or (ii) be an affiliate of the Company or any of the Company's subsidiaries.

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

1. A non-executive employee of the Company may be exempt from the prohibition of accepting consulting, advisory or other compensatory fees if that employee is elected or named to the Board or Audit Committee pursuant to the Company's governing laws or constating documents, an employee collective bargaining or similar agreement or other home country legal or listing requirement; and

2. An Audit Committee member may be exempt from the prohibition of being an affiliate of the Company if:

   (a) The member is an affiliate of the Company or a representative of such an affiliate;

   (b) The member has only observer status on, and is not a voting member or the chair of the Audit Committee; and

   (c) The member nor the affiliate for which such member is a representative is an executive officer of the Company.

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

All members of the Committee must be financially literate, meaning that such member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. One or more members of the Committee shall be, in the judgment of the Board an "audit committee financial expert" as such term is defined by applicable rules and regulations.

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

[2] If the Company elects to take advantage of either these exemptions, the Audit Committee should periodically review its status as a foreign private issuer as defined by Exchange Act Rule 3b-4(c). If the Company ceases to qualify as a foreign private issuer, and the Company's securities are listed on the NYSE Amex, the Company may need to adjust its "independence" criteria to reflect the requirements set forth in Rule 803A of the NYSE Amex Company Guide Rule.

are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. One or more members of the Committee shall be, in the judgment of the Board an "audit committee financial expert" as such term is defined by applicable rules and regulations.

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

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

III. Authority

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

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

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

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

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

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

IV. Appointing Members

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

V. Chairperson

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

VI. Meetings

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

1. A quorum for meetings shall be two members, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;

2. The Committee shall meet at least quarterly (or more frequently as circumstances dictate); and

3. Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee and the external auditors of the Company at least 48 hours prior to the time of such meeting.

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

VII. Specific Duties

In meeting its responsibilities, the Committee is expected to:

1. Select the independent accountants, considering independence and effectiveness, approve all audit and non-audit services in advance of the provision of such services and the fees and other compensation to be paid to the independent accountants, and oversee the services rendered by the independent accountants (including the resolution of disagreements between management and the independent accountants regarding preparation of financial statements) for the purpose of preparing or issuing an audit report or related work, and the independent accountants shall report directly to the Committee;

2. To pre-approve any non-audit services to be provided to the Company by the external auditor and the fees for those services;

3. Review the performance of the independent accountants, including the lead partner of the independent accountants, and, in its sole discretion, approve any proposed discharge of the independent accountants when circumstances warrant, and appoint any new independent accountants;

4. Periodically review and discuss with the independent accountants all significant relationships the independent accountants have with the Company to determine the independence of the independent accountants, including a review of service fees for audit and non-audit services;

5. Review and approve the issuer's hiring policies from time to time regarding partners, employees and former partners and employees of the present and former external auditor of the issuer;

6. Inquire of management and the independent accountants and evaluate the effectiveness of the Company's process for assessing significant risks or exposures and the steps management has taken to monitor, control and minimize such risks to the Company. Obtain annually, in writing, the letters of the independent accountants as to the adequacy of such controls;

7. Consider, in consultation with the independent accountants, the audit scope and plan of the independent accountants;

8. Review with the independent accountants the coordination of audit effort to assure completeness of coverage, and the effective use of audit resources;

9. Consider and review with the independent accountants, out of the presence of management:

    (a) the adequacy of the Company's internal controls and disclosure controls including the adequacy of computerized information systems and security;

    (b) the truthfulness and accuracy of the Company's financial statements; and

    (c) any related significant findings and recommendations of the independent accountants together with management's responses thereto;

10. Following completion of the annual audit, review with management and the independent accountants:

    (a) the Company's annual financial statements and related footnotes;

(b) the independent accountants' audit of the financial statements and the report thereon;

(c) any significant changes required in the independent accountants' audit plan; and

(d) other matters related to the conduct of the audit which are to be communicated to the committee under generally accepted auditing standards;

11. Following completion of the annual audit, review separately with each of management and the independent accountants any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;

12. Establish regular and separate systems of reporting to the Committee by each of management and the independent accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments;

13. In consultation with the independent accountants, review any significant disagreement among management and the independent accountants in connection with the preparation of the financial statements, including management's responses;

14. Consider and review with management:

    (a) significant findings during the year and management's responses thereto; and

    (b) any changes required in the planned scope of their audit plan;

15. Review, prior to publication, all filings with regulatory authorities and any other publicly disclosed information containing the Company's financial statements, including Management's Discussion & Analysis, any certification, report, opinion or review rendered by the independent accountants, any press releases announcing earnings (especially the use of "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles) and all financial information and earnings guidance intended to be provided to analysts and the public or to rating agencies, and consider whether the information contained in these documents is consistent with the information contained in the financial statements;

16. Facilitate the preparation and inclusion of any report from the Committee or other disclosures as required by applicable laws and regulations in the Company's annual proxy statement or other filings of all regulatory authorities having jurisdiction;

17. Review with management the adequacy of the insurance and fidelity bond coverages, reported contingent liabilities, and management's assessment of contingency planning. Review management's plans regarding any changes in accounting practices or policies and the financial impact of such changes, any major areas in management's judgment that have a significant effect upon the financial statements of the Company, and any litigation or claim, including tax assessments, that could have a material effect upon the financial position or operating results of the Company;

18. Review with management and the independent accountants each annual, quarterly and other periodic report prior to its filing with the relevant regulators or prior to the release of earnings;

19. Review policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the independent accountants;

20. Review, with the Company's counsel, any legal, tax or regulatory matter that may have a material impact on the Company's financial statements, operations, related Company compliance policies, and programs and reports received from regulators;

21. Evaluate and review with management the Company's guidelines and policies governing the process of risk assessment and risk management;

22. Meet with the independent accountants and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee;

23. Report Committee actions to the Board with such recommendations as the Committee may deem appropriate;

24. Maintain, review and update the procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, as set forth in Annex A attached to this Charter;

25. Review, assess and update this Charter on an annual basis and recommend any proposed changes to the Board for approval, in accordance with the requirements of the all applicable laws; and

26. Perform such other functions consistent with this Charter, the Company's Articles and governing law, as the Committee deems necessary or appropriate.

ANNEX A

PROCEDURES FOR THE SUBMISSION OF

COMPLAINTS AND CONCERNS REGARDING

ACCOUNTING, INTERNAL ACCOUNTING CONTROLS OR

AUDITING MATTERS

1. Entrée Gold Inc. (the “Company”) has designated its Audit Committee of its Board of Directors (the “Committee”) to be responsible for administering these procedures for the receipt, retention, and treatment of complaints received by the Company or the Committee directly regarding accounting, internal accounting controls, or auditing matters.

2. Any employee or consultant of the Company may on a confidential and anonymous basis submit concerns regarding questionable accounting controls or auditing matters to the Committee by setting forth such concerns in a letter addressed directly to the Committee with a legend on the envelope such as “Confidential” or “To be opened by Committee only”. If an employee or consultant would like to discuss the matter directly with a member of the Committee, the employee or consultant should include a return telephone number in his or her submission to the Committee at which he or she can be contacted. All submissions by letter to the Committee can be sent to:

   Entrée Gold Inc.
   c/o Audit Committee
   Attn: Chairperson
   Suite 1201 - 1166 Alberni St.
   Vancouver, BC CANADA V6E 3Z3
   Canadian Email Address: etgcanada@entreegold.com
   USA Email Address: etgus@entreegold.com
   Mongolia Email Address: etgmongolia@entreegold.com

3. Any complaints received by the Company that are submitted as set forth herein will be forwarded directly to the Committee and will be treated as confidential if so indicated.

4. At each meeting of the Committee, or any special meetings called by the Chairperson of the Committee, the members of the Committee will review and consider any complaints or concerns submitted by employees as set forth herein and take any action it deems necessary in order to respond thereto.

5. All complaints and concerns submitted as set forth herein will be retained by the Committee for a period of seven (7) years.

Entrée Gold Inc.

ENTRÉE GOLD INC.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)

December 31, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of
Entrée Gold Inc.

We have audited the accompanying balance sheets of Entrée Gold Inc., and its subsidiaries, as of December 31, 2011 and 2010, and the related statements of operations and comprehensive loss, stockholders' equity and cash flows for the years ended December 31, 2011 and 2010, and from the date of inception (July 19, 1995) to December 31, 2011. Entrée Gold Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Entrée Gold Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended and for the cumulative period from inception (July 19, 1995) to December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Entrée Gold Inc.'s internal control over financial reporting as of December 31, 2011 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 29, 2012, expressed an unqualified opinion.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

March 29, 2012

NEXIA INTERNATIONAL

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of
Entrée Gold Inc.

We have audited Entrée Gold Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Entrée Gold Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Entrée Gold Inc.'s internal control over financial reporting based on our audit.

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

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

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

In our opinion, Entrée Gold Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheets and the related statements of operations and comprehensive loss, stockholders' equity and cash flows of Entrée Gold Inc., and our report dated March 29, 2012 expressed an unqualified opinion.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

March 29, 2012

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

ENTRÉE GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in United States dollars)

	December 31, 2011	December 31, 2010
ASSETS		
Current		
Cash and cash equivalents (Note 4)	$ 14,512,198	$ 21,296,169
Short-term investments (Note 4)	4,916,421	-
Receivables	424,522	309,079
Prepaid expenses	955,121	1,140,253
Total current assets	20,808,262	22,745,501
Long-term investments (Note 5)	-	5,564,502
Equipment (Note 6)	754,846	766,309
Mineral property interests (Note 7)	52,678,763	51,977,982
Other assets	249,489	185,287
Equity investment - joint venture (Notes 5 and 7)	98,450	119,517
Total assets	$ 74,589,810	$ 81,359,098
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 1,804,126	$ 1,477,300
Loans payable to Oyu Tolgoi LLC (Note 8)	4,327,878	1,783,692
Deferred income tax liabilities (Note 11)	9,392,614	14,374,498
Total liabilities	15,524,618	17,635,490
Stockholders' equity		
Common stock, no par value, unlimited number authorized, (Note 9) 127,016,788 (December 31, 2010 - 114,354,925) issued and outstanding	165,574,192	149,791,943
Additional paid-in capital	17,420,307	16,871,401
Accumulated other comprehensive income (Note 13)	1,901,351	5,750,714
Accumulated deficit during the exploration stage	(125,830,658)	(108,690,450)
Total stockholders' equity	59,065,192	63,723,608
Total liabilities and stockholders' equity	$ 74,589,810	$ 81,359,098

Nature of operations (Note 1)
Commitments (Note 15)
Subsequent events (Note 17)

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

ENTRÉE GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in United States dollars)

	Year Ended December 31, 2011	Year Ended December 31, 2010	Inception (July 19, 1995) to December 31, 2011
EXPENSES			
Exploration (Note 7)	$ 17,679,174	$ 12,226,563	$ 84,755,323
General and administration	5,766,102	7,846,393	48,111,023
Depreciation	196,221	203,086	1,276,413
Gain on sale of mineral property interests (Note 7)	(1,574,523)	-	(1,574,523)
Impairment of mineral property interests (Note 7)	531,005	-	531,005
Foreign exchange loss (gain)	491,504	(403,230)	269,498
Loss from operations	(23,089,483)	(19,872,812)	(133,368,739)
Gain on sale of investments (Note 5)	3,326,275	-	3,326,275
Interest income	190,391	243,433	5,087,860
Loss from equity investee (Note 5)	(2,397,085)	(985,441)	(3,918,629)
Fair value adjustment of asset backed commercial paper (Note 5)	-	-	(2,332,531)
Loss from operations before income taxes	(21,969,902)	(20,614,820)	(131,205,764)
Current income tax expense	(152,190)	-	(152,190)
Deferred income tax recovery	4,981,884	545,412	5,527,296
Net loss	$ (17,140,208)	$ (20,069,408)	$ (125,830,658)
Comprehensive loss:			
Net loss	$ (17,140,208)	$ (20,069,408)	$ (125,830,658)
Unrealized gain (loss) on available for sale securities (Note 13)	(2,747,997)	2,184,516	-
Foreign currency translation adjustment (Note 13)	(1,101,366)	3,483,645	1,901,351
Comprehensive loss	$ (20,989,571)	$ (14,401,247)	$ (123,929,307)
Basic and diluted net loss per share	$ (0.15)	$ (0.19)	
Weighted average number of common shares outstanding	115,978,815	105,814,724	

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

ENTRÉE GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Expressed in United States dollars)

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

-continued-

ENTRÉE GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Expressed in United States dollars)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit During the Exploration Stage	Total Stockholders' Equity
- continued -						
Balance, April 30, 2000	12,408,000	$ 597,012	$ 41,593	$ (18,861)	$ (459,904)	$ 159,840
Foreign currency translation adjustment	-	-	-	(5,627)	-	(5,627)
Net loss	-	-	-	-	(18,399)	(18,399)
Balance, April 30, 2001	12,408,000	$ 597,012	$ 41,593	$ (24,488)	$ (478,303)	$ 135,814
Foreign currency translation adjustment	-	-	-	(2,561)	-	(2,561)
Net loss	-	-	-	-	(22,490)	(22,490)
Balance, April 30, 2002	12,408,000	$ 597,012	$ 41,593	$ (27,049)	$ (500,793)	$ 110,763
Shares issued:						
Private placements	7,500,000	1,351,055	-	-	-	1,351,055
Exercise of warrants	12,500	3,288	-	-	-	3,288
Agent's finder fee	310,000	39,178	-	-	-	39,178
Finder's fee for mineral property interests	100,000	35,827	-	-	-	35,827
Debt settlement	135,416	45,839	5,252	-	-	51,091
Agent's warrants	-	-	16,877	-	-	16,877
Escrow shares compensation	-	-	40,205	-	-	40,205
Stock-based compensation	-	-	16,660	-	-	16,660
Share issue costs	-	(211,207)	-	-	-	(211,207)
Foreign currency translation adjustment	-	-	-	73,080	-	73,080
Net loss	-	-	-	-	(1,073,320)	(1,073,320)
Balance, April 30, 2003	20,465,916	$ 1,860,992	$ 120,587	$ 46,031	$ (1,574,113)	$ 453,497

ENTRÉE GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Expressed in United States dollars)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit During the Exploration Stage	Total Stockholders' Equity
- continued -						
Balance, April 30, 2003	20,465,916	$ 1,860,992	$ 120,587	$ 46,031	$ (1,574,113)	$ 453,497
Shares issued:						
Private placements and offerings	16,352,942	10,891,160	-	-	-	10,891,160
Exercise of warrants	3,730,372	1,316,664	(6,443)	-	-	1,310,221
Exercise of stock options	35,000	18,730	(4,026)	-	-	14,704
Agent’s corporate finance fee	100,000	64,192	8,384	-	-	72,576
Mineral property interests	5,000,000	3,806,000	-	-	-	3,806,000
Agent’s warrants	-	-	370,741	-	-	370,741
Escrow shares compensation	-	-	1,949,878	-	-	1,949,878
Stock-based compensation	-	-	414,847	-	-	414,847
Share issue costs	-	(1,302,715)	-	-	-	(1,302,715)
Foreign currency translation adjustment	-	-	-	1,950	-	1,950
Net loss	-	-	-	-	(12,505,759)	(12,505,759)
Balance, December 31, 2003	45,684,230	$ 16,655,023	$ 2,853,968	$ 47,981	$ (14,079,872)	$ 5,477,100
Shares issued:						
Private placement	4,600,000	3,846,521	-	-	-	3,846,521
Exercise of warrants	533,836	186,208	(13,197)	-	-	173,011
Exercise of stock options	50,000	26,180	(8,238)	-	-	17,942
Warrants issued for cancellation of price guarantee	-	-	129,266	-	-	129,266
Escrow shares compensation	-	-	405,739	-	-	405,739
Share issue costs	-	(21,026)	-	-	-	(21,026)
Stock-based compensation	-	-	1,530,712	-	-	1,530,712
Foreign currency translation adjustment	-	-	-	132,501	-	132,501
Net loss	-	-	-	-	(5,528,114)	(5,528,114)
Balance, December 31, 2004	50,868,066	$ 20,692,906	$ 4,898,250	$ 180,482	$ (19,607,986)	$ 6,163,652
Shares issued:						
Private placement	7,542,410	13,538,097	-	-	-	13,538,097
Exercise of warrants	10,456,450	10,475,291	-	-	-	10,475,291
Exercise of stock options	772,000	1,238,581	(532,908)	-	-	705,673
Escrow shares compensation	-	-	(435,583)	-	-	(435,583)
Share issue costs	-	(521,798)	-	-	-	(521,798)
Stock-based compensation	-	-	5,074,100	-	-	5,074,100
Foreign currency translation adjustment	-	-	-	1,099,954	-	1,099,954
Net loss	-	-	-	-	(13,691,767)	(13,691,767)
Balance, December 31, 2005	69,638,926	$ 45,423,077	$ 9,003,859	$ 1,280,436	$ (33,299,753)	$ 22,407,619

ENTRÉE GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Expressed in United States Dollars)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit During the Exploration Stage	Total Stockholders' Equity
- continued -						
Balance, December 31, 2005	69,638,926	$ 45,423,077	$ 9,003,859	$ 1,280,436	$ (33,299,753)	$ 22,407,619
Shares issued:						
Membership paid in stock	4,167	8,870	-	-	-	8,870
Exercise of stock options	1,215,000	1,862,345	(753,628)	-	-	1,108,717
Stock-based compensation	-	-	1,031,683	-	-	1,031,683
Foreign currency translation adjustment	-	-	-	252,317	-	252,317
Net loss	-	-	-	-	(9,655,341)	(9,655,341)
Balance, December 31, 2006	70,858,093	$ 47,294,292	$ 9,281,914	$ 1,532,753	$ (42,955,094)	$ 15,153,865
Shares issued:						
Private placement	14,428,640	43,826,994	-	-	-	43,826,994
Mineral property interests	15,000	33,976	-	-	-	33,976
Exercise of warrants	7,542,408	20,392,043	-	-	-	20,392,043
Exercise of stock options	728,700	926,364	(322,880)	-	-	603,484
Share issue costs	-	(1,981,360)	-	-	-	(1,981,360)
Stock-based compensation	-	-	1,732,839	-	-	1,732,839
Foreign currency translation adjustment	-	-	-	3,539,535	-	3,539,535
Net loss	-	-	-	-	(11,833,416)	(11,833,416)
Balance, December 31, 2007	93,572,841	$ 110,492,309	$ 10,691,873	$ 5,072,288	$ (54,788,510)	$ 71,467,960
Shares issued:						
Exercise of stock options	958,057	1,447,926	(591,456)	-	-	856,470
Mineral property interests	30,000	60,941	-	-	-	60,941
Share issue costs	-	(7,186)	-	-	-	(7,186)
Stock-based compensation	-	-	3,672,358	-	-	3,672,358
Foreign currency translation adjustment	-	-	-	(12,483,218)	-	(12,483,218)
Net loss	-	-	-	-	(16,730,278)	(16,730,278)
Balance, December 31, 2008	94,560,898	$ 111,993,990	$ 13,772,775	$ (7,410,930)	$ (71,518,788)	$ 46,837,047

ENTRÉE GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Expressed in United States Dollars)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit During the Exploration Stage	Total Stockholders' Equity
- continued -						
Balance, December 31, 2008	94,560,898	$ 111,993,990	$ 13,772,775	$ (7,410,930)	$ (71,518,788)	$ 46,837,047
Shares issued:						
Exercise of stock options	2,355,948	4,330,539	(2,050,489)	-	-	2,280,050
Mineral property interests	142,500	275,122	-	-	-	275,122
Stock-based compensation	-	-	4,183,677	-	-	4,183,677
Foreign currency translation adjustment	-	-	-	6,930,002	-	6,930,002
Unrealized gain on available for sale securities	-	-	-	563,481	-	563,481
Net loss	-	-	-	-	(17,102,254)	(17,102,254)
Balance, December 31, 2009	97,059,346	$ 116,599,651	$ 15,905,963	$ 82,553	$ (88,621,042)	$ 43,967,125
Shares issued:						
Exercise of stock options	2,122,278	4,632,135	(1,932,407)	-	-	2,699,728
Mineral property interests	152,500	382,284	-	-	-	382,284
Acquistion of PacMag	15,020,801	28,325,101	-	-	-	28,325,101
Share issue costs	-	(147,228)	-	-	-	(147,228)
Stock-based compensation	-	-	2,897,845	-	-	2,897,845
Foreign currency translation adjustment	-	-	-	3,483,645	-	3,483,645
Unrealized gain on available for sale securities	-	-	-	2,184,516	-	2,184,516
Net loss	-	-	-	-	(20,069,408)	(20,069,408)
Balance, December 31, 2010	114,354,925	$ 149,791,943	$ 16,871,401	$ 5,750,714	$ (108,690,450)	$ 63,723,608
Shares issued:						
Marketed offering	11,482,216	14,075,483	-	-	-	14,075,483
Exercise of stock options	427,147	1,050,721	(442,255)	-	-	608,466
Mineral property interests	752,500	1,721,110	-	-	-	1,721,110
Stock-based compensation	-	-	991,161	-	-	991,161
Share issue costs	-	(1,065,065)	-	-	-	(1,065,065)
Foreign currency translation adjustment	-	-	-	(1,101,366)	-	(1,101,366)
Unrealized gain on available for sale securities	-	-	-	(2,747,997)	-	(2,747,997)
Net loss	-	-	-	-	(17,140,208)	(17,140,208)
Balance, December 31, 2011	127,016,788	$ 165,574,192	$ 17,420,307	$ 1,901,351	$ (125,830,658)	$ 59,065,192

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

ENTRÉE GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)

	Year Ended December 31, 2011	Year Ended December 31, 2010	Inception (July 19, 1995) to December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (17,140,208)	$ (20,069,408)	$ (125,830,658)
Items not affecting cash:			
Depreciation	196,221	203,086	1,276,413
Stock-based compensation	991,161	2,897,845	21,545,882
Fair value adjustment of asset backed commercial paper	-	-	2,332,531
Escrow shares compensation	-	-	2,001,832
Mineral property interest paid in stock and warrants	-	-	4,052,698
Loss from equity investee	2,397,085	985,441	3,918,629
Deferred income tax recovery	(4,981,884)	(545,412)	(5,527,296)
Gain on sale of mineral property interests	(1,574,523)	-	(1,574,523)
Impairment of mineral property interests	531,005	-	531,005
Gain on sale of investments	(3,326,275)	-	(3,326,275)
Other items not affecting cash	40,145	24,604	260,741
Changes in assets and liabilities:			
Receivables	(126,216)	(108,634)	(394,247)
Receivables - Oyu Tolgoi LLC	-	705,988	64,194
Prepaid expenses	165,271	(276,413)	(850,561)
Accounts payable and accrued liabilities	438,197	212,772	1,512,494
Net cash used in operating activities	(22,390,021)	(15,970,131)	(100,007,141)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock	14,683,949	2,699,728	129,375,411
Share issue costs	(1,065,065)	(147,228)	(4,758,213)
Loan payable to Oyu Tolgoi LLC	-	-	376,230
Net cash provided by financing activities	13,618,884	2,552,500	124,993,428
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition of PacMag Metals Limited	-	837,263	837,263
Mineral property interests	(777,517)	(178,874)	(994,610)
Mineral property interests - bond payments	(62,127)	(79,493)	(211,188)
Joint venture - Oyu Tolgoi LLC	-	-	(366,595)
Short-term investments	(5,076,271)	-	(5,076,271)
Purchase of asset backed commercial paper	-	-	(4,031,122)
Acquisition of PacMag Metals Limited	-	(7,388,397)	(7,465,495)
Acquisition of equipment	(223,176)	(180,458)	(2,087,719)
Proceeds from sale of mineral property interests	1,491,391	-	1,491,391
Proceeds from sale of investments	5,734,895	-	5,734,895
Net cash provided by (used in) investing activities	1,087,195	(6,989,959)	(12,169,451)
Effect of foreign currency translation on cash and cash equivalents	899,971	1,343,323	1,695,362
Change in cash and cash equivalents during the period	(6,783,971)	(19,064,267)	14,512,198
Cash and cash equivalents, beginning of period	21,296,169	40,360,436	-
Cash and cash equivalents, end of period	$ 14,512,198	$ 21,296,169	$ 14,512,198
Cash paid for interest during the period	$ -	$ -	$ -
Cash paid for income taxes during the period	$ -	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 14)
The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

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

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

These consolidated financial statements have been prepared on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company currently earns no operating revenues. Continued operations of the Company are dependent upon the Company's ability to secure additional equity capital or receive other financial support, and in the longer term to generate profits from business operations. Management believes that the Company has sufficient working capital to maintain its operations for the next fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents includes cash in banks, money market funds, and certificates of term deposits with maturities of less than three months from inception, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of loss in value. The Company had $14,512,198 in cash and cash equivalents at December 31, 2011.

Short-term investments

Short-term investments consist of money market instruments with maturities of three months or more at date of purchase. The Company had $4,916,421 in short-term investments as at December 31, 2011.

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

Long-term investments

Long-term investments in companies in which the Company has voting interests of 20% to 50% or where the Company has the ability to exercise significant influence, are accounted for using the equity method. Under this method, the Company's share of the investees' earnings and losses is included in operations and its investments therein are adjusted by a like amount. Dividends received are credited to the long-term investment accounts.

Other long-term investments are classified as "available-for-sale" investments and unrealized gains and losses on these investments are recorded in accumulated other comprehensive income as a separate component of stockholders' equity, unless the declines in market value are judged to be other than temporary, in which case the losses are recognized in income in the period. Gains and losses from the sale of these investments are included in income in the period.

Equipment

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

Mineral property interests

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

Asset retirement obligation

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

Impairment of long-lived assets

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

Stock-based compensation

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

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

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

Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable.
Level 3 – Inputs that are unobservable (for example cash flow modelling inputs based on assumptions).

Income taxes

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

Foreign currency translation

The functional currency of the Company is the Canadian dollar. Accordingly, monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the balance sheet date while non-monetary assets and liabilities denominated in a foreign currency are translated at historical rates. Revenue and expense items denominated in a foreign currency are translated at exchange rates prevailing when such items are recognized in the statement of operations. Exchange gains or losses arising on translation of foreign currency items are included in the statement of operations.

The Company follows the current rate method of translation with respect to its presentation of these consolidated financial statements in the reporting currency, which is the United States dollar. Accordingly, assets and liabilities are translated into United States dollars at the period-end exchange rates while revenue and expenses are translated at the prevailing exchange rates during the period. Related exchange gains and losses are included in a separate component of stockholders' equity as accumulated other comprehensive income.

Net loss per share

Basic net loss per share is computed by dividing the net loss for the period attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share takes into consideration shares of common stock outstanding (computed under basic loss per share) and potentially dilutive shares of common stock. Diluted net loss per share is not presented separately from basic net loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive. At December 31, 2011, the total number of potentially dilutive shares of common stock excluded from basic net loss per share was 9,135,500 (December 31, 2010 - 9,292,800).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Recent accounting pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2011-12, *Comprehensive Income (Topic 220), Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. ASU 2011-12 defers the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income (AOCI) in ASU 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income.* ASU 2011-12 is effective for interim and annual reporting periods beginning after December 15, 2011. The Company does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income*, amending ASC 220. ASU 2011-05 eliminates the current option under U.S. GAAP to present components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity. Entities are required to present components of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 also requires entities to present reclassification adjustments out of AOCI in the statements where the components of net income and the components of OCI are presented. Consequently, this requirement is deferred by ASU 2011-12 and will be reconsidered by the FASB at a future date. ASU 2011-05 is effective for interim and annual reporting periods beginning after December 15, 2011. The Company is currently presenting all components of comprehensive income in a single continuous statement of comprehensive income and accordingly, the Company does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, amending ASC 820. ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Accordingly, the amendments clarify the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011. The Company is currently evaluating the impact of ASU 2011-04, but does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

3. ACQUISITIONS

The Company acquired all of the outstanding shares of PacMag Metals Limited (now PacMag Metals Pty Ltd) ("PacMag") on June 30, 2010, pursuant to a Scheme Implementation Deed dated November 28, 2009 and amended by a Deed of Variation dated April 12, 2010 with PacMag, by way of schemes of arrangement (the "Schemes") under the laws of Australia. The acquisition has been accounted for as an acquisition of the net assets of PacMag, rather than a business combination, as the net assets acquired did not represent a separate business transaction. For accounting purposes, the Company acquired control of PacMag on June 30, 2010 and these consolidated financial statements include the results of PacMag from June 30, 2010. All outstanding options to purchase PacMag shares were cancelled pursuant to the Schemes.

(Expressed in United States dollars)

3. ACQUISITIONS (cont'd...)

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

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

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

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

4. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash, cash equivalents and short-term investments consist of the following:

		December 31, 2011		December 31, 2010
Cash at bank and in hand	$	10,579,061	$	21,296,169
Cash equivalent investments		3,933,137		-
Short-term investments		4,916,421		-
	$	19,428,619	$	21,296,169

5. LONG-TERM INVESTMENTS

Long-term investments are summarized as follows:

		December 31, 2011		December 31, 2010
Asset Backed Commercial Paper	$	-	$	2,638,185
Australian Listed Equity		-		2,926,317
	$	-	$	5,564,502

(Expressed in United States dollars)

5. LONG-TERM INVESTMENTS (cont'd...)

Asset Backed Commercial Paper

In September 2011, the Company sold its asset backed notes ("AB Notes") with a face value of C$4,007,068, and an expected maturity date of December 20, 2016, for gross cash proceeds of $2,560,687, net of taxes. The Company had designated the notes as available for sale and the notes were recorded at fair value using a discounted cash flow approach (December 31, 2010 – C$2,623,998). The Company recorded a gain on sale of investments of $1,178,254 for the year ended December 31, 2011.

Australia Listed Equity Securities

In April 2011, the Company sold its Australian listed securities for gross cash proceeds of $3,174,208, net of taxes. The Company recorded a gain on sale of investments of $2,148,021 for the year ended December 31, 2011.

Equity Method Investment

The Company has a 20% interest in a joint venture with Oyu Tolgoi LLC ("OTLLC"), a company owned 66% by Ivanhoe Mines Ltd. and 34% by the Government of Mongolia (Note 7). At December 31, 2011, the Company's investment in the joint venture was $98,450 (December 31, 2010 - $119,517). The Company's share of the loss of the joint venture is $2,397,085 for the year ended December 31, 2011 (December 31, 2010 - $985,441) including accrued interest expense of $151,952 for the year ended December 31, 2011 (December 31, 2010 - $44,103).

6. EQUIPMENT

	December 31, 2011			December 31, 2010		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Office equipment	$ 125,486	$ 83,346	$ 42,140	$ 128,546	$ 77,718	$ 50,828
Computer equipment	577,249	322,882	254,367	582,103	317,101	265,002
Field equipment	568,984	246,363	322,621	542,662	255,423	287,239
Buildings	422,468	286,750	135,718	444,041	280,801	163,240
	$ 1,694,187	$ 939,341	$ 754,846	$ 1,697,352	$ 931,043	$ 766,309

7. MINERAL PROPERTY INTERESTS

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

Material Properties

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

7. MINERAL PROPERTY INTERESTS (cont'd...)

Material Properties (cont'd...)

Lookout Hill, Mongolia

The Lookout Hill property in the South Gobi region of Mongolia is comprised of two mining licences, Shivee Tolgoi and Javhlant, granted by the Mineral Resources Authority of Mongolia in October 2009. Title to the two licences is held by the Company.

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

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

The portion of the Shivee Tolgoi mining licence outside of the Joint Venture Property ("Shivee West") is 100% owned by the Company, but is subject to a first right of refusal by OTLLC.

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

As of December 31, 2011, the Entrée-OTLLC Joint Venture had expended approximately $20.5 million to advance the Joint Venture Property. Under the terms of the Entrée-OTLLC Joint Venture, OTLLC contributed on behalf of the Company its required participation amount charging interest at prime plus 2% (Note 8).

Ann Mason, Nevada, United States

The Ann Mason Project is defined by a series of both unpatented lode claims on public land administered by the Bureau of Land Management, and patented lode claims. The Company assembled this package of claims through a combination of staking and a series of transactions undertaken since August 2009, including the acquisition of PacMag. The project area includes the Ann Mason copper-molybdenum porphyry deposit, the Blue Hill oxide target, and several early-stage copper porphyry targets including the Blackjack, Roulette and Minnesota targets.

On August 26, 2010, the Company acquired 51% of Honey Badger Exploration Inc.'s ("Honey Badger") interest in unpatented lode claims formerly known as the Blackjack property after incurring expenditures of $900,000 on the property, issuing 37,500 common shares and reimbursing Honey Badger for up to $206,250 of expenditures previously incurred on the property. On July 27, 2011, the Company acquired Honey Badger's remaining 49% interest in the Blackjack property, by issuing 550,000 common shares and paying $650,000 to Honey Badger. Certain of the claims are subject to an underlying mining lease and option to purchase agreement with two individuals. The underlying agreement provides for an option to purchase the claims for $500,000, a 3% net smelter returns ("NSR") royalty (which may be brought down to a 1% NSR royalty for $2 million) and annual advance minimum royalty payments of $27,500 which commenced in June 2011 and will continue until the commencement of sustained commercial production. The advance payments will be credited against future net smelter returns royalty payments.

7. MINERAL PROPERTY INTERESTS (cont'd...)

Material Properties (cont'd...)

Ann Mason, Nevada, United States (cont'd...)

In September 2009, the Company entered into an agreement with Bronco Creek Exploration Inc. ("Bronco Creek"), a wholly-owned subsidiary of Eurasian Minerals Inc. (together, "Eurasian Minerals"), whereby the Company may acquire an 80% interest in unpatented lode claims formerly known as the Roulette property. In order to acquire its interest, the Company must: (a) incur expenditures of $1,000,000, make cash payments of $140,000 and issue 85,000 common shares of the Company within three years; (b) make aggregate advance royalty payments totalling $375,000 between the fifth and tenth anniversaries of the agreement; and (c) deliver a bankable feasibility study before the tenth anniversary of the agreement. In accordance with the agreement, the Company has completed required exploration expenditures of $600,000, issued 85,000 shares and made payments totalling $140,000.

Other Properties

During the financial year ended December 31, 2011, the Company also had interests in non-material properties in Mongolia, Australia, United States, and Peru. Non-material properties include the following:

Togoot

In November 2011, the Company sold the Togoot license for $1,365,475, net of taxes and recorded a gain on sale of mineral property interests of $1,474,640. OTLLC did not exercise its right of first refusal with respect to the sale.

Australia Properties

The Company has a number of mineral property interests in Australia which it acquired in conjunction with the PacMag acquisition, including the Blue Rose joint venture and the Mystique farm-out. The Company holds a 51% interest in the Blue Rose copper-iron-gold-molybdenum joint venture property, with Giralia Resources Pty Ltd., now a subsidiary of Atlas Iron Limited (ASX:AGO) ("Atlas"), retaining the remaining 49% interest. The Company has a farm-out agreement with Black Fire Gold Pty Ltd, a wholly-owned subsidiary of Black Fire Minerals Limited (ASX:BFE – "Black Fire"), pursuant to which Black Fire can earn a 60% interest in the property by expending $1 million by September 2012 and a 75% interest by expending $2.5 million by September 2014. Black Fire can earn an additional 10% interest by sole funding a pre-feasibility study on the property.

(Expressed in United States dollars)

7. MINERAL PROPERTY INTERESTS (cont'd...)

	December 31, 2011	December 31, 2010
USA		
Ann Mason	$ 50,973,368	$ 50,211,120
Empirical	532,550	268,701
Other	199,754	458,798
Bisbee	-	68,796
Total USA	51,705,672	51,007,415
AUSTRALIA		
Blue Rose JV	558,927	557,464
Mystique	414,164	413,103
Total Australia	973,091	970,567
Total all locations	$ 52,678,763	$ 51,977,982

The Company recorded an impairment of mineral property interests of $531,005 on certain of its non-material mineral property interests during the year ended December 31, 2011 (December 31, 2010 - $Nil). The Company recorded a gain on sale of mineral property interests of $1,574,523, including $1,474,640 on the Togoot property during the year ended December 31, 2011 (December 31, 2010 - $Nil).

Exploration costs expensed are summarized as follows:

	Year Ended December 31, 2011	Year Ended December 31, 2010
US	$ 14,088,428	$ 3,973,528
Mongolia	3,255,588	6,945,394
Other	335,158	1,307,641
Total all locations	$ 17,679,174	$ 12,226,563

8. LOANS PAYABLE

Under the terms of the Entrée-OTLLC Joint Venture (Note 7), OTLLC will contribute funds to approved joint venture programs and budgets on the Company's behalf. Interest on each loan advance shall accrue at an annual rate equal to OTLLC's actual cost of capital or the prime rate of the Royal Bank of Canada, plus two percent (2%) per annum, whichever is less, as at the date of the advance. The loans will be repayable by the Company monthly from ninety percent (90%) of the Company's share of available cash flow from the Entrée-OTLLC Joint Venture. In the absence of available cash flow, the loans will not be repayable. The loans are not expected to be repaid within one year.

9. COMMON STOCK

Share issuances

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

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

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

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

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

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

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

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

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

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

In April 2003, the Company completed a non-brokered private placement consisting of 1,000,000 units issued at a price of C$0.40 per unit for proceeds of $275,560. Each unit consisted of one common share and one non-transferable share purchase warrant. Each share purchase warrant entitled the holder to acquire one additional common share at a price of C$0.50 per share for the first year and at C$0.60 per share for the second year. The Company incurred costs of $4,408 with respect to this private placement.

9. COMMON STOCK (cont'd…)

Share issuances (cont'd…)

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

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

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

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

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

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

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

9. COMMON STOCK (cont'd…)

Share issuances (cont'd…)

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

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

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

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

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

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

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

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

9. COMMON STOCK (cont'd…)

Share issuances (cont'd…)

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

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

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

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

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

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

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

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

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

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

During the year ended December 31, 2009, the Company issued 2,355,948 common shares for cash proceeds of $2,280,050 on the exercise of stock options. The fair value recorded when the options were granted of $2,050,489 has been transferred from additional paid–in capital to common stock on the exercise of the options. Included in the issued shares were 415,448 common shares issued pursuant to the cashless exercise of 705,000 options with an exercise price of C$1.15, with the remaining 289,552 options treated as cancelled.

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

9. COMMON STOCK (cont'd…)

Share issuances (cont'd…)

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

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

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

In October 2010, the Company issued 22,500 shares at a fair value of $60,233 to Bronco Creek pursuant to a mineral property agreement.

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

In February 2011, the Company issued 40,000 shares at a fair value of $122,189 to Empirical pursuant to a January 2008 mineral property option agreement covering the Company's Bisbee, Arizona property.

In July 2011, the Company issued 550,000 shares at a fair value of $1,271,371 to acquire Honey Badger's remaining 49% interest in the Blackjack property.

In August 2011, the Company issued 150,000 shares at a fair value of $304,793 to Empirical pursuant to a June 2007 mineral property option agreement.

In October 2011, the Company issued 12,500 shares at a fair value of $19,753 to Bronco Creek pursuant to the September 2009 mineral property option agreement.

In November 2011, the Company completed a marketed offering and issued 10,000,000 shares at a price of C$1.25 per share. Rio Tinto elected to exercise its pre-emptive rights and purchased an additional 1,482,216 shares at a price of C$1.25 per share. The total gross proceeds from the offering were $14,075,483. Related share issuance costs were $1,065,065.

During the year ended December 31, 2011, the Company issued 427,147 common shares for cash proceeds of $608,466 on the exercise of stock options. The fair value recorded when the options were granted of $442,255 has been transferred from additional paid–in capital to common stock on the exercise of the options. Included in the issued shares were 87,847 common shares issued pursuant to the cashless exercise of 245,000 options with an exercise price of C$1.32, with the remaining 157,153 options treated as cancelled.

(Expressed in United States dollars)

9. COMMON STOCK (cont'd…)

Stock options

The Company has adopted a stock option plan (the "Plan") to grant options to directors, officers, employees and consultants. Under the Plan, as amended in May 2011, the Company may grant options to acquire up to 10% of the issued and outstanding shares of the Company. Options granted can have a term of up to ten years and an exercise price typically not less than the Company's closing stock price on the last trading day before the date of grant. Vesting is determined at the discretion of the Board of Directors.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. For employees, the compensation expense is amortized on a straight-line basis over the requisite service period which approximates the vesting period. Compensation expense for stock options granted to non-employees is recognized over the contract services period or, if none exists, from the date of grant until the options vest. Compensation associated with unvested options granted to non-employees is re-measured on each balance sheet date using the Black-Scholes option pricing model.

The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The expected term of the options approximates the full term of the options. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the stock options. The Company has not paid and does not anticipate paying dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of Nil in determining the expense recorded in the accompanying Statements of Operations.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price (C$)
Balance at December 31, 2009	10,907,800	1.86
Granted	1,737,500	2.77
Exercised	(2,122,278)	1.66
Cancelled	(1,212,722)	1.74
Expired	(10,000)	1.75
Forfeited	(7,500)	1.65
Balance at December 31, 2010	9,292,800	2.09
Granted	575,000	2.77
Exercised	(427,147)	1.66
Cancelled	(157,153)	1.32
Forfeited	(148,000)	2.31
Balance at December 31, 2011	9,135,500	2.16

There were 575,000 stock options granted during the year ended December 31, 2011 with a weighted average exercise price of C$2.77 and a weighted average fair value of C$1.64 (December 31, 2010 – C$1.75). The number of stock options exercisable at December 31, 2011 was 8,873,000.

(Expressed in United States dollars)

9. COMMON STOCK (cont'd…)

Stock options (cont'd…)

At December 31, 2011, the following stock options were outstanding:

Number of Options	Exercise Price (C$)	Aggregate Intrinsic Value (C$)	Expiry Date	Number of Options Exercisable	Aggregate Intrinsic Value (C$)
50,000	1.77	-	January 22, 2012	50,000	-
200,000	2.16	-	April 5, 2012	200,000	-
500,000	2.06	-	May 16, 2012	500,000	-
457,500	2.30	-	May 31, 2012	457,500	-
1,349,500	2.00	-	April 3, 2013	1,349,500	-
12,500	1.55	-	May 21, 2013	12,500	-
87,500	2.02	-	July 17, 2013	87,500	-
1,092,000	1.55	-	September 17, 2013	1,092,000	-
5,000	1.55	-	October 10, 2013	5,000	-
1,414,000	1.32	-	February 12, 2014	1,414,000	-
1,677,500	2.60	-	December 29, 2014	1,677,500	-
300,000	2.34	-	September 22, 2015	300,000	-
1,415,000	2.86	-	November 22, 2015	1,415,000	-
200,000	3.47	-	January 4, 2016	150,000	-
125,000	2.94	-	March 8, 2016	100,000	-
150,000	2.05	-	July 7, 2016	37,500	-
100,000	2.23	-	July 15, 2016	25,000	-
9,135,500		$ -		8,873,000	$ -

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing stock price of C$1.25 per share as of December 31, 2011, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options vested and exercisable as of December 31, 2011 was Nil. The total intrinsic value of options exercised during the year ended December 31, 2011 was $437,770 (December 31, 2010 - $3,103,315).

Subsequent to December 31, 2011, the Company granted 1,732,000 stock options with an exercise price of C$1.25 and 50,000 stock options with an exercise price of C$1.27. 50,000 stock options with an exercise price of C$1.77 expired and 2,500 stock options with an exercise price of C$2.86 were forfeited.

(Expressed in United States dollars)

9. COMMON STOCK (cont'd…)

Stock-based compensation

575,000 stock options were granted during the year ended December 31, 2011. The fair value of stock options granted during the year ended December 31, 2011 was $944,319 (December 31, 2010 - $3,007,946). 312,500 options were fully vested in 2011 and the remaining 262,500 will fully vest in 2012. Stock-based compensation recognized during the year ended December 31, 2011 was $991,161 (December 31, 2010 - $2,897,845) which has been recorded in the consolidated statements of operations as follows with corresponding additional paid-in capital recorded in stockholders' equity:

	Year Ended December 31, 2011	Year Ended December 31, 2010	Cumulative to December 31, 2011
Exploration	$ 146,343	$ 425,791	$ 3,807,401
General and administration	844,818	2,472,054	17,738,481
	$ 991,161	$ 2,897,845	$ 21,545,882

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

	December 31, 2011	December 31, 2010
Risk-free interest rate	2.06%	1.84%
Expected life of options (years)	4.2	5.0
Annualized volatility	74%	78%
Dividend rate	0.00%	0.00%

10. SEGMENT INFORMATION

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

Geographic information is as follows:

	December 31, 2011	December 31, 2010
Identifiable assets		
USA	$ 52,424,129	$ 51,790,144
Canada	18,345,690	23,603,838
Australia	1,993,279	4,778,311
Mongolia	1,781,099	1,027,622
Other	45,613	159,183
	$ 74,589,810	$ 81,359,098

(Expressed in United States dollars)

11. INCOME TAXES

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

	Year Ended December 31, 2011	Year Ended December 31, 2010
Loss for the year	$ (21,969,902)	$ (20,614,820)
Statutory rate	26.5%	28.5%
Expected income tax recovery	(5,822,024)	(5,875,224)
Permanent differences	(22,083)	(60,761)
Difference in foreign tax rates	(1,029,337)	(18,021)
Change in valuation allowance	2,014,763	5,289,044
Change in enacted tax rates	(123,203)	119,550
Withholding taxes	152,190	-
Total income tax expense (recovery)	$ (4,829,694)	$ (545,412)
Current income tax expense	152,190	-
Deferred income tax expense (recovery)	(4,981,884)	(545,412)
Total income taxes	$ (4,829,694)	$ (545,412)

(Expressed in United States dollars)

11. INCOME TAXES (cont'd...)

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	Year Ended December 31, 2011	Year Ended December 31, 2010
Deferred income tax assets:		
Non-capital loss carry forward	$ 16,310,423	$ 8,743,555
Investments	-	173,823
Resource expenditures	6,717,013	8,042,421
Equipment	76,811	99,668
Share issue and legal costs	318,999	253,337
Other	255,619	12,976
	23,678,865	17,325,780
Valuation allowance	(18,009,043)	(15,994,280)
Net deferred income tax assets	$ 5,669,822	$ 1,331,500
Deferred income tax liabilities:		
Investments	$ -	$ (786,088)
Mineral property interests	(15,062,436)	(14,919,910)
Net deferred income tax liabilities	$ (15,062,436)	$ (15,705,998)
Net deferred income tax liabilities	$ (9,392,614)	$ (14,374,498)

The Company has available for deduction against future taxable income non-capital losses of approximately $25,340,000 (2010: $19,260,000) in Canada, $680,000 (2010: $719,000) in China, $8,570,000 (2010: $2,350,000) in Mongolia, $22,000,000 (2010: $4,600,000) in the United States of America, $400,000 (2010: $3,100,000) in Australia and $240,000 (2010: $110,000) in Peru. These losses, if not utilized, will expire through 2030. Subject to certain restrictions, the Company also has foreign resource expenditures available to reduce taxable income in future years. Deferred income tax benefits which may arise as a result of these losses, resource expenditures, investments, accounts receivable, equipment, share issue and legal costs have been offset in these financial statements by a valuation allowance.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. As of December 31, 2011, there was no accrued interest or accrued penalties.

The Company files income tax returns in Canada and several foreign jurisdictions. The Company's Canadian income tax returns from 2004 to 2011 are open. For other foreign jurisdictions, including Mongolia and the U.S., all years remain open.

(Expressed in United States dollars)

12. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

At December 31, 2011, the Company had Level 1 financial instruments, consisting of cash, cash equivalents and short-term investments, with a fair value of $19,428,619.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (OCI)

	Year Ended December 31, 2011	Year Ended December 31, 2010
Accumulated OCI, beginning of year:		
Currency translation adjustment	$ 3,002,717	$ (480,928)
Available for sale securities	2,747,997	563,481
	$ 5,750,714	$ 82,553
Other comprehensive income (loss) for the year:		
Currency translation adjustments	$ (1,101,366)	$ 3,483,645
Unrealized gain on available for sale investments	715,428	2,184,516
Release of OCI on available for sale investments	(3,463,425)	-
Other comprehensive income (loss) for the year:	$ (3,849,363)	$ 5,668,161
Accumulated OCI, end of year:		
Currency translation adjustment	$ 1,901,351	$ 3,002,717
Available for sale securities	-	2,747,997
	$ 1,901,351	$ 5,750,714

(Expressed in United States dollars)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year ended December 31, 2011 consisted of the following items:

- issuance of 752,500 common shares (December 31, 2010 – 152,500) in payment of mineral property acquisitions valued at $1,721,110 (December 31, 2010 - $382,284) which have been capitalized as mineral property interests.

- funding by OTLLC of the Company's investment requirements for the Entrée-OTLLC Joint Venture of $2,397,085.

15. COMMITMENTS

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

2012	$	286,412
2013		187,579
2014		201,594
2015		205,409
2016		208,135
2017		86,135
	$	1,175,852

The Company incurred lease expense of $382,878 (December 31, 2010 – $322,062) for the year ended December 31, 2011.

16. TRANSACTIONS WITH RELATED PARTIES

On June 13, 2011, the Company sold its 100% interest in the Rainbow Canyon property to Acrex Ventures Ltd. ("Acrex"), for $125,000 and a 3% NSR royalty, which may be bought down to a 1% NSR royalty for $1 million. At the date of the transaction, Acrex was related to the Company by way of a common director.

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2011:

On December 30, 2011, the underwriters for the Company's November 2011 marketed offering exercised their over allotment option pursuant to which, on January 4, 2012, the Company issued 1,150,000 common shares at a price of C$1.25 per share. Rio Tinto elected to exercise its pre-emptive rights and purchased an additional 170,455 shares at a price of C$1.25 per share. The total gross proceeds from the over allotment were $1,628,583.

In addition, the Company granted 1,732,000 stock options with an exercise price of C$1.25 and 50,000 stock options with an exercise price of C$1.27.50,000 stock options with an exercise price of C$1.77 expired and 2,500 stock options with an exercise price of C$2.86 were forfeited.

Through a combination of staking and purchase agreements, the Company acquired or entered into agreements to acquire a total of 72 unpatented and patented lode claims within or contiguous to the boundaries of its Ann Mason project, Nevada, for aggregate costs of $3,618,853 and 40,000 common shares.

The Company entered into an agreement with Vanguard Exploration Ltd. ("Vanguard") pursuant to which Vanguard agreed to purchase the Company's interest in the Northling farm-out in Australia for A$100,000. The transaction closed on March 12, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011
(In United States dollars unless stated otherwise)

INTRODUCTION

This discussion and analysis of financial position, results of operations and cash flows ("MD&A") of Entrée Gold Inc. (the "Company") should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2011 (the "Annual Financial Statements"). Additional information relating to the Company, including the Company's Annual Information Form dated March 29, 2012 (the "AIF") is available on SEDAR at www.sedar.com. The effective date of this MD&A is March 29, 2012. The Company prepares its financial statements in conformity with generally accepted accounting principles in the United States of America ("US GAAP").

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

As used in this MD&A, the terms "we", "us", "our" and "Entrée" mean Entrée Gold Inc. and/or one or more of the Company's wholly-owned subsidiaries.

Robert Cann, P.Geo., Entrée's Vice-President, Exploration and a Qualified Person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"), has approved this MD&A.

CORPORATE INFORMATION

Our corporate headquarters are located in Vancouver, British Columbia, Canada. Field operations are conducted out of local offices in Mongolia and the United States. Entrée is primarily focused on exploring its principal properties in Nevada and Mongolia.

LISTING OF COMMON STOCK ON OTHER STOCK EXCHANGES

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

OVERVIEW

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

MONGOLIA – LOOKOUT HILL

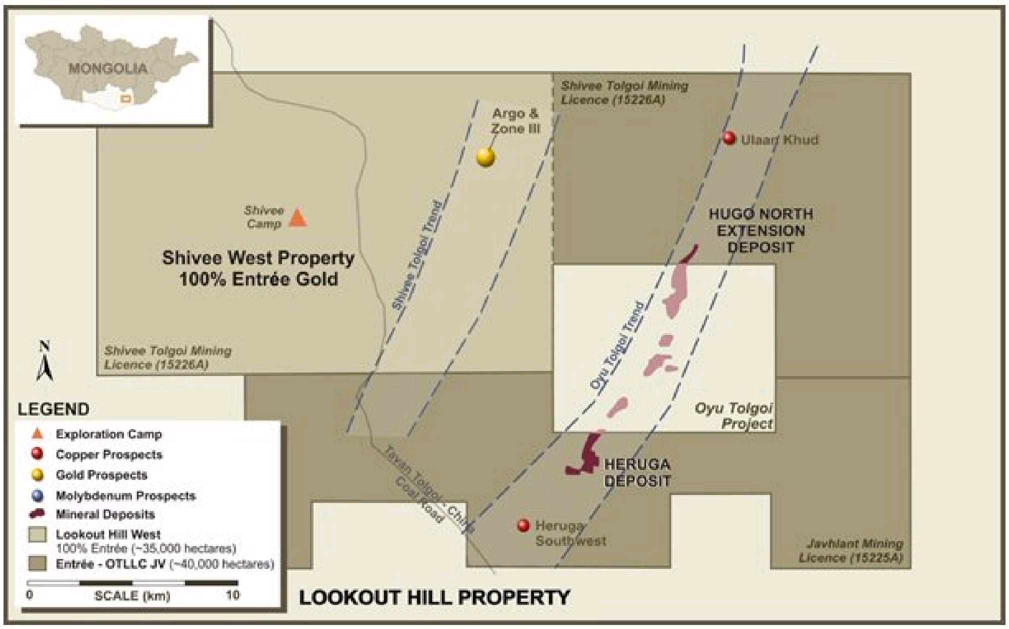
The Lookout Hill property in the South Gobi region of Mongolia is comprised of two mining licences, Shivee Tolgoi and Javhlant, granted by the Mineral Resources Authority of Mongolia in October 2009. Shivee Tolgoi and Javhlant completely surround Oyu Tolgoi LLC's ("OTLLC") Oyu Tolgoi licence and host the Hugo North Extension copper-gold deposit and the Heruga copper-gold-molybdenum deposit, respectively. These deposits are located within a land area that is subject to a joint venture between Entrée and OTLLC (the "Entrée-OTLLC Joint Venture"). OTLLC is owned 66% by Ivanhoe Mines Ltd. ("Ivanhoe Mines") and 34% by the Government of Mongolia (through Erdenes Oyu Tolgoi LLC).

The Shivee Tolgoi and Javhlant mining licences are divided between Entrée and the Entrée-OTLLC Joint Venture as follows:

- The Entrée-OTLLC Joint Venture covers 39,807 hectares consisting of the eastern portion of Shivee Tolgoi and all of the Javhlant mining licence (the "Joint Venture Property"). The Joint Venture Property is contiguous with, and on three sides (to the north, east and south) surrounds OTLLC's Oyu Tolgoi mining licence. The Joint Venture Property hosts the Hugo North Extension deposit and the Heruga deposit.

- The portion of the Shivee Tolgoi mining licence outside of the Joint Venture Property ("Shivee West") covers an area of 35,173 hectares. Shivee West is 100% owned by Entrée but is subject to a first right of refusal by OTLLC.

The illustration below depicts the different areas of Lookout Hill:



Entrée-OTLLC Joint Venture

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

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

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

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

At December 31, 2011, Ivanhoe Mines owned approximately 11% of the Company's issued and outstanding shares, which it acquired pursuant to the Earn-In Agreement. Certain of Ivanhoe Mines' rights and obligations under the Earn-In Agreement, including a right to nominate one member of the Company's Board of Directors, a pre-emptive right to enable it to preserve its ownership percentage in the Company, and an obligation to vote its shares as the Company's Board of Directors directs on certain matters, expired with the formation of the Entrée-OTLLC Joint Venture. OTLLC's right of first refusal on Shivee West is maintained.

Investment by Rio Tinto in Entrée

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

At December 31, 2011, Rio Tinto owned approximately 12.9% of the Company's issued and outstanding shares.

Investment by Rio Tinto Holdings in Ivanhoe Mines

Following Rio Tinto's investment in the Company in June 2005, Rio Tinto plc, through its subsidiary Rio Tinto International Holdings Ltd. ("Rio Tinto Holdings"), acquired through a series of transactions approximately 49% of Ivanhoe Mines' issued and outstanding shares as at December 31, 2011. Rio Tinto Holdings' ownership interest in Ivanhoe Mines was capped at 49% until January 18, 2012, pursuant to a Heads of Agreement dated December 8, 2010 (the "Heads of Agreement"). On January 24, 2012, Rio Tinto plc announced that Rio Tinto Holdings had purchased an additional 15.1 million shares of Ivanhoe Mines increasing its ownership interest to 51%.

Heads of Agreement

Among other things, the Heads of Agreement between Ivanhoe Mines and Rio Tinto Holdings provides for the management structure of OTLLC and the project management structure of the Oyu Tolgoi mining complex. Under the Heads of Agreement, Rio Tinto Holdings is entitled to appoint three of the nine directors of OTLLC (with Ivanhoe Mines appointing three and the Government of Mongolia appointing three) and Rio Tinto Holdings assumes management of the building and operation of the Oyu Tolgoi mining complex, which includes the Heruga and Hugo North Extension deposits on the Joint Venture Property. Ivanhoe Mines will continue to directly manage ongoing exploration on the licences outside of the projected life-of-mine area, including the balance of the Joint Venture Property. On March 20, 2012, Ivanhoe Mines announced that overall construction of the first phase of the Oyu Tolgoi mining complex was 72.7% complete at the end of February 2012, and that construction remains on track to meet the targeted start of initial production in the third quarter of 2012.

Investment Agreement and Integrated Development Plan

In October 2009, Ivanhoe Mines, OTLLC and Rio Tinto Holdings signed an Investment Agreement with the Mongolian Government. The Investment Agreement took legal effect on March 31, 2010, and specifies that the Government of Mongolia will own 34% of the shares of OTLLC (and by extension, 34% of OTLLC's interest in the Joint Venture Property) through its subsidiary Erdenes Oyu Tolgoi LLC. The Investment Agreement regulates the relationship among these parties and stabilizes the long term tax, legal, fiscal, regulatory and operating environment to support the development of the Oyu Tolgoi mining complex, which includes the Joint Venture Property.

Entrée is not presently a party to the Investment Agreement. Entrée does not have any direct rights or benefits under the Investment Agreement, and Entrée's interest in the Joint Venture Property is not subject to the Investment Agreement. In October 2011, Ivanhoe Mines, Rio Tinto and the Government of Mongolia released a joint statement reaffirming their continued support for the Investment Agreement and its implementation.

In March 2012, Ivanhoe Mines released a technical report ("Ivanhoe TR12") that reports the results of OTLLC's updated mine plan or Integrated Development and Operations Plan ("OTIDOP12"). The Ivanhoe TR12 updates the current path of development for the initial phases of the Oyu Tolgoi group of deposits (Southern Oyu Pits and Hugo North Underground Lift 1, which includes the Hugo North Extension deposit).

On March 30, 2012, the Company filed an updated technical report titled "Technical Report 2012 on the Lookout Hill Property" ("LHTR12"). LHTR12 is dated March 29, 2012 and was prepared by AMC Consultants Pty Ltd ("AMC") in Adelaide, Australia, a "qualified person" as defined in NI 43-101. The following information is summarized, derived or extracted from LHTR12. For a complete description of the assumptions, qualifications and procedures associated with the information in LHTR12, reference should be made to the full text of LHTR12, which is available for review on SEDAR located at www.sedar.com or on www.entreegold.com.

LHTR12 considers the conclusions and recommendations raised within the Ivanhoe TR12 in the context of Entrée's operations.

LHTR12 analyses a reserve case only. The underground mineral reserves for the Hugo North deposit, including the Entrée-OTLLC Joint Venture's Hugo North Extension deposit, were updated in the LHTR12. While the mineral reserve tonnage on the Joint Venture Property remained the same as those that were reported by the Company in June 2010, the grades increased. The probable reserve for Hugo North Extension effective as of March 29, 2012 totals 27 million tonnes ("Mt") grading 1.91% copper and 0.74 g/t gold.

Table 1. Entrée-OTLLC Joint Venture Mineral Reserve, 29 March 2012

Classification	Ore (Mt)	NSR ($/t)	Cu (%)	Au (g/t)	Copper (Billion lb)	Gold (Moz)
Proven	-	-	-	-	-	-
Probable	27	79.40	1.91	0.74	1.0	0.5
Total Entrée-OTLLC Joint Venture	27	79.40	1.91	0.74	1.0	0.5

Notes:

- Table shows only the part of the mineral reserve on the Entrée-OTLLC Joint Venture portion of the Shivee Tolgoi licence.
- Metal prices used for calculating the Hugo North underground net smelter returns ("NSR") are copper $1.80/lb, gold $750/oz, and silver $12.00/oz based on long term metal price forecasts at the beginning of the mineral reserve work. The analysis indicates that the mineral reserve is still valid at these metal prices.
- The NSR has been calculated with assumptions for smelter refining and treatment charges, deductions and payment terms, concentrate transport, metallurgical recoveries and royalties.
- For the underground block cave all material within the shell has been converted to mineral reserve; this includes low grade indicated material and inferred material assigned zero grade treated as dilution.
- Only measured resources were used to report proven reserves and only indicated resources were used to report probable reserves.
- The Entrée-OTLLC Joint Venture Property comprises the eastern portion of the Shivee Tolgoi licence and all of the Javhlant licence. Title to both licences is held by Entrée. The Joint Venture Property is managed by OTLLC. OTLLC will receive 80% of cash flows after capital and operating costs for material originating below 560 metres, and 70% above this depth.
- The base case financial analysis has been prepared using current long term metal price estimates of copper $2.85/lb, gold $1200/oz, and silver $16.60/oz. Metal prices are assumed to fall from current prices to the long term average over five years.
- The mineral reserves are not additive to the mineral resources.

The OTIDOP12 uses the same mineral resource estimates previously reported in the Company's June 2010 technical report. The following table summarizes the mineral resources for the Hugo North Extension deposit and the Heruga deposit as reproduced in LHTR12. The resource estimate for the Hugo North Extension deposit is effective as of February 20, 2007 and is based on drilling completed to November 1, 2006. The Heruga mineral resource estimate is effective as of March 30, 2010.

Table 2. Entrée-OTLLC Joint Venture Mineral Resources (0.6% CuEq cut-off), based on Technical Report March 2010

Deposit	Tonnage (Mt)	Copper (%)	Gold (g/t)	CuEq (%)	Contained Metal		
					Copper (000 lb)	Gold (oz)	CuEq (000 lb)
Hugo North Extension Deposit							
Indicated Shivee Tolgoi (Hugo North)	117.0	1.80	0.61	2.19	4,640,000	2,290,000	5,650,000
Inferred Shivee Tolgoi (Hugo North)	95.5	1.15	0.31	1.35	2,420,000	950,000	2,840,000
Heruga Deposit							
Inferred Javhlant (Heruga)	910.0	0.48	0.49	0.87	9,570,000	14,300,000	17,390,000

Notes:

- Copper Equivalent ("CuEq") has been calculated using assumed metal prices of $1.35/lb for copper, $650/oz for gold, and $10.50 for molybdenum. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and 72% of copper recovery respectively. CuEq was calculated using the formula: CuEq% = Cu% + ((Au g/t*18.98)+(Mo g/t*.01586))/29.76.
- Mo content in Heruga deposit is 141 ppm and included in calculation of CuEq.
- The contained copper, gold and molybdenum in the tables have not been adjusted for metallurgical recovery.
- The 0.6% CuEq cut-off is highlighted as the base case resource for underground bulk mining.
- Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- The Entrée-OTLLC Joint Venture Property comprises the eastern portion of the Shivee Tolgoi licence and all of the Javhlant licence. Title to both licences is held by Entrée. The Joint Venture Property is managed by OTLLC. OTLLC will receive 80% of cash flows after capital and operating costs for material originating below 560 m, and 70% above this depth.

UNITED STATES – ANN MASON

Entrée's other principle asset is the Ann Mason Project in the Yerington District of Nevada.

The Ann Mason Project is currently defined by the mineral rights to 1008 unpatented lode claims on public land administered by the Bureau of Land Management, and title to 3 patented lode claims. Entrée assembled this package of claims through a combination of staking and a series of transactions undertaken since August 2009, including the acquisition of PacMag Metals Limited ("PacMag"). The Roulette and Blackjack properties have been folded into the Ann Mason Project, which now includes the Ann Mason copper-molybdenum porphyry deposit, the Blue Hill oxide target, and the Blackjack, Roulette and Minnesota targets. Unless otherwise described below, Entrée has a 100% interest in the claims comprising the Ann Mason Project.

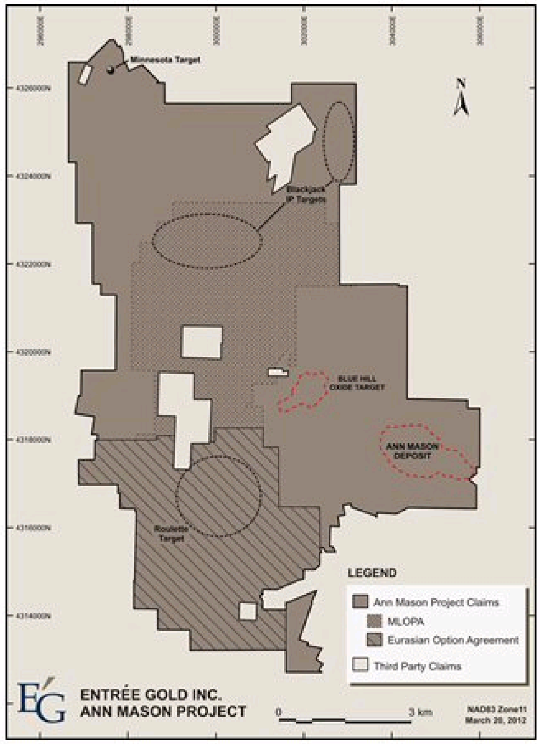
On August 26, 2010, the Entrée acquired 51% of Honey Badger Exploration Inc.'s ("Honey Badger") interest in 466 unpatented lode claims formerly known as the Blackjack property after incurring expenditures of $900,000 on the property, issuing 37,500 common shares and reimbursing Honey Badger for up to $206,250 of expenditures previously incurred on the property. On July 27, 2011, Entrée acquired Honey Badger's remaining 49% interest in the Blackjack property, by issuing 550,000 common shares and paying $650,000 to Honey Badger. 227 of the claims are subject to an underlying mining lease and option to purchase agreement with two individuals. The underlying agreement provides for an option to purchase the claims for $500,000, a 3% NSR royalty (which may be brought down to a 1% NSR royalty for $2 million) and annual advance minimum royalty payments of $27,500 which commenced in June 2011 and will continue until the commencement of sustained commercial production. The advance payments will be credited against future net smelter returns royalty payments.

In September 2009, Entrée entered into an agreement with Bronco Creek Exploration Inc. ("Bronco Creek"), a wholly-owned subsidiary of Eurasian Minerals Inc. (together, "Eurasian"), whereby Entrée may acquire an 80% interest in 214 unpatented lode claims formerly known as the Roulette property. In order to acquire its interest, Entrée must: (a) incur expenditures of $1,000,000, make cash payments of $140,000 and issue 85,000 common shares of the Company within three years; (b) make aggregate advance royalty payments totalling $375,000 between the fifth and tenth anniversaries of the agreement; and (c) deliver a bankable feasibility study before the tenth anniversary of the agreement. In accordance with the agreement, Entrée has completed required exploration expenditures of $600,000, issued 85,000 shares and made payments totalling $140,000.

Entrée has an agreement to acquire a 100% interest in three of the unpatented lode claims, which is expected to complete on or before September 13, 2012

Subsequent to the year ended December 31, 2011, Entrée, through a combination of staking and purchase agreements, acquired or entered into agreements to acquire a total of 72 unpatented and patented lode claims within or contiguous to the boundaries of its Ann Mason Project for aggregate costs of $3,618,853 and 40,000 common shares.

The illustration below depicts the location of the Ann Mason Project.



The following information was taken from "Technical Report and Updated Mineral Resource Estimate, Ann Mason Project, Nevada, USA" with an effective date of March 26, 2012 (the "AMTR12"). This report was prepared by Scott Jackson, F.AusIMM, Robert Cinits, P.Geo, and Lyn Jones, P. Eng. Mr. Cinits is the Company's Director, Technical Services. A copy of AMTR12 is filed on SEDAR at www.sedar.com. The following information is summarized, derived or extracted from the AMTR12. Portions of the information are based on assumptions, qualifications and procedures, which are not fully described herein. Reference should be made to the full text of the AMTR12.

Mineral Resource Estimate

The Ann Mason deposit is estimated to contain an indicated resource of 640 Mt averaging 0.41% CuEq (at a 0.3% copper cut-off) estimated to contain over 5.3 billion pounds of copper and 100 million pounds of molybdenum, and an inferred resource of 444 Mt averaging 0.38% CuEq (at a 0.3% copper cut-off) estimated to contain 3.54 billion pounds of copper and 40 million pounds of molybdenum.

The following table summarizes the mineral resource for the Ann Mason deposit as produced in the AMTR12. The resource estimate for the Ann Mason deposit is effective as of March 6, 2012:

Cut-off Cu (%)	Indicated Resources					
	Tonnes (million)	Cu (%)	Mo (%)	lb Cu (billion)	lb Mo (billion)	CuEq* (%)
0.2	1,115	0.33	0.007	8.04	0.16	0.35
0.25	904	0.35	0.007	6.98	0.13	0.38
0.3	640	0.38	0.007	5.38	0.10	0.41
0.35	391	0.42	0.007	3.60	0.06	0.45
0.4	201	0.46	0.008	2.04	0.03	0.49

Cut-off Cu (%)	Inferred Resources					
	Tonnes (million)	Cu (%)	Mo (%)	lb Cu (billion)	lb Mo (billion)	CuEq* (%)
0.2	1,131	0.29	0.004	7.31	0.11	0.31
0.25	780	0.32	0.004	5.56	0.07	0.34
0.3	444	0.36	0.004	3.54	0.04	0.38
0.35	215	0.40	0.004	1.90	0.02	0.42
0.4	82	0.45	0.005	0.82	0.01	0.47

*Copper equivalent is calculated using assumed metal prices of: copper $2.50/lb; and molybdenum $15.00/lb and assumed metallurgical recoveries relative to copper of: molybdenum 70%.

SELECTED ANNUAL FINANCIAL INFORMATION

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Total Revenues	$ -	$ -	$ -
Net Loss	(17,140,208)	(20,069,408)	(17,102,254)
Net loss per share, basic and diluted	(0.15)	(0.19)	(0.18)
Working capital	19,004,136	21,268,201	40,874,503
Total assets	74,589,810	81,359,098	45,804,120
Total long term liabilities	13,720,492	16,158,190	676,083

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

For the year ended December 31, 2011, net loss was $17,140,208 compared to $20,069,408 in the year ended December 31, 2010. During the year ended December 31, 2011 Entrée incurred higher operating expenditures, including increased general and administrative and mineral exploration expenses, further described below, and increased spending by the Entrée-OTLLC Joint Venture resulting in increased losses from equity investee relative to the year ended December 31, 2010. These increases were offset by a recorded deferred income tax recovery in the period, a gain on sale of mineral property interests and the gain on sale of investments. For the year ended December 31, 2011, working capital was $19,004,136 compared to $21,268,201 during the year ended December 31, 2010. The decrease in working capital is primarily the result of cash used in operations during the period partially offset by cash proceeds received from share issuances, the sale of certain investments and the sale of mineral property interests. For the year ended December 31, 2011, total assets were $74,589,810 compared to $81,359,098 during the year ended December 31, 2010. The decrease in total assets over the prior year is the net effect of a decrease in working capital described above. For the year ended December 31, 2011, total long term liabilities were $13,720,492 compared to $16,158,190 during the year ended December 31, 2010. The decrease in long term liabilities over the prior year is due primarily to a deferred income tax recovery for the period.

(In United States dollars unless stated otherwise)

REVIEW OF OPERATIONS

Results of operations are summarized as follows:

	Year Ended December 31, 2011	Year Ended December 31, 2010
Exploration	$ 17,532,831	$ 11,800,772
General and administrative	5,412,788	4,971,109
Loss from equity investee	2,397,085	985,441
Stock-based compensation	991,161	2,897,845
Impairment of mineral property interests	531,005	-
Depreciation	196,221	203,086
Current income tax expense	152,190	-
Interest income	(190,391)	(243,433)
Gain on sale of mineral property interest	(1,574,523)	-
Gain on sale of investments	(3,326,275)	-
Deferred income tax recovery	(4,981,884)	(545,412)
Net loss	$ 17,140,208	$ 20,069,408

Mineral properties expenditures are summarized as follows:

	Year Ended December 31, 2011	Year Ended December 31, 2010
US	$ 14,088,428	$ 3,973,528
Mongolia	3,255,588	6,945,394
Other	335,158	1,307,641
Total costs	17,679,174	12,226,563
Less stock-based compensation	(146,343)	(425,791)
Total expenditures, cash	$ 17,532,831	$ 11,800,772

MONGOLIA

Lookout Hill – Joint Venture Property

Since formation, and as of December 31, 2011, the Entrée-OTLLC Joint Venture had expended $20.5 million to advance the project. Under the terms of the Entrée-OTLLC Joint Venture, OTLLC contributed on Entrée's behalf the required cash participation amount of $4.3 million, equal to 20% of the $20.5 million incurred to date, plus interest at prime plus 2%.

During 2011, 5 deep exploration holes (including two daughter holes) were completed to the north of the Hugo North Extension deposit but were unsuccessful in reaching the target or intersecting significant mineralization. During 2011, 10 engineering holes totaling 13,067 metres were completed to test the geotechnical character of Lift 1 at Hugo North and Hugo North Extension and to test the area of a planned shaft to the west of Hugo North Extension.

On the Javhlant license, two existing holes were deepened on the Heruga deposit but did not intersect significant mineralization. An additional hole (EJD0038) tested an inducted polarization ("IP") target to the southwest of Heruga and intersected some significant advanced argillic alteration with low copper values (up to 36 metres of 0.39% copper). Three other holes tested various IP/gravity and geological targets but did not locate significant mineralization.

In the second half of 2011, a detailed magnetotelluric ("MT") survey was completed by OTLLC along the Oyu Tolgoi trend and a detailed ground magnetic survey was completed on the east side of the Javhlant licence.

As of December 31, 2011, exploration drilling continued with two drill rigs on the Joint Venture Property. One drill was testing a target to the west of the Heruga deposit and the other drill was testing an IP/geology target to the southwest of Heruga, both located on the Javhlant licence.

Lookout Hill - Shivee West

Entrée has a 100% interest in the western portion of the Shivee Tolgoi mining licence.

For 2011, Entrée's work program consisted of geological and geophysical surveying, and 23 reverse circulation ("RC") drill holes totalling 2,470 metres. Field work included a 1,670 line-kilometre detailed magnetic survey completed over a belt of rocks which demonstrate similarities to the Devonian-aged units that host the Oyu Tolgoi deposits.

RC drilling was conducted over the Zone III near-surface epithermal gold target and expanded north, where a new gold zone ("Argo Zone") was discovered 250 metres beyond the previously known area of gold mineralization. The Argo Zone has been partly defined by six new RC holes (holes EGRC-11-110 to 115), two trenches and surface chip sampling. Hole EGRC-11-112 returned 14 metres of 1.82 grams/tonne ("g/t") gold and hole EGRC-11-111 returned 3 metres of 2.21 g/t gold. Two separate high-grade surface chip samples averaged 42.4 g/t gold over 4 metres and 19.3 g/t gold over 3 metres. Shallow gold mineralization in both zones is hosted by quartz veined felsic volcanic rocks.

Togoot

Entrée had a 100% interest in the 14,031 hectare Togoot mining licence, which was issued by the Mineral Resources Authority of Mongolia on June 24, 2010. During the year ended December 31, 2011 Entrée sold the licence for $1,365,475, net of taxes and recorded a gain on sale of mineral property interests of $1,474,640. OTLLC did not exercise its right of first refusal with respect to the sale.

For the year ended December 31, 2011, Shivee West and Togoot expenses were $3,255,588 compared to $6,945,394 during the year ended December 31, 2010. The higher expenses in 2010 resulted from a broader drill program on Shivee West compared to 2011 and no drilling activity on Togoot during the year ended December 31, 2011.

UNITED STATES

In addition to its Ann Mason Project, the Company has direct and indirect interests in non-material properties in Nevada, New Mexico and North Dakota.

Ann Mason Project, Nevada

The Ann Mason Project is Entrée's most advanced project outside of Mongolia.

To date, Entrée has expended approximately $16.5 million on the Ann Mason Project including $13.2 million in the year ended December 31, 2011. The program included step out holes to explore the potential for adding mineralization to the west of the previously defined Ann Mason resource, and infill drilling to increase resource confidence. In addition, Entrée completed detailed geochemical sampling, and RC and diamond drilling to test the extent of shallow oxide copper mineralization in the Blue Hill oxide target.

Core drilling commenced at Ann Mason in late 2010. At the end of December 2011, Entrée had completed 24 holes (for a total of 26,846 metres) and received complete assay results for 13 holes. The first hole (EG-AM-10-001) was completed mid-December 2010 and in early February 2011, the Company released results for this hole which include 988 metres averaging 0.31% copper. During the second half of 2011, the Company released results for 9 Ann Mason drill holes (EG-AM-11-005 to 013). All of the holes, except EG-AM-11-006, returned long intercepts of significant copper mineralization. Subsequent to year-end 2011, the Company released results for an additional 14 holes.

Drilling continues to significantly expand and to better define the copper distribution within the deposit. In addition, drilling is better defining the molybdenum, gold and silver content and distribution as these elements were not systematically assayed in historical drill programs. At the end of December 2011, Entrée had two core rigs completing infill and stepout holes at Ann Mason.

In late July, two composite samples of sulphide-bearing core were sent to METCON Research in Tucson, Arizona for preliminary flotation testing. At the end of December 2011, testing was still ongoing but interim results indicated excellent recoveries of over 90% copper.

In December, work started on additional sampling and assaying of historical core. A total of 5,700 samples from 22 Anaconda holes will be reassayed to check copper assays and to add molybdenum, gold and silver to the resource database. Work will be completed in the first half of 2012.

On the near-surface Blue Hill oxide target (3 kilometres northwest of the Ann Mason deposit), copper oxide mineralization extends from surface to a depth of up to 185 metres (average approximately 125 metres), over an area of 650 by 500 metres and remains open to the northwest and southeast. Drilling of the underlying sulphide target remains very widely spaced, but has identified a target area more than one kilometre in width, which still remains open in most directions. Significant molybdenum mineralization was also intersected in two of the drill holes targeting the sulphide mineralization.

Since 2010, 24 RC holes totalling 4,266 metres and 7 diamond drill holes totalling 2,590 metres have been completed at Blue Hill. In 2011, Entrée completed 6 diamond drill holes (EG-BH-11-015 to 019 and 021) totalling 2,557 metres. Four holes in the oxide zone provided important geotechnical, structural and assay data. All 4 holes returned significant oxide copper. Two diamond holes (019 and 021), drilled east of the oxide copper zone, tested deeper sulphide copper potential and encountered long intervals of sulphide copper mineralization including 644 metres of 0.19% copper (from 238 metres) and 266 metres of 0.18% copper (from 218 metres). A diamond hole (EG-BH-11-031) located 750 metres east-southeast of EG-BH-11-019 was collared into bedrock but not completed. This hole was terminated at 33 metres depth, but intersected oxide copper mineralization averaging 0.31% over the final 11.3 metres and ended in mineralization. Most importantly, this is in an area with no previously documented copper mineralization.

Permitting has been completed to expand the approved area of operations so additional drilling can be completed to the southwest of the Blue Hill area.

For the year ended December 31, 2011, Ann Mason Project expenditures were $13,202,048 compared to $3,323,750 during the year ended December 31, 2010. The greater exploration expenditures in 2011 reflect a full year drilling program, compared to a more limited drilling program in 2010, the year of the PacMag acquisition.

Lordsburg and Oak Grove, New Mexico

In June 2007, Entrée entered into an agreement with Empirical Discovery LLC ("Empirical") to explore for and develop porphyry copper targets in southeastern Arizona and southwestern New Mexico. Two targets are currently being explored – the Lordsburg property in New Mexico, and the Oak Grove property, which is located approximately 45 kilometres northeast of Lordsburg. Under the terms of the agreement, as amended, Entrée has the option to acquire up to a 100% interest in either or both of the properties by incurring exploration expenditures of $1.9 million and issuing 300,000 shares by August 9, 2012. In addition, for each property that Entrée wishes to acquire an interest in, it must incur all additional exploration expenditures necessary to produce a NI 43-101 compliant resource estimate and complete a scoping study on that property. If Entrée fulfills all of its obligations on a property, Empirical may elect within 90 days to retain a 20% participating interest or convert to a 2% NSR royalty, half of which may be purchased by Entrée for $2 million. To date, Entrée has incurred minimum expenditures of $1.4 million and issued 300,000 shares under the agreement.

The Lordsburg claims cover 2,013 hectares adjacent to the historic Lordsburg copper-gold-silver district in New Mexico. Drilling at Lordsburg has been successful in discovering a new porphyry copper-gold occurrence in an area previously known only for vein-style gold mineralization. No field work was completed at Lordsburg in 2010 or in 2011. Future drilling will be directed towards expanding the existing drill defined copper and gold zone.

The Lordsburg Plan of Operations/Environmental Assessment and Application to Conduct Mineral Exploration is currently under review and provides for drilling on 65 additional sites and 28.2 acres of surface disturbance. The proposed Plan of Operations for Lordsburg has been approved by the Bureau of Land Management. An Application to Conduct Mineral Exploration filed with the New Mexico Division of Mining and Minerals is currently being processed. When final, the proposed work will require posting of an additional reclamation bond.

Work on the 1,435 hectare Oak Grove property to date has consisted of permitting, negotiation of access agreements, a 17 line kilometre IP survey and a 50 line kilometre magnetic survey. The work defined moderate chargeability anomalies associated with a strong, circular magnetic feature. Drill testing on the target is planned for 2012.

A Minimal Impact Application to Conduct Mineral Exploration, filed with the New Mexico Division of Mining and Minerals, is currently being processed. When final, the proposed work will require posting of a reclamation bond.

For the year ended December 31, 2011, expenses incurred on the Lordsburg, Oak Grove and other Empirical targets were $142,538 compared to $274,100 during the year ended December 31, 2010. Little work was completed on the Lordsburg, Oak Grove, and other Empirical targets during 2011.

Bisbee, Arizona

In January 2008, Entrée entered into a second agreement with Empirical on similar terms as the Lordsburg/Oak Grove agreement to explore for buried porphyry copper targets in an area north of Bisbee, Arizona.

A $610,000 exploration program designed to test the Dixie and Abbot targets commenced in 2010 and continued in the first quarter of 2011. As at the end of the period ended March 31, 2011, Entrée had completed two planned holes at Bisbee for a total of 2,179 metres. Neither of these holes intersected significant economic mineralization. In April 2011, Entrée gave notice to Empirical terminating the Bisbee agreement.

For the year ended December 31, 2011, Bisbee expenses were $660,006 compared to $345,124 during the year ended December 31, 2010. The higher expenses in 2011 resulted from an earlier start in drilling.

For the year ended December 31, 2011, Entrée recorded an impairment of mineral property interest of $200,385 on the Bisbee property writing down total capitalized acquisition costs to $Nil.

Shamrock, Nevada

The Shamrock property was acquired on June 30, 2010 through the acquisition of PacMag. The Shamrock property is a copper skarn exploration target located in the Yerington copper porphyry district in western Nevada. The property consists of 54 claims covering approximately 362 hectares (895 acres). Entrée has a 100% interest in 18 unpatented lode mining claims (the McConnell Canyon claims). An additional 13 patented and 23 unpatented lode mining claims are subject to an exploration and option agreement, with an option to purchase 100% interest in the claims for $300,000 payable in three equal $100,000 tranches on September 12, 2010, 2011 and 2012. Entrée made the initial and second $100,000 payments in September 2010 and September 2011.

Eagle Flats, Nevada

In March 2011, Entrée entered into a mining lease and option to purchase agreement with respect to 58 unpatented lode claims, 65 kilometres east of Yerington, in Mineral County, Nevada. Under the agreement, as amended, Entrée may lease the claims for combined payments of $125,000 over five years, and must reimburse $30,000 in property and recording costs. Entrée has an option to purchase the claims for $500,000, subject to a 2% NSR royalty which may be bought down to a 1% NSR royalty for $500,000. After the fifth anniversary, Entrée must pay $40,000 per year, either as a lease payment or an advanced royalty payment, depending on whether the option has been exercised. Advanced royalty payments will be credited against future NSR royalty payments.

Sentinel, North Dakota

The Sentinel uranium exploration property is located in southwest North Dakota. The property consists of a mineral lease of approximately 2,100 hectares which includes the Church uranium deposit, and two nearby non-contiguous prospecting permits covering approximately 1,160 hectares. The lease agreement is for a twenty year term ending on June 30, 2027. It provides for cumulative payments totaling approximately $180,000 to June 30, 2013 ($5.00 per acre of lands per year). Thereafter, if paying production has not been established, the agreement provides for payments of $10.00 per acre of lands per year until June 30, 2017, after which the annual payment becomes the greater of $225,000 or a 4% royalty on gross proceeds from molybdenum and uranium sales.

For the year ended December 31, 2011, Entrée recorded an impairment of mineral property interest of $309,483 on the Sentinel property writing down total capitalized acquisition costs to $Nil. No work was completed in 2011 on Sentinel.

Meadow Valley, Arizona

The Meadow Valley property consisted of 44 unpatented mining claims staked by Entrée and a lease agreement with Minquest Inc. on six adjoining claims. The lease agreement was terminated by Entrée on June 28, 2011 and Entrée relinquished the remaining claims in September 2011. The Meadow Valley property was an early stage exploration project within the Laramide porphyry copper province in Arizona. For the year ended December 31, 2011, Entrée recorded an impairment of mineral property interest of $21,137 on the Meadow Valley property writing down total capitalized acquisition costs to $Nil.

Rainbow Canyon, Nevada

The Rainbow Canyon property is an early stage epithermal gold project consisting of 50 unpatented lode mining claims in Nevada. In June 2011, Entrée sold its 100% interest in the property to Acrex Ventures Ltd. ("Acrex"), for $125,000 and a 3% NSR royalty, which may be bought down to a 1% NSR royalty for $1 million. At the date of the transaction, Acrex was related to the Company by way of a common director.

AUSTRALIA

Blue Rose Joint Venture

Entrée has a 51% interest in the Blue Rose copper-iron-gold-molybdenum joint venture property, with Giralia Resources Pty Ltd, now a subsidiary of Atlas Iron Limited (ASX:AGO) ("Atlas"), retaining a 49% interest. The joint venture covers exploration license EL 3848 in the Olary Region of South Australia, 300 kilometres north-northeast of Adelaide. Magnetite iron formations occur in the southern portion of this 1,000 square kilometre tenement, and a zone of copper oxide mineralization and a gold target (Golden Sophia) are located in the north-central area of the tenement.

In September 2010, the joint venture entered into an agreement with Bonython Metals Group Pty. Ltd. ("BMG"), a private Australian resource company. BMG purchased 100% of the iron ore rights on the joint venture property in exchange for 6% of BMG's future issued capital. Should BMG convert to a public company by September 25, 2012, BMG will exchange the joint venture's shares in the private company for 6% of the initial public offering on the day of listing. Should BMG fail to publicly list its shares by that date, it shall, by way of a selective share buy-back, acquire the joint venture's private shares for A$25 million. On January 31, 2011, BMG issued 3,060 ordinary shares to Entrée representing Entrée's 51% interest of the joint venture's 6% ownership of BMG. On February 27, 2012, the Federal Court of Australia ordered that BMG be wound up and that a liquidator be appointed. A notice of appeal has been filed.

The joint venture also entered into a mineral development agreement with WASCO Mining Company Pty Ltd ("WASCO"), which plans to conduct mining operations on the Blue Rose copper deposit with Entrée and Atlas retaining a royalty interest. WASCO is a private Australian investment group owned 50% by a Chinese investment vehicle targeting copper production opportunities in Australia. WASCO can earn 100% of a 12 square kilometre area surrounding the Blue Rose copper deposit along with the rights to mine and process any mineralization extracted. WASCO will refund the joint venture A$1.95 million in past expenditures and pay a 1.5% gross revenue royalty on any production from the property to the joint venture. The joint venture retains the rights to mineralization other than iron ore on the exploration license outside of the 12 square kilometre WASCO agreement area.

A soil sampling program was completed by the joint venture over the Golden Sophia shallow gold target in August 2011. The survey confirmed the previous Battle Mountain gold in soil anomaly and defined a new, linear gold anomaly located approximately 700 metres to the northeast. An RC drill program is planned for the first half of 2012 after completion of all native title requirements. On September 22, 2011, the joint venture filed notice to initiate negotiations with native title parties, as required under the Mining Act of South Australia. Drilling may not commence until either an ex parte order has been obtained or a native title and heritage agreement has been concluded.

Mystique Farm-Out

Mystique is an early stage gold exploration property comprised of exploration license E28/1915, held by Entrée. Entrée entered into a farm-out agreement with Black Fire Gold Pty Ltd, a wholly-owned subsidiary of Black Fire Minerals Limited (ASX:BFE – "Black Fire"), pursuant to which Black Fire can earn a 60% interest in the property by expending A$1 million by September 2012 and a 75% interest by expending A$2.5 million by September 2014. Black Fire can earn an additional 10% interest by sole funding a pre-feasibility study on the property. The property is located in the Albany-Fraser Province of West Australia. Black Fire's 2010 exploration program did not return any significant results and many drill holes failed to reach bedrock. No additional work was completed in 2011.

Northling Farm-Out

Entrée entered into a farm-out agreement with Quadrio Resources Pty Ltd., a subsidiary of Kingsgate Consolidated Limited (ASX:KCN – "Kingsgate"), whereby Kingsgate could earn up to a 70% interest in exploration licence E52/2314 by spending A$750,000 over five years. The property was explored by DeBeers for diamonds in the early 1990s, with copper being intersected in one of the drill holes (2.4% over 4 metres). In March 2012, Kinsgate assigned its interest in the farm-out agreement to a private Australian company, Vanguard Exploration Pty Ltd. ("Vanguard"). Entrée entered into a purchase and sale agreement with Vanguard pursuant to which Vanguard agreed to purchase Entrée's interest in the Northling property for A$100,000. The transaction closed on March 12, 2012.

PERU

In September 2010, Entrée entered into a conditional agreement with a private Peruvian company whereby Entrée may acquire an initial 70% interest in the Lukkacha property located in Tacna Province of southeastern Peru. The property is situated within 50 kilometres of the international border with Chile, and initiation of work is subject to Entrée obtaining a Supreme Decree allowing it to work on the property. Subject to obtaining the Supreme Decree, Entrée may earn a 70% interest by making cash payments totalling $215,000 and expending a minimum of $1.5 million on exploration, to include a minimum 6,000 metres of diamond drilling, within 24 months. Once Entrée has earned a 70% interest, it may acquire a further 30% interest by paying the vendors $2 million within 24 months. The vendors would retain a 2% NSR royalty, half of which may be purchased at any time for $1 million.

The property consists of seven concessions totalling 4,400 hectares which cover two large areas of surface alteration, iron oxides and quartz veining approximately 50 kilometres along the structural trend southeast from the giant Toquepala mining operation of Grupo Mexico. The property has never been drilled and represents a unique opportunity for early stage exploration within an under-explored major copper district. Further exploration (geophysics and drilling) is dependent on receipt of the Supreme Decree.

For the year ended December 31, 2011, Lukkacha expenses were $60,298 compared to $85,911 during the year ended December 31, 2010.

GENERAL AND ADMINISTRATIVE

For the year ended December 31, 2011, general and administrative expense, before stock-based compensation, was $5,412,788 compared to $4,971,109 during the year ended December 31, 2010. The increase in 2011 was due to a number of factors including increases in personnel expenses and higher accounting, legal and regulatory fees compared to 2010.

STOCK-BASED COMPENSATION

For the year ended December 31, 2011, stock-based compensation expense was $991,161 compared to $2,897,845 during the year ended December 31, 2010. During the year ended December 31, 2011, 575,000 options were granted with a fair value of $944,319, compared to 1,737,500 options that were granted with a fair value of $3,007,946 during the year ended December 31, 2010.

INTEREST INCOME

For the year ended December 31, 2011, interest income was $190,391 compared to $243,433 during the year ended December 31, 2010 as set out above. The Company earns interest income on its invested cash which decreased compared to the equivalent period last year due primarily to cash expenditures on operations throughout the year and the PacMag acquisition.

VALUATION OF LONG-TERM INVESTMENT

Asset Backed Commercial Paper

In September 2011, the Company sold its asset backed notes ("AB Notes") with a face value of C$4,007,068, and an expected maturity date of December 20, 2016, for gross cash proceeds of $2,560,687, net of taxes. The Company had designated the notes as available for sale and the notes were recorded at fair value using a discounted cash flow approach (December 31, 2010 – C$2,623,998). The Company recorded a gain on sale of investments of $1,178,254 for the year ended December 31, 2011.

Australia Listed Equity Securities

In April 2011, Entrée sold its Australian listed equity securities for gross cash proceeds of $3,174,208, net of taxes and recorded a gain on sale of investments of $2,148,021 for the year ended December 31, 2011.

Equity Method Investment

As further described in the notes to the Audited Consolidated Financial Statements, Entrée has a 20% interest in a joint venture with OTLLC. As at December 31, 2011, the Company's investment in the joint venture was $98,450 (December 31, 2010 - $119,517). The Company's share of the loss of the joint venture is $2,397,085 for the year ended December 31, 2011 (December 31, 2010 - $985,441) including accrued interest expense of $151,952 for the year ended December 31, 2011 (December 31, 2010 - $44,103).

OUTLOOK

Entrée is primarily focused on exploring its principal properties in Nevada and Mongolia. In addition, Entrée is engaged in evaluating additional acquisition opportunities which are complementary to its existing projects, particularly large tonnage base and precious metal targets in eastern Asia and the Americas. These efforts have resulted in the acquisition of PacMag, agreements with Honey Badger and Eurasian's wholly owned subsidiary Bronco Creek Exploration Inc. on projects in Nevada and a conditional agreement on the Lukkacha property in Peru. The commodities Entrée is most likely to pursue include copper, gold and molybdenum, which are often associated with large tonnage, porphyry related environments. Smaller, higher grade systems will be considered by Entrée if they demonstrate potential for near-term production and cash-flow. If Entrée is able to identify smaller, higher grade bodies that may be indicative of concealed larger tonnage mineralized systems, it may negotiate and enter into agreements to acquire them.

Entrée has not generated any revenue from operations since its incorporation and Entrée anticipates that it will continue to incur operating expenses without revenues unless and until the Joint Venture Property is brought into production or it is able to identify a mineral reserve in a commercially exploitable quantity on one or more of its mineral properties and it builds and operates a mine. As at December 31, 2011, Entrée had working capital of approximately $19.0 million. Entrée's average monthly operating expenses in 2011 were approximately $1.9 million, including exploration, general and administrative expenses and investor relations expenses. Due to the nature of Entrée's mineral property interests and related exploration expenses, it has the ability to alter the timing of these expenditures and, to a lesser extent, its general and administrative expenses. In order to advance its existing projects beyond the next twelve months, and to consider acquiring any additional complementary projects, Entrée will have to raise additional funds. In order to provide the Company with flexibility to raise funds should the opportunity arise, the Company announced on November 19, 2010 that it had filed a short form base shelf prospectus with the securities commissions in each of the provinces of Canada, except Quebec, and a corresponding shelf registration statement with the United States Securities and Exchange Commission on Form F-10/A. These filings will allow the Company to make offerings of common shares, warrants, subscription receipts or any combination of such securities up to an aggregate offering price of C$100,000,000 during the 25-month period that the short form base shelf prospectus remains effective. Net proceeds from the sale of the securities, if any, are expected to be used by the Company for acquisitions, development of acquired/existing mineral properties, working capital requirements and/or for other general corporate purposes. The Company completed a marketed offering in November 2011, raising gross proceeds of $14,075,483, and subsequent to year end raised addition gross proceeds of $1,628,583 through the exercise of the related over-allotment option. The foregoing amounts include gross proceeds from the sale of common shares to Rio Tinto pursuant to the exercise of its pre-emptive rights.

(In United States dollars unless stated otherwise)

SELECTED QUARTERLY DATA

	Three Months Ended December 31, 2011	Three Months Ended September 30, 2011	Three Months Ended June 30, 2011	Three Months Ended March 31, 2011
Exploration	$ 4,671,238	$ 3,662,130	$ 5,698,144	$ 3,647,662
General and administrative	1,444,511	1,185,528	1,901,162	1,922,626
Loss (gain) on sale of mineral property interest	(1,474,640)	26,033	(125,916)	-
Impairment of mineral property interests	309,483	221,522	-	-
Loss from operations	(4,950,592)	(5,095,213)	(7,473,390)	(5,570,288)
Gain on sale of investments	-	1,178,254	2,148,021	-
Interest income	4,651	35,452	94,921	55,367
Loss from equity investee	(514,390)	(593,087)	(645,264)	(644,344)
Current income tax expense	(152,190)	-	-	-
Deferred income tax recovery	938,766	968,356	2,257,762	817,000
Net loss	$ (4,673,755)	$ (3,506,238)	$ (3,617,950)	$ (5,342,265)
Loss per share, basic and diluted	$ (0.04)	$ (0.03)	$ (0.03)	$ (0.05)

	Three Months Ended December 31, 2010	Three Months Ended September 30, 2010	Three Months Ended June 30, 2010	Three Months Ended March 31, 2010
Exploration	$ 4,109,919	$ 4,496,968	$ 2,511,312	$ 1,108,364
General and administrative	4,041,289	1,729,714	808,638	1,066,608
Loss from operations	(8,151,208)	(6,226,682)	(3,319,950)	(2,174,972)
Interest income	51,199	80,251	50,564	61,419
Loss from equity investee	(388,114)	(401,539)	(153,177)	(42,611)
Deferred income tax recovery	545,412	-	-	-
Net loss	$ (7,942,711)	$ (6,547,970)	$ (3,422,563)	$ (2,156,164)
Loss per share, basic and diluted	$ (0.07)	$ (0.06)	$ (0.04)	$ (0.02)

The 2010 field exploration season did not begin until the end of March resulting in lower explorations costs in the first quarter compared to 2011. Exploration costs were also much lower in the second quarter of 2010 compared to the current year. This is due in part to increased operational requirements following the acquisition of PacMag in June 2010. Exploration expenditures during 2011 were relatively more constant than through 2010 due to a continuous drilling program at the Ann Mason Project with the exception of the quarter ended June 30, 2011 during which Entrée increased drilling activity on the Blue Hill portion of the Ann Mason Project. General and administrative costs fluctuated throughout 2011 and 2010, primarily due to stock-based compensation expenses. During the three months ended June 30, 2011, Entrée sold its Australian listed securities and recorded a gain on sale of investments of $2,148,021. During the three months ended September 30, 2011, the Company sold its asset backed notes and recorded a gain on sale of investments of $1,178,254. In addition, in the three months ended June 30, 2011, Entrée sold the Rainbow Canyon property, and recorded a gain on sale of mineral property interest of $125,916. During the three months ended December 31, 2011, Entrée sold the Togoot license and recorded a gain on sale of mineral property interest of $1,474,640. Deferred income tax recovery was much higher in 2011, due to an increase in deferred tax assets related to expenditures on the Ann Mason Project.

(In United States dollars unless stated otherwise)

LIQUIDITY

To date, Entrée has not generated revenues from its operations and is considered to be in the exploration stage. Working capital on hand at December 31, 2011 was $19,004,136 and is sufficient to fund exploration, general and administrative expense and investor relations for the next twelve months. In order to advance its existing projects beyond the twelve months, and to consider acquiring any additional complementary projects, Entrée will have to raise additional funds. Cash and cash equivalents was $14,512,198 and short-term investments was $4,916,421 at December 31, 2011. To date, the Company has been dependent on equity financing for additional funding.

Under the terms of the Entrée-OTLLC Joint Venture, Entrée may be carried through to production on the Joint Venture Property, at its election, by debt financing from OTLLC with interest accruing at OTLLC's actual cost of capital or prime +2%, whichever is less, at the date of the advance.

Operating activities

Cash used in operations was $22,390,021 for the year ended December 31, 2011 (December 31, 2010 - $15,970,131) and represents expenditures primarily on mineral property exploration and secondarily on general and administrative expense for both periods.

Financing activities

Cash provided by financing activities during the year ended December 31, 2011 and 2010 and common shares issued for cash were as follows:

	Year Ended December 31, 2011 Shares	Year Ended December 31, 2011 Amount	Year Ended December 31, 2010 Shares	Year Ended December 31, 2010 Amount
Marketed Offering	11,482,216	$ 14,075,483	-	$ -
Exercise of stock options	427,147	608,466	2,122,278	2,699,728
Share Issue Costs	-	(1,065,065)	-	(147,228)
	11,909,363	$ 13,618,884	2,122,278	$ 2,552,500

(In United States dollars unless stated otherwise)

Investing activities

During the year ended December 31, 2011, Entrée expended $Nil (December 31, 2010 – $7,388,397) related to the PacMag acquisition and cash and bond payments of $839,644 (December 31, 2010 – $258,367) related to other mineral property interests and recorded in other assets. Entrée also acquired $837,263 cash on the acquisition of PacMag on June 30, 2010. During the year ended December 31, 2011, cash provided from short-term investments was $5,076,271 (December 31, 2010 - $Nil). During the year ended December 31, 2011, Entrée expended $223,176 on equipment, primarily for exploration activities (December 31, 2010 - $180,458). During the year ended December 31, 2011, Entrée sold its Australian listed securities for gross cash proceeds of $3,174,208 and its asset backed notes for gross cash proceeds of $2,560,687, net of taxes, sold its interest in the Rainbow Canyon property for gross cash proceeds of $125,916 and sold its interest in the Togoot property for gross cash proceeds of $1,365,475, net of taxes.

Table of Contractual Commitments

The following table lists as of December 31, 2011 information with respect to the Company's known contractual obligations.

	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Year	Total
Office leases	$ 286,412	$ 389,173	$ 413,544	$ 86,723	$ 1,175,852
Total	$ 286,412	$ 389,173	$ 413,544	$ 86,723	$ 1,175,852

Outstanding share data

As at December 31, 2011, there were 127,016,788 common shares outstanding. In addition, there were 9,135,500 stock options outstanding with exercise prices ranging from C$1.32 to C$3.47 per share. As at March 29, 2012, there were 128,377,243 common shares outstanding. In addition, there were 10,865,000 stock options outstanding with exercise prices ranging from C$1.25 to C$3.47 per share. There were no warrants outstanding at December 31, 2011 or at March 29, 2012.

CAPITAL RESOURCES

Entrée had no commitments for capital assets at December 31, 2011.

At December 31, 2011, Entrée had working capital of $19,004,136 compared to $21,268,201 at December 31, 2010. Entrée believes that in order to advance its existing projects beyond the next twelve months, and to consider acquiring any additional complementary projects, it will have to raise additional funds.

Entrée is committed to make lease payments totalling $1,175,852 over its six year office lease in Vancouver, four annual office leases in Ulaanbaatar, Colorado, Arizona, and Yerington, two annual warehouse leases in Yerington, and five leases for accommodations in Yerington.

OFF-BALANCE SHEET TRANSACTIONS

Entrée has no off-balance sheet arrangements except for the contractual obligation noted above.

TRANSACTIONS WITH RELATED PARTIES

On March 25, 2011, Entrée entered into an agreement with Acrex Ventures Ltd. ("Acrex"), a company that was related by way of a common director at the date of the transaction, pursuant to which Acrex purchased a 100% interest in the Rainbow Canyon property for $125,916 and a 3% NSR royalty, which may be bought down to a 1% NSR royalty for $1 million.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

The Company must make estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain tax assets and liabilities that arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. Significant changes in these estimates may result in an increase or decrease to the tax provision in a subsequent period. The Company must assess the likelihood that we will be able to recover any deferred tax assets. If recovery is not likely, the provision for taxes must be increased by recording a valuation allowance against the deferred tax assets. However, should there be a change in the ability to recover any deferred tax assets, the tax provision would increase in the period in which it is determined that the recovery was not likely. Recovery of a portion of the deferred tax assets is impacted by Company plans with respect to holding or disposing of certain assets. Changes in economic conditions, exploration results, metal prices and other factors could result in changes to the estimates and judgements used in determining the income tax expense.

The Company capitalizes the cost of acquiring mineral property interests, including undeveloped mineral property interests, until the viability of the mineral interest is determined. Capitalized acquisition costs are expensed if it is determined that the mineral property has no future economic value. The Company must make estimates and judgments in determining if any capitalized amounts should be written down by assessing if future cash flows, including potential sales proceeds, related to the mineral property are estimated to be less than the property's total carrying value. The carrying value of each mineral property is reviewed periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Reductions in the carrying value of a property would be recorded to the extent that the total carrying value of the mineral property exceeds its estimated fair value.

The Company follows accounting guidelines in determining the value of stock option compensation, as disclosed in Note 9 to the Annual Financial Statements. Unlike other numbers in the accounts, this is a calculated amount not based on historical cost, but on subjective assumptions introduced to an option pricing model, in particular: (1) an estimate for the average future hold period of issued stock options before exercise, expiry or cancellation; and (2) future volatility of the Company's share price in the expected hold period (using historical volatility as a reference). Given that there is no market for the options and they are not transferable, the resulting value calculated is not necessarily the value the holder of the option could receive in an arm's-length transaction.

The Company's accounting policy is to expense exploration costs on a project by project basis consistent with US GAAP. The policy is consistent with that of other exploration companies that have not established mineral reserves. When a mineral reserve has been objectively established further exploration costs would be deferred. Management is of the view that its current policy is appropriate for the Company.

CHANGES IN ACCOUNTING POLICIES

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2011-12, *Comprehensive Income (Topic 220), Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. ASU 2011-12 defers the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income (AOCI) in ASU 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income*. ASU 2011-12 is effective for interim and annual reporting periods beginning after December 15, 2011. The Company does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income, amending ASC 220*. ASU 2011-05 eliminates the current option under U.S. GAAP to present components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity. Entities are required to present components of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 also requires entities to present reclassification adjustments out of AOCI in the statements where the components of net income and the components of OCI are presented. Consequently, this requirement is deferred by ASU 2011-12 and will be reconsidered by the FASB at a future date. ASU 2011-05 is effective for interim and annual reporting periods beginning after December 15, 2011. The Company is currently presenting all components of comprehensive income in a single continuous statement of comprehensive income and accordingly the Company does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, amending ASC 820*. ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Accordingly, the amendments clarify the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011. The Company is currently evaluating the impact of ASU 2011-04, but does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

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, 2011.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial assets and liabilities consist of cash and cash equivalents, short-term investments, receivables, deposits, long-term investments, accounts payable and accrued liabilities and loans payable, some of which are denominated in United States dollars, Mongolian Tugriks, Australian dollars, Peruvian Nuevo Sol and Chinese Renminbi. The Company is at risk to financial gain or loss as a result of foreign exchange movements against the Canadian dollar. The Company minimizes its foreign exchange risk by maintaining low account balances in currencies other than the Canadian dollar. The Company does not currently have major commitments to acquire assets in foreign currencies; but historically it has incurred the majority of its exploration costs in foreign currencies.

OTHER MD&A REQUIREMENTS

Forward-Looking Statements

This MD&A contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of applicable Canadian securities laws.

Forward-looking statements include, but are not limited to, statements with respect to the future prices of copper, gold and molybdenum, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production and capital expenditures, the costs and timing of the development of new deposits, the potential for the discovery of additional mineralized zones on properties in which Entrée has an interest, the timing of and potential for future resource estimates on properties in which Entrée has an interest, plans for future exploration and/or development programs and budgets, the potential for Entrée's inclusion in the Investment Agreement, the application of Resolution 175 to the Shivee Tolgoi and Javhlant licences, permitting time lines, currency fluctuations, requirements for additional capital, anticipated business activities, corporate strategies, proposed acquisitions and dispositions of assets, the use of proceeds from financing and future financial performance. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budgeted", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved". While the Company has based these forward-looking statements on its expectations about future events as at the date that such statements were prepared, the statements are not a guarantee of the Company's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors and assumptions include, amongst others, that the size, grade and continuity of deposits and resource and reserve estimates have been interpreted correctly from exploration results, that the results of preliminary test work are indicative of what the results of future test work will be, that the prices of copper, gold and molybdenum will remain relatively stable, the effects of general economic conditions, changing foreign exchange rates and actions by government authorities including the Government of Mongolia, uncertainties associated with legal proceedings and negotiations and misjudgements in the course of preparing forward-looking statements. In addition, there are also known and unknown risk factors which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations, including legal and political risk in Mongolia; recent global financial conditions; actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper, gold and molybdenum; possible variations in ore reserves, grade recovery and rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining government approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk" in this MD&A and in the section entitled "Risk Factors" in the AIF. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, readers should not place undue reliance on forward-looking statements.

Risk

Entrée is a mineral exploration company and is exposed to a number of risks and uncertainties; some of these risks and uncertainties have been discussed elsewhere in this MD&A. For a more extensive discussion of risks and uncertainties to which Entrée is exposed, the reader should refer to the section titled "Risk Factors" contained in the Company's AIF available on SEDAR at www.sedar.com.

The Joint Venture Property forms part of the Oyu Tolgoi mining complex. Development of the Oyu Tolgoi mining complex may be subject to unexpected problems or delays for any number of reasons, including OTLLC's inability to raise the additional funding that it needs to complete the development of the Oyu Tolgoi mining complex, and lack of sophisticated electrical power and transportation infrastructure in proximity to the Oyu Tolgoi mining complex. In addition, OTLLC has effective control of the development of both the Oyu Tolgoi licence and the Joint Venture Property. The development of the Joint Venture Property may be adversely affected if OTLLC decides to delay or reduce development in favour of the immediate or complete development of the Oyu Tolgoi licence.

Although the Shivee Tolgoi and Javhlant licences in Mongolia are included in the contract area for the Investment Agreement, Entrée's interest in the Joint Venture Property and Shivee West are not covered by the Investment Agreement. There can be no assurance that Entrée's assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would be effective to restore the full value of Entrée's original investment or to compensate for the loss of the current value of its interest in the Lookout Hill property.

In June 2011, the Government of Mongolia passed Resolution 175, the purpose of which is to authorize the designation of certain land areas for "state special needs" within certain defined areas in proximity to the Oyu Tolgoi mining complex. These state special needs areas are to be used for infrastructure facilities necessary in order to implement the development and construction of the Oyu Tolgoi mining complex. Portions of the Shivee Tolgoi and Javhlant licences are included in the land area that is subject to Resolution 175. It is expected but not yet formally confirmed by the Government that to the extent that a consensual access agreement exists or is entered into between OTLLC and an affected licence holder, the application of Resolution 175 to the land area covered by the access agreement will be unnecessary. OTLLC has existing access and surface rights to the Joint Venture Property pursuant to the Earn-In Agreement. The Shivee Tolgoi and Javhlant licences are also part of the contract area of the Investment Agreement, which contains certain provisions respecting expropriation. If Entrée is unable to reach a consensual arrangement with OTLLC with respect to Shivee West, Entrée's right to use and access a corridor of land included in the state special needs areas for a proposed power line may be adversely affected by the application of Resolution 175. While the Mongolian Government would be responsible for compensating Entrée in accordance with the mandate of Resolution 175, the amount of such compensation is not presently quantifiable.

The ability of Entrée and its joint venture partner to conduct mining operations or exploration and development activities in Mongolia is subject to changes in legislation or government regulations or shifts in political attitudes beyond their control. Government policy may change to discourage foreign investment, nationalisation of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented.

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

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

Recent global financial and market conditions have been subject to increased volatility as a result of, among other things, apprehension over the ongoing debt crisis in the Eurozone and Japan, and concerns that the Chinese economy is slowing, which may impact the ability of Entrée to obtain equity or debt financing in the future and, if obtained, on terms favourable to Entrée. If Entrée cannot raise the money that it needs to continue exploration of its mineral properties, there is a risk that Entrée may be forced to delay, scale back, or eliminate certain of its exploration activities. If these increased levels of volatility and market turmoil continue, Entrée's operations could be adversely impacted and the value and the price of the Company's common shares could be adversely affected.

The estimates of reserves and resources, including the anticipated tonnages and grades that will be achieved or the indicated level of recovery that will be realized, are estimates only and no assurances can be given as to their accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. Reserve and resource estimates are materially dependent on prevailing market prices and the cost of recovering and processing minerals at the mine site. Market fluctuations in the price of metals or increases in the costs to recover metals may render the mining of ore reserves uneconomical and materially adversely affect operations.

There is no assurance that a commercially viable mineral deposit exists on any of the exploration properties in which Entrée has an interest. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of Entrée. If mineral reserves in commercially exploitable quantities are established on any of Entrée's properties (other than the Joint Venture Property, in which Entrée has a carried interest), Entrée will be required to expend substantial sums of money to establish the extent of the resource, develop processes to extract it and develop extraction and processing facilities and infrastructure. Although Entrée may derive substantial benefits from the discovery of a major deposit, there can be no assurance that such a resource will be large enough to justify commercial operations, nor can there be any assurance that Entrée will be able to raise the funds required for development on a timely basis. Entrée may be required to acquire rights to additional lands in order to develop a mine if a mine cannot be properly located on Entrée's properties. There can be no assurance that Entrée will be able to acquire such additional lands on commercially reasonable terms, if at all.

The shareholdings of each of Ivanhoe Mines and Rio Tinto in the Company together with Rio Tinto's pre-emptive rights, and Rio Tinto Holdings' 51% interest in Ivanhoe Mines, potentially give Ivanhoe Mines and Rio Tinto the voting power to influence the policies, business and affairs of Entrée and the outcome of any significant corporate transaction or other matter, including a merger, business combination or a sale of all, or substantially all, of Entrée's assets. In addition, OTLLC has operational control over the Joint Venture Property. OTLLC also has a right of first refusal with respect to any proposed disposition by Entrée of an interest in Shivee West, which is not subject to the Entrée-OTLLC Joint Venture. The share position in the Company of each of Ivanhoe Mines and Rio Tinto and the other rights of each may have the effect of delaying, deterring or preventing a transaction involving a change of control of the Company in favour of a third party that otherwise could result in a premium in the market price of the Company's common shares in the future.

Entrée must comply with licence and permitting requirements. In Mongolia, the Shivee Tolgoi and Javhlant exploration licences were converted to mining licences on October 27, 2009. These licences now have a term of 30 years, with two potential extensions of 20 years each. The total estimated annual fees in order to maintain the Shivee Tolgoi and Javhlant mining licences in good standing is $1,100,000. Approximately $500,000 of the total is recoverable from OTLLC.

In Nevada, maintenance fees must be paid to the Bureau of Land Management annually. For the 2011 assessment year, the aggregate fee for the Ann Mason Project is approximately $138,000.

In both Mongolia and Nevada, Entrée must comply with environmental regulations that govern air and water quality and land disturbance and provide mine reclamation and closure costs.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures, which provide reasonable assurance that material information relating to the Company and its subsidiaries is accumulated and communicated to management to allow timely decisions regarding required disclosure. Management has evaluated the effectiveness of its disclosure controls and procedures as of December 31, 2011 and believes its disclosure controls and procedures are effective.

Internal Control over Financial Reporting

Management is responsible for designing internal control over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Management evaluated the Company's internal control over financial reporting at December 31, 2011 and concluded that it is effective and that no material weakness relating to design or operations exists. No change in the Company's internal control over financial reporting occurred during the period beginning on October 1, 2011 and ended on December 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Cautionary Note to United States Investors - Canadian Disclosure Standards in Mineral Resources and Mineral Reserves

The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM.

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

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

Accordingly, information contained in this MD&A containing descriptions of our mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

International Financial Reporting Standards

The Company is a "domestic" issuer under Canadian securities law and a "foreign private issuer" under SEC regulations. The Company files its financial statements with both Canadian and U.S. securities regulators in accordance with US GAAP, as permitted under current regulations. In 2008, the Accounting Standards Board in Canada and the Canadian Securities Administrators (CSA) confirmed that domestic issuers were required to transition to International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. On June 27, 2008, the CSA Staff issued Staff Notice 52-321 "Early Adoption of International Financial Reporting Standards, Use of US GAAP and References to IFRS-IASB" which confirmed that domestic issuers that are also SEC registrants are able to continue to use US GAAP. Consequently, the Company is not required to convert to IFRS effective January 1, 2011 and has elected to continue using US GAAP.

Exhibit 4

CERTIFICATION

I, Gregory G. Crowe, certify that:

1 I have reviewed this annual report on Form 40-F of Entrée Gold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2012

By: /s/ Gregory G. Crowe
Gregory G. Crowe
Chief Executive Officer
(Principal Executive Officer)

Exhibit 5

CERTIFICATION

I, Bruce Colwill, certify that:

1 I have reviewed this annual report on Form 40-F of Entrée Gold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2012

By: /s/ Bruce Colwill

Bruce Colwill
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 6

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Entrée Gold Inc. (the “Company”) on Form 40-F for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gregory G. Crowe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 29, 2012

/s/ Gregory G. Crowe
Gregory G. Crowe
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Entrée Gold Inc. and will be retained by Entrée Gold Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 7

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Entrée Gold Inc. (the "Company") on Form 40-F for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce Colwill, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 29, 2012

/s/ Bruce Colwill
Bruce Colwill
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Entrée Gold Inc. and will be retained by Entrée Gold Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 8

DAVIDSON & COMPANY LLP — Chartered Accountants — A Partnership of Incorporated Professionals

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Entrée Gold Inc.'s Annual Report on Form 40-F (the "40-F") for the year ended December 31, 2011 of our Independent Registered Public Accounting Firm's Reports dated March 29, 2012 and to the reference to us under the heading "Interests of Experts" in the Company's Annual Information Form for the year ended December 31, 2011, dated March 29, 2012.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

March 29, 2012

NEXIA INTERNATIONAL

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Exhibit 9

CONSENT

We refer to the technical report entitled “Technical Report 2012 on the Lookout Hill Property” and dated March 29, 2012 (the “Technical Report”) as referenced in the Annual Report on Form 40-F dated March 29, 2012 (the “Form 40-F”) of Entrée Gold Inc. (the “Company”), which is to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

We consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of our firm name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company’s Form 40-F, and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company’s Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Yours truly,
/s/Lawrie Gillett
Title: Director/Global Practice Leader - Corporate Consulting
Company: AMC Consultants Pty Ltd.
Date: March 29, 2012

Exhibit 10

Robert Cann
Suite 1201, 1166 Alberni Street
Vancouver, BC, V6E 3Z3
(Tel) +1 604 687 4777
(Fax) +1 604 687 4770

CONSENT

I, Robert Cann, refer to scientific and technical information developed by Entrée Gold Inc. (the "Company"), which I approved, or the preparation of which I supervised, in my capacity as a "qualified person" as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects, that is contained in the Company's Annual Information Form dated March 29, 2012 (the "AIF"), and in news releases and other disclosure documents of the Company (collectively, "Technical Information").

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Information in and as part of Entrée's Annual Report on Form 40-F dated March 29, 2012 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to Entrée's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Dated, this 29th day of March, 2012.

/s/*Robert Cann*
Signature of Qualified Person

Robert Cann
Print name of Qualified Person

Exhibit 11

CONSENT of QUALIFIED PERSON

I, Robert Cinits, do hereby consent to the public filing of the technical report entitled "Technical Report and Updated Mineral Resource Estimate on the Ann Mason Project Nevada, USA" with an effective date of March 26, 2012 (the "Technical Report"). I further consent to the publication of the Technical Report by Entrée Gold Inc. ("Entrée") on its company website or otherwise.

I have read Entrée's Annual Information Form dated March 29, 2012 (the "AIF"), which the Technical Report supports. I consent to the use of extracts from, or a summary of, the Technical Report in the AIF, and I confirm that the AIF fairly and accurately represents the information in the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of Entrée's Annual Report on Form 40-F dated March 29, 2012 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to Entrée's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Dated, this 29th day of March, 2012.

/s/Robert Cinits
Signature of Qualified Person

Robert Cinits
Print name of Qualified Person

Exhibit 12

CONSENT

We refer to the technical report entitled "Technical Report and Updated Mineral Resource Estimate on the Ann Mason Project Nevada, USA" with an effective date of March 26, 2012 (the "AMTR12") as referenced in the Annual Report on Form 40-F dated March 29, 2012 (the "Form 40-F") of Entrée Gold Inc. (the "Company"), which is to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

We also refer to the technical report entitled "Technical Report 2012 on the Lookout Hill Property" with an effective date of March 29, 2012 (the "LHTR12") as referenced in the Form 40-F of the Company.

We consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of our firm name, the AMTR12 and the LHTR12, including extracts from or summaries thereof, in and as part of the Company's Form 40-F, and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Yours truly,

/s/Scott Jackson

Scott Jackson, Director
Quantitative Geoscience Pty Ltd
Dated: March 29, 2012

Exhibit 13

CONSENT

We refer to the technical report entitled "Technical Report and Updated Mineral Resource Estimate on the Ann Mason Project Nevada, USA" with an effective date of March 26, 2012 (the "Technical Report") as referenced in the Annual Report on Form 40-F dated March 29, 2012 (the "Form 40-F") of Entrée Gold Inc. (the "Company"), which is to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

We consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of our firm name and the Technical Report, including extracts from or summaries thereof, in and as part of the Company's Form 40-F, and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to the Company's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Dated this 29th day of March, 2012

Yours truly,

/s/Gordon Zurowski

Gordon Zurowski, P.Eng
President and Principal Mine Engineer
AGP Mining Consultants Inc.

Exhibit 14

James Foster
Suite 1201, 1166 Alberni Street
Vancouver, BC, V6E 3Z3
(Tel) +1 604 687 4777
(Fax) +1 604 687 4770

CONSENT of QUALIFIED PERSON

I, James Foster, do hereby consent to the public filing of the technical report entitled "Technical Report 2012 on the Lookout Hill Property" and dated March 29, 2012 (the "Technical Report"). I further consent to the publication of the Technical Report by Entrée Gold Inc. ("Entrée") on its company website or otherwise.

I have read Entrée's Annual Information Form dated March 29, 2012 (the "AIF"), which the Technical Report supports. I consent to the use of extracts from, or a summary of, the Technical Report in the AIF, and I confirm that the AIF fairly and accurately represents the information in the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of Entrée's Annual Report on Form 40-F dated March 29, 2012 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to Entrée's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Dated, this 29th day of March, 2012.

/s/James Foster
Signature of Qualified Person

James Foster
Print name of Qualified Person

Quantitative Group
Our Skills On *Your* Team™

Geostatistics
Resources & Reserves
Reconciliation & Grade Control
Audit & Due Diligence
Strategic Mine Planning
Geometallurgical Modelling
Mine Geology
Training

Scott Jackson
Quantitative Geoscience Pty Ltd
Level 2, 25 Cantonment St, Fremantle, WA, 6160, Australia

CONSENT of QUALIFIED PERSON

I, Scott Jackson, do hereby consent to the public filing of the technical report entitled "Technical Report 2012 on the Lookout Hill Property" and dated March 29, 2012 (the "Technical Report"). I further consent to the publication of the Technical Report by Entrée Gold Inc. ("Entrée") on its company website or otherwise.

I have read Entrée's Annual Information Form dated March 29, 2012 (the "AIF"), which the Technical Report supports. I consent to the use of extracts from, or a summary of, the Technical Report in the AIF, and I confirm that the AIF fairly and accurately represents the information in the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of Entrée's Annual Report on Form 40-F dated March 29, 2012 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to Entrée's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Dated, this 29th day of March, 2012.

/s/Scott Jackson
Signature of Qualified Person

Scott Jackson
Print name of Qualified Person

Quantitative Geoscience Pty Ltd (ABN 30 095 494 947) and Quantitative Group Pty Ltd (ABN 61 120 267 192), trading as QG
address : Suite 12, 18 Parry St Fremantle WA, Australia 6160 (PO Box 1304 Fremantle WA, Australia 6959)
phone : +61 (0) 8 9433 3511 | **fax :** +61 (0) 8 9433 3611 | **email :** info@qgroup.net.au | **web :** www.qgroup.net.au

Exhibit 16

Lyn Jones
AGP Mining Consultants Inc.
92 Caplan Ave., Ste. #610, Barrie, Ontario, Canada, L4N 0Z7

CONSENT of QUALIFIED PERSON

I, Lyn Jones, do hereby consent to the public filing of the technical report entitled "Technical Report and Updated Mineral Resource Estimate on the Ann Mason Project Nevada, USA" with an effective date of March 26, 2012 (the "Technical Report"). I further consent to the publication of the Technical Report by Entrée Gold Inc. ("Entrée") on its company website or otherwise.

I have read Entrée's Annual Information Form dated March 29, 2012 (the "AIF"), which the Technical Report supports. I consent to the use of extracts from, or a summary of, the Technical Report in the AIF, and I confirm that the AIF fairly and accurately represents the information in the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of Entrée's Annual Report on Form 40-F dated March 29, 2012 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to Entrée's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Dated, this 29th day of March, 2012.

/s/Lyn Jones
____
Signature of Qualified Person

Lyn Jones
Print name of Qualified Person

Quantitative Group
Our Skills On *Your* Team™

Geostatistics
Resources & Reserves
Reconciliation & Grade Control
Audit & Due Diligence
Strategic Mine Planning
Geometallurgical Modelling
Mine Geology
Training

Scott Jackson
Quantitative Geoscience Pty Ltd
Level 2, 25 Cantonment St, Fremantle, WA, 6160, Australia

CONSENT of QUALIFIED PERSON

I, Scott Jackson, do hereby consent to the public filing of the technical report entitled "Technical Report and Updated Mineral Resource Estimate on the Ann Mason Project Nevada, USA" with an effective date of March 26, 2012 (the "Technical Report"). I further consent to the publication of the Technical Report by Entrée Gold Inc. ("Entrée") on its company website or otherwise.

I have read Entrée's Annual Information Form dated March 29, 2012 (the "AIF"), which the Technical Report supports. I consent to the use of extracts from, or a summary of, the Technical Report in the AIF, and I confirm that the AIF fairly and accurately represents the information in the Technical Report.

I consent to the filing of this consent with the United States Securities and Exchange Commission and to the use of my name and the Technical Report, including extracts from or summaries thereof, in and as part of Entrée's Annual Report on Form 40-F dated March 29, 2012 (the "Form 40-F"), and any amendment thereto, including post-effective amendments and as part of a post-effective amendment to Entrée's Form F-10/A Registration Statement (No. 333-170290), to incorporate the Form 40-F.

Dated, this 29th day of March, 2012.

/s/Scott Jackson
____
Signature of Qualified Person

Scott Jackson
Print name of Qualified Person