

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

1. INTRODUCTION

This discussion and analysis of financial position and results of operations (“MD&A”) and cash flows of Entrée Gold Inc. (the Company) should be read in conjunction with the audited consolidated financial statements of the company for the year ended December 31, 2005. Additional information relating to the Company, including the Company’s Annual Information Form is available on SEDAR at www.sedar.com. The effective date of this MD&A is March 21, 2006.

The annual financial statements have been prepared by the Company in conformity with generally accepted accounting principles in the United States of America (“US GAAP”). US GAAP differs in certain material respects from accounting principles generally accepted in Canada (“Canadian GAAP”) (See Note 13 to the annual financial statements for the year ended December 31, 2005).

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

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

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

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

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

2. OVERVIEW

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

There is no assurance that a commercially viable mineral deposit exists on any of our properties, and further exploration is required before we can evaluate whether any exist and, if so, whether it would be economically and legally feasible to develop or exploit those resources. Even if we complete our current exploration program and we are successful in identifying a mineral deposit, we would be required to spend substantial funds on further drilling and engineering studies before we could know whether that mineral deposit will constitute a reserve (a reserve is a commercially viable mineral deposit).

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

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

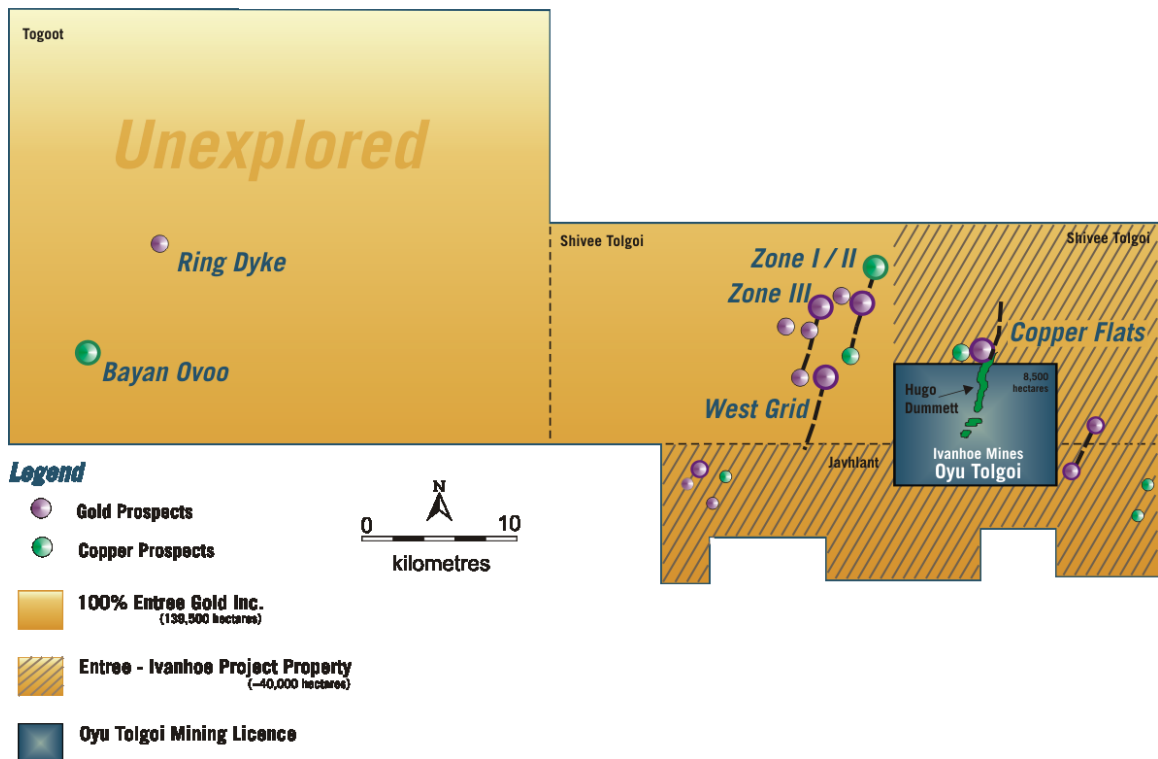
- subscribe for 4,600,000 units of our company for C\$1.00 per unit, with each unit consisting of one common share of our company and one share purchase warrant entitling the holder to purchase one additional common share of our company for a purchase price of C\$1.10 for two years from the date of purchase.
- have the right, during an earn-in period beginning on closing of the subscription for units and ending, at the latest, on the eighth anniversary of that closing date (subject to earlier expiration as specified in the agreement), to earn a participating interest in a mineral exploration and, if warranted, development and mining project to be conducted by Ivanhoe Mines Ltd. on a portion of our company's Lookout Hill property consisting of approximately 40,000 hectares, or approximately 22% of the land area of our Lookout Hill property shown on the map below. The amount of the participating interest in the project will vary depending on the amount of money that Ivanhoe. expends on the project during the earn-in period, but the agreement provides that Ivanhoe can earn a 51% interest by expending an aggregate of at least \$20,000,000 during the earn-in period, a 60% interest by expending an aggregate of at least \$27,500,000 during the earn-in period, or a sliding percentage interest, depending on the depth from which minerals are extracted from the project, of between 70% and 80% by expending an aggregate of at least \$35,000,000 during the earn-in period.
- have the right to nominate one member of our Board of Directors until the earlier to occur of (a) the expiration of the earn-in period, or (b) the date upon which Ivanhoe ceases to own at least ten percent (10%) of our issued and outstanding common shares (assuming the exercise by Ivanhoe of all securities convertible into our common shares).

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

In addition, the Equity Participation and Earn-In Agreement gives to Ivanhoe a pre-emptive right to such percentage of any offering of securities of our company as will enable them to preserve their ownership percentage in our company which, after the acquisition of the 4,600,000 units, would be approximately 9% prior to exercise of any of their share purchase warrants and could, upon the exercise of the latter, go as high as 17% of our issued and outstanding common shares. In June 2005, Ivanhoe exercised its 4,600,000 share purchase warrants (see below).

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

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



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

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

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

sufficient confidence in our company and our Lookout Hill property to invest significant time, money and effort in our future.

Investment by Rio Tinto plc

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

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

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

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

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

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

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

employed full-time, two Mongolian office assistant, on contract for 11 months per year, and a full-time accountant.

Listing of Common Stock on the American Stock Exchange

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

3. SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2005	Year Ended December 31, 2004	Eight Months Ended December 31, 2003	Year Ended April 30, 2003
Net sales	\$ -	\$ -	\$ -	\$ -
Net loss	(13,691,767)	(5,528,114)	(12,505,759)	(1,073,320)
Net loss per share				
Basic and fully diluted	(0.23)	(0.13)	(0.69)	(0.14)
Total assets	22,910,068	6,362,415	5,606,548	561,065 (1)
Total long-term liabilities	-	-	-	- (1)
Cash dividends declared	-	-	-	- (1)
(1) Unaudited				

The foregoing financial data has been prepared in conformity with generally accepted accounting principles in the United States of America and includes the accounts of the Company and its wholly-owned Mongolian subsidiary, Entrée LLC. This financial data conforms in all material respects with Canadian generally accepted accounting principles ("Canadian GAAP") except as described in Note 13 to the Company's audited consolidated financials for the year ended December 31, 2005.

Fluctuations in net losses are discussed below:

Year ended April 30, 2003 – Loss represents initial exploration on a grass roots scale and minimal overhead in Vancouver.

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

Eight months ended December 31, 2004 – Loss includes acquisition of 100% of Lookout Hill concessions in the amount of \$9,308,000 in addition to an expending work program and higher general and administrative expenses.

Year ended December 31, 2004 – Loss includes an expanding work program and higher general and administrative expenses.

Year ended December 31, 2005 – Loss includes commencement of significant drilling program, higher general and administrative expense to oversee the larger exploration program and one-time stock-based compensation expense arising from the vesting of most employee stock options at the time the Company became a Tier I Issuer on the TSX Venture exchange.

4. REVIEW OF OPERATIONS

Results of operations are summarized as follows:

	Year ended December 31, 2005	Year ended December 31, 2004
Mineral property interests, cash	\$ 7,325,658	\$ 2,614,155
Escrow shares compensation	(435,583)	405,739
Stock-based compensation	5,074,100	1,530,712
General and administrative	1,915,162	1,051,460
Depreciation	126,375	24,090
Interest income	(313,945)	(98,042)
Net loss	\$ 13,691,767	\$ 5,528,114

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

Mineral properties expenditures are summarized as follows:

	Year ended December 31, 2005	Year ended December 31, 2004
Lookout Hill	\$ 6,639,593	\$ 2,612,008
Manlai	1,694,040	58,048
Khatsavch	17	-
Other	-	30,160
Total costs	8,333,650	2,700,216
Less:		
Stock-based compensation	(1,007,992)	(187,811)
Escrow shares compensation	-	101,701
Total expenditures, cash	\$ 7,325,658	\$ 2,614,106

A) EXPLORATION

I) Ivanhoe Earn-in

Under an “Earn-In Agreement” announced in October 2004, Ivanhoe has the right to earn an interest in approximately 40,000 hectares of Entrée’s Lookout Hill property. By the terms of the agreement, Ivanhoe must spend a minimum of \$20,000,000 in order to earn any interest in the mineral rights to the project property and may acquire up to a 70% interest in mineralization above a depth of 560 metres and an 80% interest in mineralization below a depth of 560 metres by spending \$35,000,000. Thereafter, Entrée has the right to require Ivanhoe to fund its share of subsequent joint venture costs through to production by debt financing, to be recovered from production cash flow.

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

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

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

- The continued extension of the high-grade mineralization at Copper Flats could support the development of a mine on Entrée's property.

i) Hugo North Extension

On February 1, 2006, Entrée announced that a new mineral resource estimate prepared by Ivanhoe Mines Ltd. ("Ivanhoe") under the supervision of AMEC Americas Limited ("AMEC") had delineated an initial inferred resource for the northern extension of the Hugo North Deposit (the "Hugo North Extension") on the Copper Flats area of Entrée's Shivee Tolgoi property, in Mongolia's South Gobi region.

This initial Copper Flats inferred resource is estimated to be 190 million tonnes at an average grade of 1.57% copper and 0.53 grams of gold per tonne (g/t) for a copper equivalent grade of 1.91%, at a 0.6% copper equivalent cut-off (see table below). At a higher cut-off of 2% copper equivalent, the new estimate yields an inferred resource of 64 million tonnes at an average grade of 2.78% copper and 1.10 g/t gold for a copper equivalent grade of 3.48% - the highest-grade resource defined to date at Ivanhoe's Oyu Tolgoi property. The Hugo North Extension continues to be expanded by ongoing exploration drilling.

The resource estimate was the result of Ivanhoe's aggressive work program that defined a 625 metre extension to the Hugo North Deposit on Entrée's property and outlined some extremely rich copper-gold mineralization.

The inferred resource of 190 million tonnes grading 1.57% copper and 0.53 g/t gold (a copper equivalent grade of 1.91%) is estimated to contain approximately 6.6 billion pounds of copper and 3.2 million ounces of gold. Alternatively, the inferred resource of 64 million tonnes grading 2.78% copper and 1.10 g/t gold (a copper equivalent grade of 3.48%) at a 2% copper equivalent cut-off is estimated to contain approximately 3.9 billion pounds of copper and 2.3 million ounces of gold.

Cautionary Note to U.S. Investors concerning estimates of Inferred Resources.

This section uses the term "inferred resources." We advise U.S. investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. "Inferred 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 the 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. **U.S. investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally minable.**

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

Table 1: Hugo North Extension Inferred Mineral Resource on the Ivanhoe/Entrée Shivee Tolgoi Joint Venture Property as of February 2006 at various Copper-Equivalent cut-off grades

Class	Copper Equiv. Cut-off	Tonnage	Copper	Gold	Copper Equiv.	Contained Metal		
						Copper ('000 lbs)	Gold (ounces)	Copper Equiv. ('000 lbs)
<i>Hugo North Deposit on Shivee Tolgoi</i>		(tonnes)	(%)	(g/t)	(%)			
Inferred	3.5	27,340,000	3.69	1.33	4.53	2,220,000	1,170,000	2,730,000
	3.0	37,630,000	3.40	1.23	4.18	2,820,000	1,480,000	3,470,000
	2.5	50,180,000	3.07	1.17	3.82	3,400,000	1,880,000	4,220,000
	2.0	64,060,000	2.78	1.10	3.48	3,920,000	2,270,000	4,910,000
	1.5	87,480,000	2.41	0.93	3.01	4,660,000	2,620,000	5,810,000
	1.25	110,420,000	2.16	0.80	2.67	5,260,000	2,830,000	6,500,000
	1.0	131,230,000	1.97	0.72	2.42	5,690,000	3,020,000	7,010,000
	0.9	140,340,000	1.89	0.68	2.33	5,850,000	3,080,000	7,200,000
	0.8	151,870,000	1.80	0.64	2.21	6,040,000	3,150,000	7,420,000
	0.7	169,470,000	1.69	0.59	2.06	6,310,000	3,200,000	7,710,000
	0.6	190,160,000	1.57	0.53	1.91	6,590,000	3,240,000	8,010,000

* Copper equivalent grades have been calculated using assumed metal prices (US\$0.80/lb. for copper and US\$350/oz. for gold); %Cu equivalent = %Cu + [Au(g/t)x(11.25/17.64)]

Ivanhoe has the right to earn an 80% interest in mineral rights on the project area below a depth of 560 metres. Accordingly, Entrée's 20% interest is estimated to be 38 million tonnes, containing approximately 1.32 billion pounds of copper and approximately 650,000 ounces of gold. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

Two to four deep-hole capacity rigs are continuing with infill drilling to upgrade the newly delineated inferred resource to the indicated status, so that detailed underground planning can begin for the Copper Flats portion of the Entrée – Ivanhoe Project property. It must also be emphasized that the Project Property also covers the potential southern extension to the OT deposits, an area that is yet to be drill tested

II) Lookout Hill

In 2005, Entrée completed a comprehensive exploration program on select areas of its 140,000 hectare Lookout Hill property. Work conducted included approximately 250 line kilometres of deep induced polarization ("IP") and resistivity geophysical surveys, 12,439 metres of diamond

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

drilling, detailed geological mapping and reconnaissance exploration. Aster satellite imagery was also acquired and analyzed during the year, and approximately 8,500 soil samples were collected.

Deep probing geophysics (IP, resistivity and magnetic surveys), geochemical surveys and geological mapping were completed south from the previously known southern limit of Zones I/II/III to the joint Entrée-Ivanhoe project property boundary (“West Grid”), covering a north-south distance of approximately 9.5 kilometres. Additionally, the Ring Dyke prospect was advanced to the drilling stage through geological, geochemical and geophysical surveys. Limited portions of Zones I/II, Zone III, Bayan Ovoo and Ring Dyke areas (see map on Entrée’s web site, www.entreegold.com, for zone locations) were tested with diamond drilling.

Drilling consisted of 25 holes, totaling 12,439 metres. Of these, nine holes were lost or only partially completed due to typical operational difficulties, including mechanical problems, complex drilling conditions, and a shortage of spare parts and materials.

i) *Zones I/II and West Grid Areas*

Detailed geological mapping south from Zones I/II and West Grid in late 2005 defined a major unconformity separating younger Carboniferous volcanics and sediments in the area of Zones I/II from older Devonian volcanics, sediments and intrusives underlying much of the West Grid area (see map at www.entreegold.com). Entrée’s geologists have interpreted the Devonian rocks to be direct correlatives of the “hanging wall” sequence that immediately overlies Ivanhoe’s Hugo North copper-gold deposit, which is the northern extension of the Oyu Tolgoi system. Geological mapping has also identified a new area of silica and advanced argillic (quartz+alunite+clay) alteration approximately 3.5 kilometres south of and on strike from Zone I.

Deep probing IP, resistivity and magnetic surveys were completed in the summer and fall of 2005 using Quantec Geoscience’s TITAN 24 system. These surveys were successful in defining six large, deep targets occurring within the Devonian rocks over a strike length in excess of eight kilometres, in the area of the West Grid. Three of these targets have associated anomalous copper and gold values in soils and one is associated with anomalous molybdenum values in selected rock samples ranging from 1,000 to 8,400 ppm. This NNE-trending series of geophysical anomalies now covers more than 12 kilometres and is similar in dimensions to, and sub-parallel with, the Oyu Tolgoi porphyry copper-gold system to the east. The surveys completed in the Zones I/II and West Grid areas, when combined with the pre-existing geophysical database, have substantially enhanced the potential of this area.

Widely spaced drilling conducted in 2005 (11 holes totaling 5,504 metres) tested the northern, upper portions of these geophysical anomalies. Anomalous copper values (up to 0.2% over 2 - 4 metres) in core are associated with zones of advanced argillic alteration within the geophysical target. One hole (EGD-05-031) was drilled on the margin of a strong IP anomaly within the Devonian rocks in the northern part of the West Grid. A 118 metre interval (766 - 884 metres) returned anomalous copper values in the 200 to 400 ppm range that occur in diorite to monzodiorite dykes cutting Devonian stratigraphy.

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

ii) Zone III

Zone III is defined at surface by a 400 metre by 150 metre area of silica and sericite altered volcanics. The area is cut by strongly auriferous quartz veins that lie at the northern margin of a subtle 2+ kilometre-long IP chargeability anomaly and at the northern end of a 5+ kilometre-long NNE-trending magnetic low, interpreted to represent a zone of hydrothermal alteration. Soil sampling completed in 2005 extended the zone for an additional 2.5 kilometres southwards along the axis of the magnetic low.

To date, only 600 metres at the north end of Zone III has been tested by eight drill holes, two of which were completed in 2005. These two recent holes confirmed the widespread distribution of epithermal style alteration associated with narrow auriferous quartz veins.

The deep IP survey also outlined a new anomalous area lying to the west of Zone III. This 3+ kilometre-long chargeability anomaly coincides with scattered gold and copper values in soils, with values exceeding 400 ppm copper and 200 ppb gold.

iii) Bayan Ovoo

Preliminary drilling of the Bayan Ovoo copper targets, located 65 kilometres west of Oyu Tolgoi, consisted of 10 holes totaling 5,336 metres. The drill targets were generated in the summer and fall of 2005 from IP, resistivity and magnetic surveys in combination with geological mapping. A four kilometre-long series of chargeability anomalies occurs to the north of, and runs sub-parallel to, a resistant ridge of andesitic to basaltic volcanics that host copper oxide showings over a strike length of 2+ kilometres.

Drill holes EGD-05-024 and EGD-05-027 encountered thick zones of advanced argillic alteration with significant amounts of disseminated and vein controlled pyrite and anomalous copper values (up to 379 ppm copper over two metres). These holes were drilled to test the intersection of NNE-trending chargeability anomalies with the broader ENE-trending IP response that follows the general trend of the valley.

iv) Ring Dyke Area

Entrée's Ring Dyke area is a new target discovered by the 2005 reconnaissance program, located 8.5 kilometres northeast of the Bayan Ovoo copper showings. The area hosts numerous limonitic and silicified outcrops that define a circular area having a diameter of approximately 1 kilometre. Initial surface sampling in selected rocks returned anomalous gold and copper values to 149 ppb gold and 1,235 ppm copper. IP and magnetic surveys were completed over a 4.5 by 6 kilometre grid area in the fall of 2005. Results of the geophysics show a strong circular chargeability anomaly (approximately three kilometres east-west and 2.5 kilometres north-south) which is truncated to the northwest by a major regional structure.

Two drill holes, EGD-05-037 (lost at shallow depth) and EGD-05-037A, were drilled at the end of the 2005 exploration season to test anomalous copper and gold values in surface rocks that

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

occur along the northern margin of a chargeability anomaly. Hole EGD-05-037A intersected a 14 metre interval (at a downhole depth of 90 - 104 metres), with values ranging from 10 to 384 ppm copper and a two metre interval (at 508 - 510 metres) of 2,560 ppm copper and 715 ppb gold. This hole did not reach its targeted depth.

III) Manlai

Entree's Manlai property is located approximately 125 kilometres to the north of Lookout Hill and adjoins the east end of Ivanhoe's Kharmagtai porphyry copper-gold project.

The 2005 exploration program at Manlai commenced in July and continued through to early December. Work consisted of geological mapping, hand trenching and rock sampling (691 samples), soil sampling (approximately 3,500 samples), approximately 420 line kilometres of magnetometer surveying and 153 line kilometres of time-domain gradient IP and resistivity, and approximately 30 line kilometres of deep-probing TITAN 24 surveys. Drilling (four holes totaling 2,539 metres) was completed on identified targets in October and November.

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

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

The second target was located 1 - 2 kilometres SSE of the first and is characterized by a strong, 1,500 metre by 300 metre, IP anomaly elongated along a northeast-southwest axis, coincident copper and molybdenum soil anomalies, and surface alteration and quartz veining. Two drill holes (EGU-05-002 and EGU-05-004) tested the IP feature. Neither intersected significant copper mineralization, however, EGU-05-004 intersected evidence of boiling below 600 metres, suggesting a telescoped epithermal system within a porphyry system. Several zones containing lead and zinc with elevated gold values occur between 500 and 750 metres. These included 21.12 metres (611.88 - 633 metres) of 0.31% lead and 0.5% zinc with 0.26 g/t gold, and 12 metres (687 - 699 metres) of 0.11% lead and 0.2% zinc (inside a wider 29.35 metre interval of 0.39 g/t gold).

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

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

IV) Khatsavch

No work was completed on the Khatsavch license in 2005.

B) GENERAL AND ADMINISTRATIVE

For the year ended December 31, 2005, general and administrative expense before stock-based and escrow share compensation was \$1,915,162 compared to \$1,051,712 in 2004 as set out above. The increase was primarily due to additions to head office payroll, increase rent for expanded head office premises, consulting fees and additional salaries for investor relations. All increases were attributable to support for an expanded exploration program and the additional expense related to listing on the American Stock Exchange.

C) STOCK-BASED COMPENSATION

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

D) ESCROW SHARES COMPENSATION

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

E) INTEREST INCOME

The Company earns income on its cash and cash equivalents. The increase in interest income in 2005 compared with 2004 arises from the investment of approximately \$24,000,000 generated by private placements, warrants exercise and options exercise.

F) OUTLOOK

Our Lookout Hill exploration concessions comprise approximately 180,000 hectares and of this land area, 40,000 hectares is currently being explored by Ivanhoe under the terms of an Equity Participation and Earn-In Agreement. Entrée holds 100% of the concession rights to the remaining 140,000 hectares of the Lookout Hill concessions and continues an exploration program on several targets identified by previous geological and geophysical work carried out on

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

this property. Subject to continuing positive drilling result, the Company intends to continue its exploration program on Lookout Hill for the next twelve months and longer.

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

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

Oyut Tolgoi Copper Property in Western Mongolia

Subsequent to December 31, 2005, the Company acquired an option to purchase three non-contiguous exploration licenses in Western Mongolia. The three licenses Oyut Tolgoi, Asgat Uul and Onts Uul cover a strike distance of 75 kilometres. The terms of the option include an initial \$50,000 payment to the Mongolian Property Owner. After a due diligence period of 6 months, the Company will be required to pay an additional \$100,000 and issue 100,000 shares. The Company will then have one year from the end of the due diligence period to explore the property. A final payment of \$250,000 and the issuance of an additional 250,000 shares on or before the anniversary date will earn the Company a 100% interest in the three properties. A finder's fee of 5% plus 10,000 shares is payable.

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

5. SELECTED QUARTERLY DATA

	Quarter ended Dec 31, 2005	Quarter ended Sept 30, 2005	Quarter ended Jun 30, 2005	Quarter ended Mar 31, 2005
Exploration	2,560,422	2,569,409	2,032,805	1,171,014
General and administrative	726,525	611,050	2,278,886	2,055,601
Loss on settlement of debt	0	0	0	0
Loss from operations	(3,286,947)	(3,180,459)	(4,311,691)	(3,226,615)
Interest income	135,224	125,790	23,339	29,592
Net loss	(3,151,723)	(3,054,669)	(4,288,352)	(3,197,023)
Basic and diluted loss per share	\$ (0.05)	\$ (0.05)	\$ (0.08)	\$ 0.06
	Quarter ended Dec 31, 2004	Quarter ended Sept 30, 2004	Quarter ended Jun 30, 2004	Quarter ended Mar 31, 2004
Exploration	679,250	674,620	1,189,707	156,688
General and administrative	2,447,152	295,398	92,822	90,519
Loss from operations	(3,126,402)	(970,018)	(1,282,529)	(247,207)
Interest income	27,516	15,073	26,174	29,279
Net loss	(3,098,886)	(954,945)	(1,256,355)	(217,928)
Basic and diluted loss per share	\$ 0.07	\$ 0.02	\$ 0.03	\$ 0.01

6. LIQUIDITY

To date the Company has not generated significant revenues from its operations and is considered to be in the exploration stage. Working capital on hand at December 31, 2005 is \$21,665,000 and is more than sufficient to finance budgeted exploration, general and administrative expense, investor relations for 2006. The company has approximately \$15,000,000 surplus funds available for acquisitions and/or operating requirements for 2007. At present the Company is dependent on equity financing for additional funding if required. Should one of the Company's projects proceed to the mine development stage, it is expected that a combination of debt and equity financing would be available.

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

Operating activities

Cash used in operations was \$8,940,909 (2004 - \$3,417,734) for the year ended December 31, 2005 and represents expenditures on mineral property exploration and general and administrative expense as described above.

Financing activities

During the year ended December 31, 2005, the Company issued common shares as follows:

	Common shares	Amount
Private placements		
1st quarter	-	\$ -
2nd quarter	5,665,730	10,170,207
3rd quarter	1,876,680	3,367,890
4th quarter	-	-
	7,542,410	13,538,097
Warrants exercised		
1st quarter	15,000	13,210
2nd quarter	6,245,800	5,827,614
3rd quarter	997,000	1,069,135
4th quarter	3,198,650	3,565,332
	10,456,450	10,475,291
Options exercised		
1st quarter	-	-
2nd quarter	245,000	151,590
3rd quarter	162,000	149,455
4th quarter	365,000	404,628
	772,000	705,673
Total, year ended December 31, 2005	18,770,860	\$ 24,719,061

During the year ended December 31, 2005, 2,207,820 warrants expired without exercise.

Investing activities

During the year ended December 31, 2005, the Company expended \$729,815 on equipment, primarily for exploration activities.

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

Table of Contractual Commitments

The following table lists as of December 31, 2005 information with respect to the Company's known contractual obligations.

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Office Lease	\$ 123,189	\$ 27,018	\$ 84,109	\$ 12,062	\$ -
Total	\$ 123,189	\$ 27,018	\$ 84,109	\$ 12,062	\$ -

Outstanding share data

As at March 21, 2006, there were 70,478,926 common shares outstanding. In addition there were 7,868,000 stock options outstanding with exercise prices ranging from C\$0.34 to C\$2.32 per share. Share purchase warrants outstanding totalled 7,792,412 at prices ranging from C\$1.05 to C\$3.00 per share and expiring on dates varying from April 20, 2006 to July 7, 2007.

7. CAPITAL RESOURCES

The Company had no commitments for capital assets at December 31, 2005.

At December 31, 2005, the Company had working capital of approximately \$21,665,000 compared with \$6,024,000 at December 31, 2004. In January and February, 2006, the Company raised approximately \$637,000 from the exercise of stock options. Budgeted expenditures for the 12 months ending December 31, 2006 total approximately \$5,093,000 for exploration and \$1,707,000 for administration and shareholder communications. Working capital on hand is expected to exceed cash requirements for the ensuing twelve months by approximately \$15,502,000.

The Company is committed to make lease payments for the rental of office space totaling \$123,189 over five years (see Note 11 to the audited consolidated financials statements for the year ended December 31, 2005).

8. OFF-BALANCE SHEET TRANSACTIONS

The Company has no off-balance sheet arrangements except for contractual obligation noted above.

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

9. TRANSACTIONS WITH RELATED PARTIES

Related party transactions are summarized in Note 6 to the audited consolidated financial statements for the year ended December 31, 2005.

10. FOURTH QUARTER

The Company's exploration program typically winds down in November. General and administrative expense continues as does investor relations activity. There were no extraordinary items or year-end adjustments that affected normal operations during the fourth quarter.

11. PROPOSED TRANSACTIONS

Not applicable.

12. CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America 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 follows accounting guidelines in determining the value of stock option compensation, as disclosed in Note 5 to the 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 United States GAAP. The policy is consistent with that of the other exploration companies that have not established mineral reserves. When a mineral reserve has been objectively established further exploration costs would be deferred. Management is of the view that its current policy is appropriate for the Company.

13. CHANGES IN ACCOUNTING POLICIES

A detailed summary of all of the Company's significant accounting policies and the estimates derived therefrom is included in Note 2 to the annual consolidated financial statements for the

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

year ended December 31, 2005. Accounting policies used in the current period did not diff

14. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables, deposits and accounts payable and accrued liabilities, some of which are denominated in U.S. dollars and Mongolian Tugriks. These accounts are recorded at their fair market value. The Company is at risk to financial gain or loss as a result of foreign exchange movements against the Canadian dollar. The Company minimizes its foreign exchange risk by maintaining low account balances in currencies other than the Canadian dollar. The Company does not currently have major commitments to acquire assets in foreign currencies; but historically it has incurred the majority of its exploration costs in foreign currencies.

The Company's cash equivalent are redeemable after 30 days without penalty and are renewable bank instruments that provide a fixed rate of interest during the term usually one year. When a matured instrument is renewed, the new interest rate may be higher or lower than the current rate. The Company reviews its bank instruments on a monthly basis and renews if interest rates are higher than on the current instrument.

15. OTHER MD&A REQUIREMENTS

Forward-Looking Statements

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking, as defined in the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

Risk

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks have been discussed elsewhere in this report. The reader should also refer to the discussion of risks contained in the Annual Information Form available on SEDAR at www.sedar.com. The Company's financial success is subject to, among other things, fluctuations in copper and gold prices which may affect current or future operating results and may affect the economic value of its mineral resources. The Company must comply with environmental regulations governing air and water quality and land disturbance and provide mine reclamation and closure costs. The Company's ability to obtain financing to explore for mineral deposits and to complete the development of those properties it has classified as assets is not assured; nor is there assurance that the expenditure of funds will result in the discovery of an economic mineral deposit. Should

ENTRÉE GOLD INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended December 31, 2005
(In United States Dollars unless stated otherwise)

one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

The Company has not completed a feasibility study on any of its deposits to determine if its hosts a mineral resource that can be economically developed and profitably mined.

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 National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) *CIM Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as may be amended from time to time by the CIM.

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

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

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