

ENTRÉE GOLD

Context

Entrée Gold Inc. (Entrée) through its Mongolian subsidiary Entrée Gold LLC holds mining licences Shivee Tolgoi (15225A) and Javkhlant (15226A) that surround the core mining licence of Oyu Tolgoi LLC (6709A). Entrée is in JV arrangements with OT LLC under on Javkhlant licence and East of Shivee Tolgoi licence.

Mongolian Government owns through Erdenes OT LLC 34% of OT shares of the Entrée Gold licences.

Background

Entrée LLC held the former exploration licences 3148X and 3150X since 2003. Ivanhoe Mines Ltd and Entrée Gold Inc entered into Equity Participation and Earn-In Agreement (EPEIA) on 15 October 2004. Main clauses of Earn-In Agreement between Ivanhoe Mines Ltd and Entrée Gold Inc dated 15th October 2004:

- Ivanhoe to purchase 4.6 mn equity securities of Entrée for C\$4.6mn
- If Ivanhoe Mines Ltd expends more than US\$35mn on drilling of Entrée Gold licences 3148X and 3150X, it receives:
 - 70% interest in minerals above 560m underground level (EG: 30%)
 - 80% interest in minerals below 560m underground level (EG: 20%)

In June 2008, Ivanhoe notified Entrée it had expended the US\$35mn. Assignment agreement has been signed between Ivanhoe Mines Ltd, Ivanhoe Mines Mongolia Inc LLC (Oyu Tolgoi LLC) and Entrée Gold Inc. Ivanhoe Mines Ltd assigned its rights and obligations under the Earn-in Agreement to Ivanhoe Mines Mongolia Inc. LLC (Oyu Tolgoi LLC) and Ivanhoe Mines Ltd's 80% (or

70% depending on depth) interest in minerals under licences 3148X and 3150X transferred to IMMI (Oyu Tolgoi licence LLC).

OT LLC and Entrée cooperation area covers East of Shivee Tolgoi mineral mining licence (15225A) and whole of Javkhlant mining licence (15226A). See map below.

All reserves on the licences are formally registered with the Minerals Council and form the foundation of the Investment Agreement and mineral resource development plan.

IA compliance

OT LLC is in compliance with IA clause 15.7.8 which provides:

"The rights held by Ivanhoe Mines Ltd at the date of this Agreement in respect of exploration licences 3148X and 3150X held by Entrée Gold LLC are transferred to the Investor, whether by way of contractual entitlement or transfer of relevant titles (after which such transfer the Government shall have an interest of 34% (thirty four) of such rights), and those exploration licences are converted to mining licences by the Government before their expiry"

This clause has been fulfilled with the Assignment Agreement between Entrée Gold, Ivanhoe Mines Ltd and Ivanhoe Mines Mongolia Inc LLC (IMMI LLC) dated March 1st 2005. IMMI as the "Investor" in the IA was renamed to OT LLC in 2009.

The exploration licences were converted into mining licences 15225A and 15226A in October 2009 as a conditions precedence of the Oyu Tolgoi Investment Agreement. Under the IA, as Erdenes OT LLC owns 34% of OT LLC, it has 34% interest to OT LLC's 80% (or 70% depending on depth) interest in those mining licences.

