

# Growth Stocks Weekly

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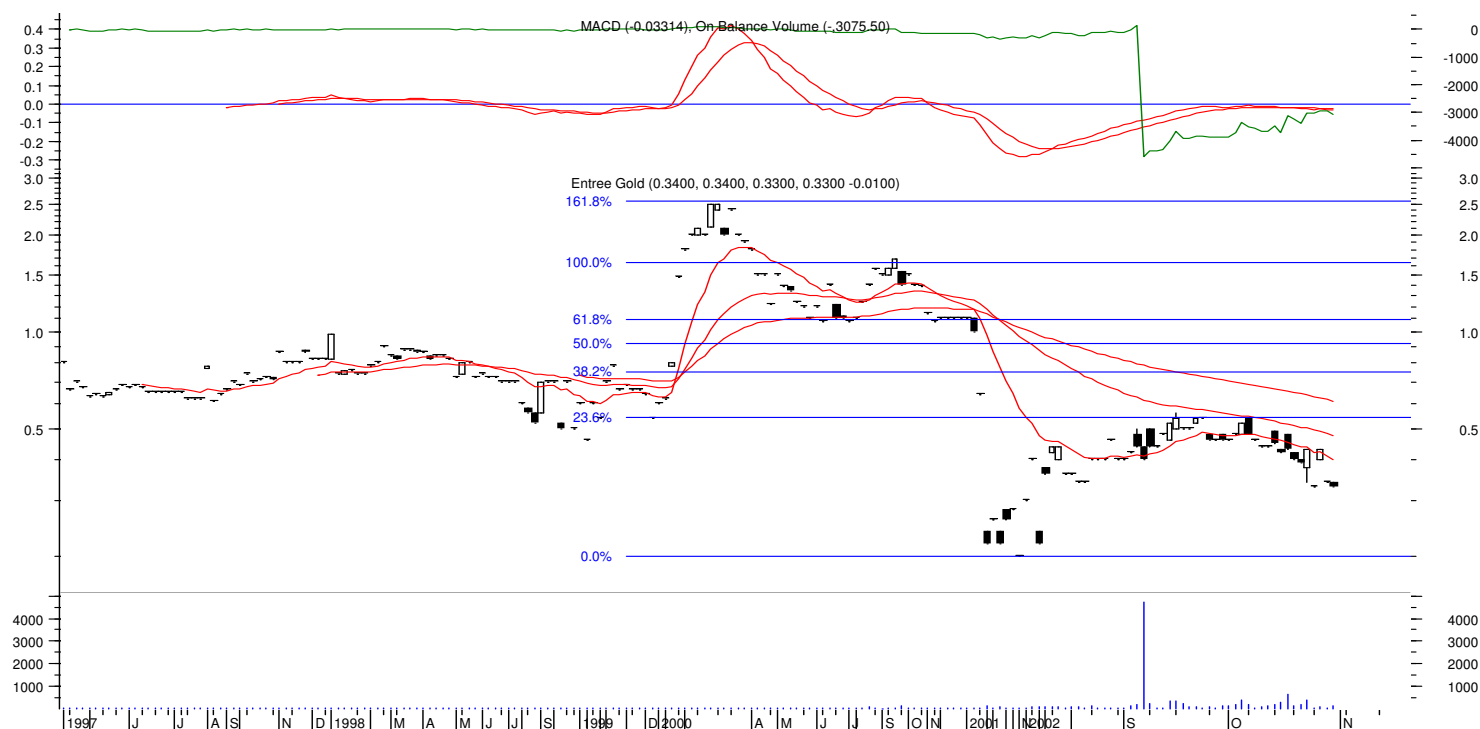
## Junior Gold and Natural Resource Sector Research

November 4, 2002

### Anatomy of an Emerging Junior

#### Entrée Gold Inc. (ETG-TSX Venture Exchange)

Daily chart, Semi-log scale, High \$2.50, Low \$0.20, Last Trade \$0.33



- **Entrée hosts one of the premier frontier exploration properties in the emerging South Gobi gold-copper camp, Mongolia.**
- **Entrée's 179,590 hectare Shivee Tolgoi (Lookout Hill) property completely surrounds and is contiguous on all sides with Ivanhoe Mine's approximately 8,500 hectare Oyu Tolgoi (Turquoise Hill) property.**
- **Shivee Tolgoi potentially hosts extensions to Ivanhoe's porphyry gold-copper mineralized system.**
- **Shivee Tolgoi hosts outcropping high-grade epithermal style gold mineralization with values to 29.2 g/t (0.85 oz/t) gold.**
- **Ivanhoe's Turquoise Hill Project has rapidly evolved from an exciting gold and copper exploration play to a large-scale multi-zone development project.**
- **Ivanhoe's Far North Zone recently reported (Sept 25, 2002 News Release) an intercept of 638 metres averaging 1.61% copper and 0.07 gm/t gold, located within 2200m of Entrée's Shivee Tolgoi's southern property boundary.**
- **Ivanhoe's most recent drilling (Oct 31, 2002 News Release) confirms the NE continuation of high-grade copper-gold mineralization, towards Entrée's Shivee Tolgoi property.**
- **Exploration is currently underway on the Shivee Tolgoi property.**

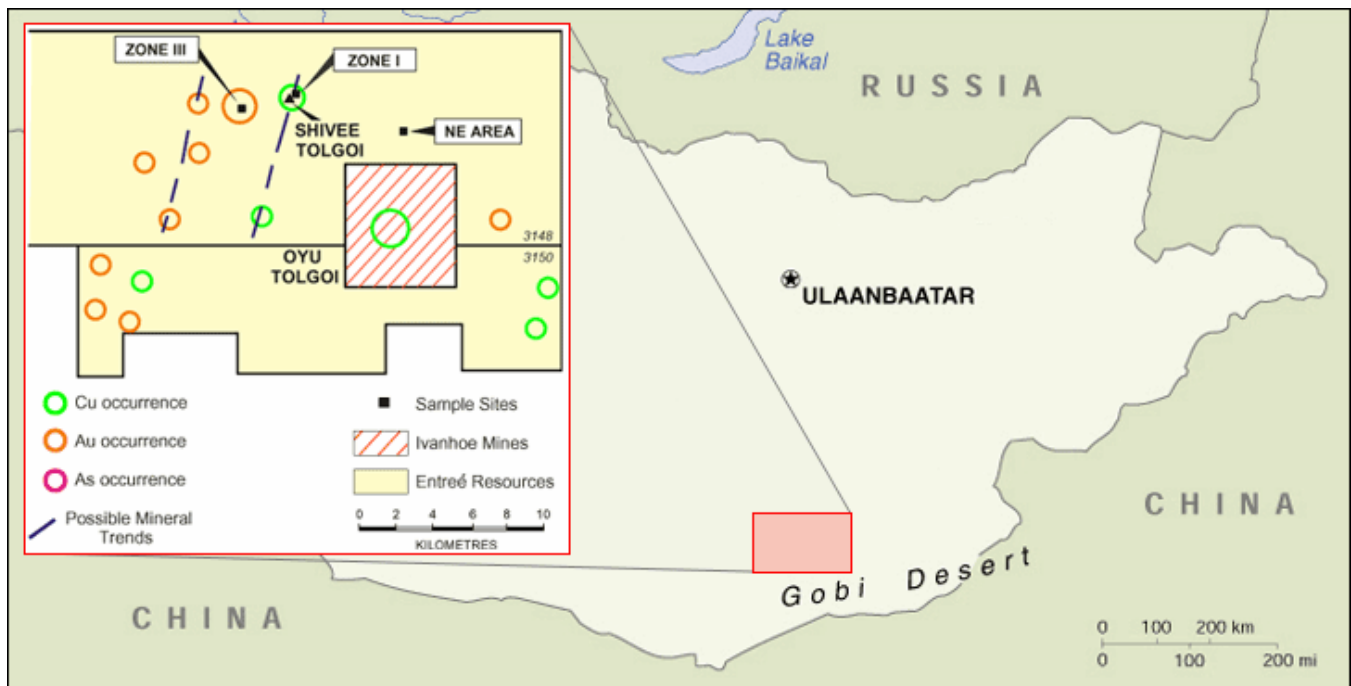
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## Overview

Entrée Gold Inc. (ETG-TSX Venture Exchange) is completing a corporate structuring phase that marks the start of what I expect will become a very high-profile part of Voisey's Bay finder Robert Friedland's next major discovery at his Ivanhoe Mines' Turquoise Hill (Oyu Tolgoi) copper-gold project in the South Gobi Region, Mongolia. Already, Ivanhoe's results reinforce the possibility that large-scale underground mining and open-pit development may be economic, as Ivanhoe's engineering group begins preliminary economic and operational simulations.

Entrée recently concluded their definitive Option Agreement with Mongol Gazar Co. Ltd., the Mongolian owner of the Shivee Tolgoi group of three contiguous mineral exploration licences, South Gobi Region, Mongolia. The properties total 179,594 hectares, completely surround and are contiguous on all sides with the approximately 8,500 hectare, Turquoise Hill (Oyu Tolgoi) licence being aggressively explored by Ivanhoe. Entrée's partnership with Mongol Gazar offers the Company unparalleled access to local knowledge and support, as well as access to additional prospective properties.

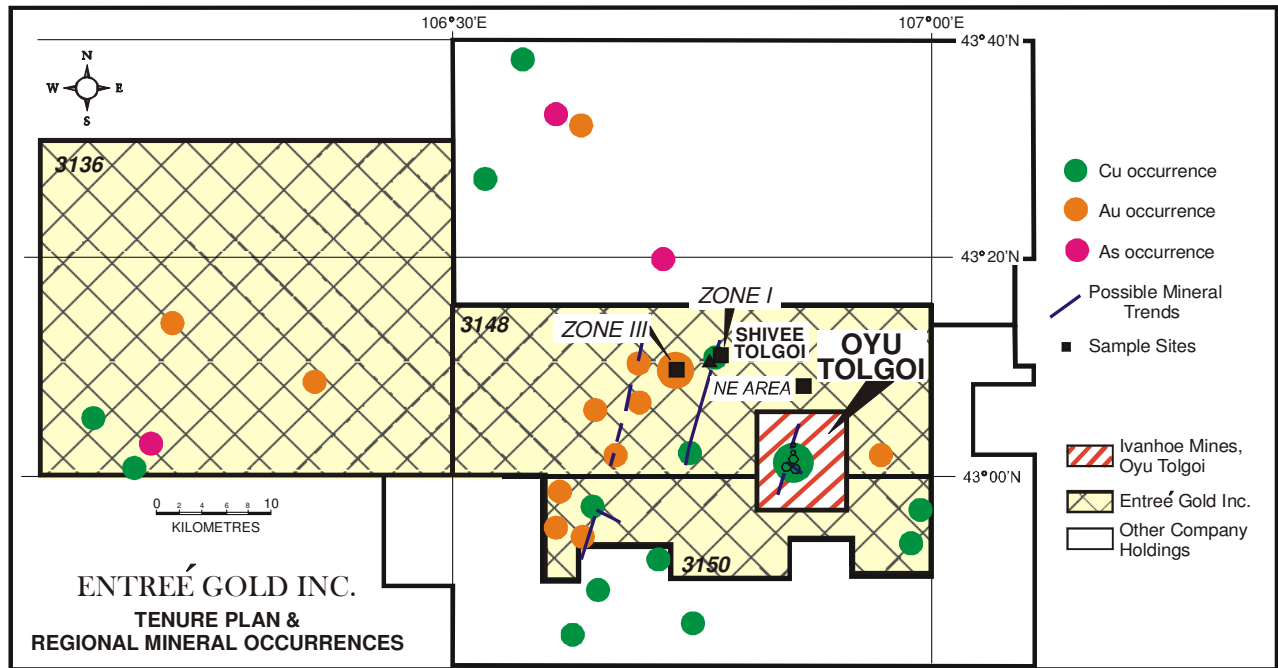
Ivanhoe is drilling multiple centres or clusters of porphyry-related copper-gold mineralization. To date, it has reported five mineralized centres along a 3.5-kilometre, northerly-trending structural corridor. Ivanhoe announced on September 25, 2002 Far North Zone drill intercepts of 638 metres averaging 1.61% copper and 0.07 grams per tonne (g/t) gold, including 114 metres of 3.58% copper and 0.23 g/t gold. Further results announced October 30, 2002 significantly expanded this high-grade copper mineralization, and contained the most impressive mineral intercepts that they have encountered at Oyu Tolgoi. Ivanhoe emphasized that they **have yet to locate the mineralizing intrusive responsible for the very high concentration of copper mineralization**. Spaced 100 to 120 metres apart, the latest 6 drill holes reveal long intercepts that averaged in excess of 2% copper and up to 0.30 g/t. These results extend the high-grade mineralized core to approximately 600 metres in length in a northeasterly direction, between 200 and 300 metres in width, and confirm that the core reaches at least 500 metres in depth. **The high-grade core is open in all directions** as demonstrated by 5 additional holes recently completed or currently in progress (not yet reported on).



It is not uncommon for large porphyry complexes to consist of numerous mineralized centres developed over 5 to 10 km. These porphyry systems are often zoned, with a copper-enriched centre grading outwards into spatially associated epithermal precious metal deposits. **The high-grade copper intercepts recently reported by Ivanhoe in the Far North Zone suggest the system may be increasing in copper grade northwards, with potential for additional mineralized bodies along several kilometres to both the north and south.** Ivanhoe is currently drilling within 2,000 metres of the southern boundary of Entrée's Shivee Tolgoi concessions and is pushing northward. Ivanhoe has drilled more than 50,000 metres at Turquoise Hill this year. 12 drill rigs are operating at the project and 2 more high-capacity rigs are scheduled to arrive in November.

On October 18, 2002 Entrée reported on the status of its own exploration underway within and around their Shivee Tolgoi gold-copper property. Reconnaissance geological mapping and sampling of the Zone III area of epithermal style alteration and gold mineralization returned samples of brecciated and quartz veined altered volcanics yielding gold values of 23.6 g/t,

1.72 g/t and 29.2 g/t gold. This mineralized zone lies approximately 6 kilometres northwest of Ivanhoe Mines' Oyu Tolgoi property and extends northwards under an area of extensive desert colluvium. The 179,590 hectare Shivee Tolgoi (Lookout Hill) concessions completely surround Ivanhoe's approximately 8,500 hectare Oyu Tolgoi (Turquoise Hill) property.



### ***The New Bull Market in Gold***

It looks like a renewed rise is starting in the gold market. And if December gold can now stay above \$315, the decline over the past month will be over and a renewed rise will indeed be underway. If the decline is over, it's a very strong sign for gold because the downward correction was short and mild. Gold will then have a good chance at breaking above \$330, which would mean a stronger phase of the major bull market would begin. So watch \$315 and \$330. Gold shares also look good. The XAU gold share index is at a three-week high and it's now very firm above 64. It'll look even better above 67 and an upside break out would occur above 71. Plus, the Dollar index is now declining again and it's weak below 107. This renewed weakness isn't good for stocks but it'll help keep upward pressure on gold.

### ***China's Growing Demands***

The Wall Street Journal in an October 10, 2002 feature describes China as "The World's Factory" as it discussed the country's surging export performance and its effects on the global economy. Today there are few things in the global marketplace that aren't made in China. Foreign company's China-based stand-alone plants, their joint ventures and China's thousands of homegrown operations have put China at the centre of a broad reordering of how goods are supplied to the global economy. The country has become the world's factory floor, with output so massive and wide-ranging that it exerts deflationary pressure world-wide on everything from textiles to TVs, mobile phones to mushrooms. "China's rise as a manufacturing base is going to have the same kind of impact on the world that the industrialization of the U.S. had, perhaps even bigger," says Andy Xie, an economist with Morgan Stanley in Hong Kong. China's entry into the World Trade Organization late last year is accelerating that trend, as membership cuts production costs and removes obstacles to selling overseas. This is drawing more investment into China, funding new factories and leaving industry groaning with over-capacity. China is the world's fourth-largest industrial base behind the U.S., Japan and Germany, and is moving into more sophisticated goods. High-tech exports to the U.S. are now growing faster than any other category of Chinese export, up 47% in the first seven months of this year from a year earlier.

"It is clear that we are witnessing a seismic business phenomenon – nothing less than a fundamental realignment of international competitive manufacturing capacity," states Ivanhoe's Robert Friedland in an October 16, 2002 note to shareholders, friends and followers. He sees the unfolding mineral discoveries in southern Mongolia, just 70 kilometres – a relative stone's throw – from the Chinese border, as strategically positioning Ivanhoe Mines to become the lowest cost supplier of copper metal to the Chinese manufacturing industry for generations to come.

### ***History***

Entrée was incorporated July 19, 1995 with three founding shareholders holding an aggregate of 750,000 escrow shares issued at \$0.01 and 720,000 shares issued at \$0.25. The company later issued 800,000 shares to Tierra Colorado, S.A. at a

deemed price of \$0.25 per share for the Santa Rosa property in Costa Rica.

The company went public (IPO) as Timpete Mining Corporation on April 11, 1997, issuing 550,000 shares at \$0.60 to the public to raise \$330,000. On September 30, 1997 the company split its stock 2 for 1, resulting in 5.64 million shares outstanding (including 1.5 million escrow shares). In January 2000, it was announced that stock options were exercised at \$0.30 (equivalent to the \$0.60 IPO price pre-stock split) resulting in 564,000 shares being issued, raising \$169,000. There were then 6.204 million shares outstanding, when a change of control occurred in February 2000.

On August 17, 2000, there is a proposed 4 for 1 share split announced along with a name change to Entrée Resources Inc. for approval at the September 15, 2000 AGM. The proposals were carried, and result in the 6.204 million shares being split into 24.816 million shares (including 5.45 million escrow shares). By January of 2002, the company has written off its interest in the Santa Rosa project and is looking for new opportunities.

On June 6, 2002, the stock is halted and Entrée announces it entered into a binding letter of intent to acquire up to a 60% interest in three mineral concessions located in Bayan-Ovoo Sum, Umnugobi Province, Southern Mongolia (see *The Mongolian Properties*). Entrée can earn a 60% interest and then enter into a joint venture with the owner for the further development of these Concessions (see *Terms of the Option Agreement*).

Also on June 6, 2002, 430692 B.C. Ltd., the controlling shareholder of the Company, announced its intention to sell a total of 10,690,000 common shares of the Company, of which 5,460,000 shares are held in escrow. These escrow shares were placed in trust for future management, directors and employees of the Company, to be allotted as determined from time to time by the directors. The Company commenced a search for additions to its management and exploration team.

On June 12, 2002, Taylor Housser of Bermuda announced he acquired ownership of 4,496,000 common shares of Entrée for \$127,582, representing 18.12% of the Company. In addition, Shapur Salem of Vancouver, B.C. announced his acquisition of 5,230,000 common shares of Entrée for \$148,411, representing 21.08% of the Company.

In late June and early July 2002, new officers and directors were appointed with the resignation of the former directors and officers: Greg Crowe is appointed Director and CEO, Lindsay Bottomer and Mark Bailey, Directors and Kevin Hisko, Corporate Secretary (see *New Directors and Management*).

On July 24, 2002 Entrée announced it concluded the definitive Option Agreement with Mongol Gazar Co. Ltd., the Mongolian owner of the Shivee Tolgoi group of three contiguous mineral exploration licences. The properties total 179,594 hectares and completely surround and are contiguous with the approximately 8,500 hectare, Turquoise Hill (Oyu Tolgoi) licence currently being aggressively explored by Ivanhoe Mines Ltd.

Entrée engaged Canaccord to complete a private placement of 8,000,000 pre-consolidation units, at a price of \$0.10 each, for total proceeds of up to \$ 800,000. Each unit is comprised of one common share and one-half of a warrant to purchase one additional common share for one year at a price of \$0.20. Entrée requires adequate working capital to meet its first year commitments under their Option.

Trading on the TSX Venture Exchange re-commenced on July 25, 2002 following the filing of Canaccord's Sponsorship Report and on August 26, 2002 Entrée announced a new Stock Option Plan with the granting of 1,850,000 stock options exercisable at \$0.23 per share for a five-year term.

On October 3, 2002 Entrée announced the closing of the Canaccord-brokered private placement of 800,000 units at a price of \$0.10 per unit, raising \$800,000. Canaccord was issued 620,000 units as an agent fee.

Effective October 10, 2002 the Company changed its name to "Entrée Gold Corporation", consolidated its outstanding issued common shares on the basis of one new common share for every two existing shares, and increased its authorized capital. There are now 16,718,000 shares issued of which 6,573,000 are pooled, 2,730,000 are in escrow (see *Pooled and Escrow Shares*), 4,000,000 are restricted as a private placement, and 310,000 are held by Canaccord (their earned agent fee). That leaves a maximum public float of 3.1 million shares that I suspect are mostly well placed and held for the long term.

### ***The Mongolian Properties***

The Mongolian Properties are located within the southern Mongolian porphyry gold-copper belt, approximately 540 kilometres south of the capital city of Ulaan Baatar. The gold-copper belt is underlain by an assemblage of Paleozoic magmatic arcs and continental blocks characterized by porphyry-style gold-copper mineralization and epithermal gold occurrences. Examples include Ivanhoe's Turquoise Hill (Oyu Tolgoi) project and their Kharmagtai Project. Recent drilling

and surface exploration work on the Turquoise Hill Project has led to the discovery of high-grade porphyry-hosted gold-copper mineralization. To date, Ivanhoe has reported five mineralized centres along a 3.5-kilometre, northerly-trending structural corridor. On September 25, 2002 Ivanhoe announced Far North Zone drill intercepts of 638 metres averaging 1.61% copper and 0.07 g/t gold, including 114 metres of 3.58% copper and 0.23 g/t gold. Further results announced October 30, 2002 significantly expanded this high-grade copper mineralization, and contained the most impressive mineral intercepts that they have encountered at Oyu Tolgoi. The latest 6 drill holes, spaced 100 to 120 metres apart, reveal long intercepts that averaged in excess of 2% copper and up to 0.30 grams per tonne gold (g/t).

The main zones of exploration interest at Shivee Tolgoi are located less than 10 kilometres northwest of the Oyu Tolgoi Central Zone. Exploration work consisting of geologic mapping, semi-quantitative surface geochemistry, ground magnetic and IP surveys focused on a 25 square kilometre area located northwest of Oyu Tolgoi. This work, which was carried out by Mongol Gazar's technical personnel, was recently reviewed in the field by Dr. Andre Panteleyev, P.Eng. on behalf of Entrée.

The core area is underlain by Siluro-Devonian flow and pyroclastic rocks of mafic to intermediate composition. The supracrustal rocks are intruded by coeval and younger granite stocks, granitic and syenitic dykes, rhyolite dykes and sills, quartz diorite and quartz feldspar porphyry bodies. Both volcanic and plutonic rock are cut by prominent NNE trending faults resulting in a number of subparallel and variably altered block-faulted domains. Based on the alteration, geochemical and geophysical signatures, three zones with potential for porphyry-related gold and copper mineralization have been recognized in the core area. Zone I is a 3.5 km long and up to 1 km wide belt of extensive quartz-alunite alteration flanked by IP chargeability anomalies and containing localized quartz-stockworks. Zone II consists of a strong, 3 Km long and 0.5 km wide chargeability anomaly associated to locally pyritized volcanics. Zone III is defined by coincident chargeability and geochemical anomalies within altered and locally quartz-stockworked volcanic rocks. Heavy mineral concentrates from Zone III have yielded grains of chalcocite, bornite and molybdenite and one sample of chalcedonic quartz veinlets collected by Dr. Panteleyev assayed 8.05 g/t Au. The style of alteration and mineralization in the core area indicates potential for high level porphyry mineralization and high-sulphidation type epithermal gold-silver mineralization peripheral to the quartz-alunite cap in Zone I and deeper porphyry systems in Zone III.

Entrée reported that the latest reconnaissance geological mapping and sampling of the Zone III area returned samples of brecciated and quartz veined altered volcanics yielding gold values of 23.6 g/t, 1.72 g/t and 29.2 g/t gold. This mineralized zone lies approximately 6 kilometres northwest of the Oyu Tolgoi property and extends northwards under an area of extensive desert colluvium.

A two-phase exploration program budgeted at US\$1.5 million and including 8,000 metres of diamond drilling has been recommended to evaluate the core area of the Shivee Tolgoi property. In addition to the target zones defined in the core area, the Shivee Tolgoi land holdings contain several other gold and copper occurrences. These will also be evaluated during the upcoming exploration campaigns.

#### ***Terms of the Option Agreement***

Under the terms of the Option Agreement, Entrée is entitled to earn up to a 60% undivided interest in the Mongolian Properties. In order to earn its interest, Entrée paid US\$200,000 to Mongol Gazar by way of reimbursement of prior expenditures on the properties; must incur cumulative expenditures of up to US\$12,500,000 on the properties (or, alternatively, complete a positive feasibility study) by the fifth anniversary of the Option Agreement; and must issue up to 4,000,000 common shares to Mongol Gazar by the fifth anniversary.

Entrée is entitled to earn its interest in phases, such that it will earn a 15% undivided interest by incurring cumulative expenditures of US\$1,500,000 and issuing 1,000,000 common shares by the second anniversary of the Option Agreement; an additional 15% undivided interest by incurring cumulative expenditures of US\$3,500,000 and issuing a further 1,000,000 common shares by the third anniversary; an additional 15% undivided interest by incurring cumulative expenditures of US\$7,500,000 and issuing an additional 1,000,000 common shares by the fourth anniversary; and the final 15% undivided interest (for a total of a 60% undivided interest) by incurring cumulative expenditures of US\$12,500,000 (or alternatively completing a positive feasibility study) and issuing the final 1,000,000 shares (for a total of 4,000,000 common shares) by the fifth anniversary.

Entrée is entitled to accelerate its earn-in at its discretion. Any shares of Entrée issued to Mongol Gazar will be subject to applicable trading restrictions. Entrée will act as the operator of the programs for the exploration and development of the Mongolian Properties. Mongol Gazar is also entitled to a 2% net smelter return royalty from production on the properties. Entrée is entitled to purchase one-half of the royalty (1%) for the sum of US\$10,000,000. If and when Entrée has earned its 60% interest in the Mongolian Properties, a joint venture will arise between the parties whereby each of them will be obligated to incur further expenditures on the properties in proportion to their respective interests. If Entrée elects not to make

or incur further expenditures on the properties after having earned an interest less than 60%, Mongol Gazar will become the operator of the resulting joint venture. The interest of a party which fails to contribute its share of such costs will be subject to dilution. Entrée has formed a wholly-owned Mongolian subsidiary as its nominee and participant in the project. The Option Agreement is subject to regulatory approval. Canaccord earned a finder's fee consisting of 200,000 common shares of Entrée in connection with the acquisition of the Mongolian Properties.

### ***New Directors and Management***

Entrée appointed three senior exploration geologists, Gregory Crowe, M.Sc., P.Geo., Lindsay Bottomer, M.Sc., P.Geo., both of Vancouver, B.C., and Mark Bailey, M.Sc., of Bellingham, WA, to its board. Mr. Crowe was appointed President of Entrée. Walter Maughan, Michael Powley and Angus Campbell resigned as directors and officers.

- Gregory Crowe, age 48, is a registered Professional Geologist in the provinces of Alberta and British Columbia. He brings to Entrée over 20 years of exploration, business and entrepreneurial experience throughout North America, Latin America, Africa and Southeast Asia. After leaving Anaconda Canada in 1984, Mr. Crowe co-founded and was President of Azimuth Geological Inc. This private company provided exploration and management services to companies in the junior and major mining sectors, including Rio Algom, Westmin Mines, Lafarge Canada and the Prime Group. In the 1990's, Mr. Crowe re-focused his exploration efforts on Latin America. From 1994 to 1998, he was instrumental in transforming Yuma Copper Corp. from a junior exploration company into a copper producer with two active mines in Chile. Between 1998 and the present, he provided international consulting services to a number of mining companies.
- Lindsay Bottomer, age 53, is a professional geologist with over 30 years world-wide experience in mineral exploration. For the past 13 years he has been based in Vancouver working with Prime Equities (Pezim Group), Echo Bay Mines, and as a consultant to a number of junior resource companies. He is currently President and CEO of TSXV-listed Southern Rio Resources and a director of Pacific North West Capital Corp. He was President of the B.C. & Yukon Chamber of Mines from 1998 to 2000.
- Mark Bailey, age 53, is a successful exploration geologist, with over 26 years of experience, who has been the President and CEO of TSX-listed Minefinders Corporation Ltd. since 1995. He is highly respected for both his technical competence and his aptitude in maximizing the effectiveness of exploration programs and budgets. While with Minefinders, he was responsible for the discovery and ongoing development of resources now totaling more than 3,000,000 ounces of gold and 165 million ounces of silver.

Pursuant to the Option Agreement Entrée has also appointed two representatives of its Mongolian partner, Mongol Gazar, to the board. They are Tseveenjav Myanganbayar and Ross Turner, both of Ulaan Baatar, Mongolia. In order to permit the appointment of these directors, Entrée continued under the company laws of the Yukon Territory.

- Tseveenjav Myanganbayar studied nuclear physics in the mid to late 1980's and was a scientific researcher in Russia in the early 1990's. He became Director General of Mongal Gazar LLC in 1992. Mongal Gazar is the second largest gold producer in Mongolia, predominantly from placer gold mining. It also has operations in geological exploration, construction, hotel services and trade. In addition, the company holds title to a large number of hard rock mineral concessions throughout Mongolia.
- Ross Turner is a businessman from New Zealand, now spending up to 50% of his time in Mongolia. He is active in companies engaged in placer gold mining. One of his companies, Cold Gold, has received environmental awards from the Mongolian government for cleanup and reclamation work associated with one of its placer operations. Mr. Turner is also a partner in the Mongolian legal company, ZATA Law LLC, with head offices located in Ulaan Baatar, Mongolia.

### ***Pooled and Escrow Shares***

In accordance with the requirements of the TSX Venture Exchange (TSXV), the holders of a total of 6,573,000 common shares of Entrée agreed to pool or escrow those shares. The terms of this pooling and escrow agreement are still being finalized with the TSXV. The TSXV requires that the release of 2,730,000 common shares, subject to escrow restrictions, be amended so as to require that, in addition to the release terms to which those shares were previously subject, the Escrow Shares only be released at the rate of 10% upon the resumption of trading, and thereafter every six months in six tranches of 15% each. The Escrow Shares are held in trust for current and future principals of Entrée. A total of 750,000 of the Escrow Shares will be transferred to Greg Crowe, Entrée's new President.

Further information is available from Entrée's website at: <http://entregold.com>, or contact Mr. Crowe at: 604.341.5507, or email at [ggcrowe@axionet.com](mailto:ggcrowe@axionet.com).

### ***Disclaimers***

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