

PACMAG METALS LIMITED

SCHEME BOOKLET AND NOTICES OF SCHEME MEETINGS

for proposed schemes of arrangement that will result in the acquisition of all of your PacMag Shares and PacMag Options in PacMag Metals Limited (ACN 066 353 231) by Entrée Australia Pty Ltd (ACN 140 745 768), a wholly owned subsidiary of Entrée Gold Inc.

Your PacMag Directors unanimously recommend that you

VOTE IN FAVOUR

of the Schemes in the absence of a Superior Proposal from another party, and intend to vote in favour of the Schemes in respect of the PacMag Shares and PacMag Options that they personally control.

The Independent Expert has concluded that the Schemes are in the best interests of PacMag Shareholders and PacMag Optionholders



(ASX-PMH)





ASX:PMH



Entrée Gold Inc.

Entrée Gold Inc.

TSX:ETG
NYSE Amex:EGI
Frankfurt:EKA

Directors and Officers

Chairman: Rodney Joyce
Managing Director: Michael Clifford
Non-Executive Director: Emmanuel Althaus
Joint Company Secretaries: Melinda Nelmes & Bruce Acutt

Web – www.pacmag.com.au
E-mail – info@pacmag.com.au

Head Office Address

Level 2 / 33 Ord Street
West Perth WA 6005

Postal Address

PO Box 1569
West Perth WA 6872
Tel: +61 8 9481 2998
Fax: +61 8 9321 0070

Registry Enquiries

Link Market Services
Tel: 1300 553 490 (within Australia)
+61 2 8280 7914 (outside Australia)

Cash & Equity Investments December 2009

Cash A\$1.77 million
Equity investments approximately A\$1.55 million

Major Shareholders

Giralia Resources NL – 10.4%

Capital Structure February 2010

Ordinary Shares 144,667,639
Unlisted Options 8,774,921

About PacMag Metals Limited

PacMag is an Australian-based exploration company focused on its advanced copper-molybdenum-gold assets at Ann Mason in the USA as well as the Sentinel uranium-germanium-molybdenum project located in North Dakota USA. The wholly owned Ann Mason copper deposit contains an Inferred Mineral Resource (as defined by the JORC Code) of 810 million tonnes at 0.4% copper, 0.004% molybdenum (at a 0.30% copper cut off) (7.1 billion pounds of contained copper metal). The Company has made new discoveries of high-grade copper sulphide targets (Shamrock prospect and Ann Mason "5000" zone) and a new porphyry copper deposit, with near surface copper-oxide targets (Blue Hills). At Shamrock, five kilometres south east of Ann Mason, drilling by PacMag from a first pass 12 hole reverse circulation drilling program returned strong copper intersections, including 33.6 metres at 1.72% copper from a depth of 15.2 metres, whilst at Blue Hills two kilometres west of Ann Mason drill intersections include 73.2 metres at 0.57% copper equivalent, 100.6 metres at 0.41% copper equivalent and 526m at 0.3% copper equivalent.

Directors and Officers

President & CEO and Director: Greg Crowe
Chairman and Director: James Harris
Deputy Chairman and Director: Michael Howard
VP Business Development and Director: Lindsay Bottomer
Director: Mark Bailey
Director: Peter Meredith
Chief Financial Officer: Hamish Malkin
VP Exporation: Robert Cann
VP Corporate Affairs: Mona Forster

Web – www.entreegold.com
E-mail – info@entreegold.com

Head Office Address

Suite 1201 – 1166 Alberni Street
Vancouver, BC, Canada
V6E 3Z3
Tel: +604 687-4777
Fax: +604 687-4770

Transfer Agent

Computershare
Tel: +604 661 9400

Cash & Cash Equivalent April 2010

C\$39 million

Major Shareholders

Rio Tinto Ltd – 15.2%
Ivanhoe Mines Ltd. – 14.1%

Capital Structure February 2010

Shares Issued and Outstanding 97,778,114
Options Outstanding 10,219,032

About Entrée Gold Inc.

Entrée Gold Inc., as a junior resource company, is trying to meet global demand for products such as gold, copper, molybdenum and coal through concerted exploration efforts. With operations in emerging markets such as Mongolia and China and proven jurisdictions such as Nevada, Arizona and New Mexico in the United States and British Columbia in Canada, Entrée has assembled a portfolio of gold, copper, molybdenum and coal exploration projects balanced between grass roots and advanced exploration.

Most notably, Entrée is a large landholder in Mongolia, where it holds two mining licences and one exploration licence that comprise the 179,590-hectare Lookout Hill property. Lookout Hill completely surrounds the Oyu Tolgoi copper-gold development project of Ivanhoe Mines Ltd., and hosts the Hugo North Extension of the Hugo Dummett copper-gold deposit and the newly discovered Heruga copper-gold-molybdenum deposit.

A portion of Lookout Hill is subject to a Joint Venture with Ivanhoe Mines Ltd.

PacMag A\$



Entree C\$



PacMag and Entrée Projects



LEGEND

Development Projects

Resources

Advanced Exploration Projects

Grassroots Exploration Projects



CONTENTS

SECTION 1 - WHY YOU SHOULD VOTE IN FAVOUR OF THE SCHEMES.....	14
SECTION 2 - DISADVANTAGES OF THE SCHEMES.....	21
SECTION 3 - QUESTIONS AND ANSWERS	23
SECTION 4 - DETAILS OF THE SCHEMES.....	34
SECTION 5 - PROFILE OF PACMAG	40
SECTION 6 - PROFILE OF ENTRÉE	49
SECTION 7 - PROFILE OF THE MERGED GROUP	74
SECTION 8 - IMPLEMENTATION OF THE SCHEMES	82
SECTION 9 - SCHEME CONSIDERATION.....	86
SECTION 10 - RIGHTS ATTACHING TO SCHEME CONSIDERATION.....	92
SECTION 11 - RISK FACTORS.....	106
SECTION 12 - TAX IMPLICATIONS	117
SECTION 13 - ADDITIONAL INFORMATION	120
SECTION 14 - GLOSSARY	129
APPENDIX 1 – THE INDEPENDENT EXPERT’S REPORTS	136
APPENDIX 2 – INVESTIGATING ACCOUNTANT’S REPORT.....	137
APPENDIX 3 – SCHEME IMPLEMENTATION AGREEMENT	138
APPENDIX 4 – SHARE SCHEME DOCUMENT	139
APPENDIX 5 – OPTION SCHEME DOCUMENT	140
APPENDIX 6 – SHARE SCHEME DEED POLL.....	141
APPENDIX 7 – OPTION SCHEME DEED POLL.....	142
CORPORATE DIRECTORY	143
NOTICE OF SHARE SCHEME MEETING.....	144
NOTICE OF OPTION SCHEME MEETING.....	147

WHAT IS THE PURPOSE OF THIS DOCUMENT?

The purpose of this Scheme Booklet is to provide PacMag Shareholders and PacMag Optionholders with information on the proposed Merger. For the Merger to proceed, the Share Sche

me must be approved by PacMag Shareholders at the Share Scheme Meeting and the Option Scheme must be approved by PacMag Optionholders at the Option Scheme Meeting.

The Scheme Meetings to vote on the Share Scheme and the Option Scheme are scheduled for 4 June 2010.

WHAT YOU SHOULD DO

First – Read this Scheme Booklet

Read and carefully consider this Scheme Booklet in full to help you make an informed decision as to how to vote in relation to the Schemes. If you have any doubt as to what action you should take, please contact your financial, legal, taxation or other professional adviser.

Second – Vote on the Schemes

If you are a PacMag Shareholder you have a right to vote at the Share Scheme Meeting on whether the Share Scheme should be approved.

If you are a PacMag Optionholder you have a right to vote at the Option Scheme Meeting on whether the Option Scheme should be approved.

You can vote in person or by proxy. Details of how to vote are set out after the “Important Notices” section on page 8 of this Scheme Booklet.

FOR FURTHER INFORMATION

If you have any questions after reading this Scheme Booklet, please contact PacMag’s company secretary by email at info@pacmag.com.au or by telephone on +61 8 9481 2997.

KEY DATES

Unless otherwise indicated, all references to time are to WST.

Latest time and date for lodgement of proxy forms for the Share Scheme Meeting	10:00am WST on 2 June 2010
Latest time and date for lodgement of proxy forms for the Option Scheme Meeting	10:30pm WST on 2 June 2010
Time and date for determining eligibility to vote at the Share Scheme Meeting and the Option Scheme Meeting	7:00pm EST on 2 June 2010
Share Scheme Meeting at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia	10:00am WST on 4 June 2010
Option Scheme Meeting at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia	10:30am WST on 4 June 2010*
Court hearing to approve the Schemes	11 June 2010
Lodge Court orders approving the Schemes with ASIC (“ Effective Date ”)	16 June 2010
PacMag Shares suspended from trading on ASX (Last day for trading PacMag Shares on ASX)	16 June 2010
Record Date – date for determining entitlement to Scheme Consideration	7:00 pm EST on 23 June 2010
Implementation Date – transfer of Scheme Consideration to PacMag Shareholders and PacMag Optionholders	30 June 2010
Trading of new Entrée Shares on TSX, NYSE Amex and the Frankfurt Stock Exchange (at local times)	30 June 2010

* Or immediately after the previous Scheme Meeting (whichever is later).

All dates and times are indicative only and subject to change due to, among other things, the review and approval procedures of the Court, ASX, TSX, NYSE Amex and other regulatory authorities, and the satisfaction or waiver of the Conditions. Any changes to the above timetable will be notified on PacMag’s website and announced to ASX.

LETTER FROM PACMAG'S CHAIRMAN

Date: 22 April 2010

Dear Shareholder / Optionholder,

Enclosed with this letter is the formal documentation seeking your approval for PacMag Metals Limited ("**PacMag**") to merge with Entrée Gold Inc. ("**Entrée**") pursuant to schemes of arrangement.

The meetings to approve the Merger are set to take place on 4 June 2010.

The PacMag Directors are unanimously supporting the Merger in the absence of a Superior Proposal, and intend to vote in favour of the Schemes for the reasons set out in this Scheme Booklet including:

1. the offer represents a material premium to historical and current market prices of PacMag;
2. the Merger provides for potential uplift through North American market exposure for PacMag's largely USA based assets, including the Ann Mason copper deposit in Nevada, USA via Entrée's listings on the Toronto Stock Exchange and NYSE Amex, along with access to Entrée's strong balance sheet (including over C\$39 million in cash as at 22 April 2010) and strategic shareholder base including Rio Tinto Ltd ("**Rio Tinto**") (15.3%) and Ivanhoe Mines Ltd ("**Ivanhoe Mines**") (14.2%); and
3. the Merger provides PacMag Shareholders and PacMag Optionholders with exposure to Entrée's projects, including portions of the world class Oyu Tolgoi copper-gold project in Mongolia that is under development by Rio Tinto and Ivanhoe Mines, as well as Entrée's Yerington Project that immediately adjoins the western boundary of PacMag's Ann Mason copper project in Nevada. The Merged Group will have a copper-gold focused exploration portfolio spanning five countries, offering a pipeline of opportunities with a range of risk profiles.

The Schemes are interdependent and can only come to fruition with the support of both PacMag Shareholders and PacMag Optionholders.

This Scheme Booklet contains information including copies of the Independent Expert's Reports prepared by BDO that conclude that the Schemes are not fair but are reasonable and in the best interest of both PacMag Shareholders and PacMag Optionholders.

Please consider all of the material in this Scheme Booklet, particularly the section setting out why the PacMag Directors unanimously believe you should approve the Merger with Entrée.

Sincerely



Mike Joyce
Chairman

LETTER FROM ENTRÉE'S CHAIRMAN

Date: 22 April 2010

Dear Shareholder / Optionholder

On behalf of the Entrée Board and management of Entrée, I am pleased to provide you with the opportunity to become an Entrée Shareholder through the proposed merger with PacMag. Along with the PacMag Directors, we strongly believe that this Merger is in the best interests of the shareholders and optionholders of both of our companies.

Since our founding in 2002, Entrée has grown from a small exploration company with a market capitalisation of C\$3 million to a company with a substantial presence in an emerging copper district and a market capitalisation of approximately C\$300 million. We have also attracted Rio Tinto and Ivanhoe Mines as major shareholders. We expect to leverage our expertise in management and finance to deliver increased shareholder and optionholder value to the Merged Group.

We invite you to benefit from the development of our Lookout Hill property in Mongolia, which forms part of one of the world's largest porphyry copper-gold-molybdenum discoveries. The Lookout Hill property completely surrounds Ivanhoe Mines' Oyu Tolgoi project, and is host to significant resource extensions of the Oyu Tolgoi deposits. Entrée and Ivanhoe Mines have a joint venture on a portion of Lookout Hill, which hosts two deposits: Hugo North Extension and Heruga. These deposits contain indicated resources of 4.6 billion pounds of copper and 2.3 million ounces of gold and inferred resources of approximately 11.9 billion pounds of copper and 14.9 million ounces of gold. Entrée has a 20% carried interest in each of these deposits. Entrée also holds a 100% interest in the remainder of Lookout Hill, on prospective ground immediately west of Oyu Tolgoi.

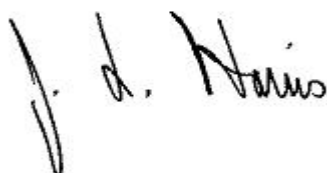
In addition, Entrée holds an option on two properties near Yerington, Nevada that are directly adjacent to PacMag's Ann Mason property. We believe there will be significant benefits to the consolidation of these copper properties in the Merged Group.

The Scheme Consideration represents a 38% premium to the closing price of PacMag Shares on the day before the announcement of the transaction and a 31% premium to the 20-day VWAP prior to the announcement of the transaction. The PacMag Board has unanimously recommended the Schemes in the absence of a Superior Proposal.

You can learn more about Entrée by perusing the Scheme Booklet and visiting our website at www.entreegold.com.

We believe that the Merger will unlock value for PacMag Securityholders. We hope that you too will share in our vision and vote in favour of the proposed Merger at the upcoming PacMag Shareholders' and PacMag Optionholders' meetings.

Sincerely



James L. Harris
Chairman

KEY REASONS WHY THE SCHEMES ARE IN THE BEST INTERESTS OF PACMAG SECURITYHOLDERS*

- Potential for significant uplift from North American market exposure.
- Exposure to both PacMag's and Entrée's assets.
- Opportunity to realise the potential value of PacMag's assets.
- Multiple listings and greater ability to attract capital.
- Opportunity to gain support from Entrée's institutional and corporate investors.
- Greater trading liquidity.
- Diversification of business risk.
- Greater financing capabilities.
- Exposure to more advanced exploration and potential development projects.
- Additional opportunity for coverage by research analysts.
- Access to operating synergies.
- Exposure to Entrée's intensive exploration program.
- Opportunity to benefit from Entrée's experienced management team.
- No bona fide alternative offers.
- Entrée has a strong investor relations program.

* Please refer to Sections 1 and 2 of this Scheme Booklet for details regarding:

- (a) advantages and disadvantages of the Schemes; and
- (b) alternatives, including the position of PacMag Securityholders if the Schemes do not proceed.

IMPORTANT NOTICES

DATE

This Scheme Booklet is dated 22 April 2010.

PURPOSE OF THIS SCHEME BOOKLET

This Scheme Booklet sets out information for PacMag Shareholders and PacMag Optionholders relating to the Proposal. The information contained in this document will assist PacMag Shareholders and PacMag Optionholders in deciding how to vote on the resolutions to be considered at the Scheme Meetings.

This document is required by section 412(1) of the Corporations Act in relation to the Schemes. It explains the terms of the Schemes and the manner in which the Schemes will be considered and implemented (if approved). It also provides information that is prescribed or otherwise material to the decisions of:

- PacMag Shareholders as to whether and how to vote on the Share Scheme Resolution to be proposed at the Share Scheme Meeting; and
- PacMag Optionholders as to whether and how to vote on the Option Scheme Resolution to be proposed at the Option Scheme Meeting.

RESPONSIBILITY FOR CONTENTS

The PacMag Scheme Information has been prepared by PacMag and its directors and is the responsibility of PacMag. Neither Entrée, nor any of its representatives, officers, employees or advisers assumes any responsibility for the accuracy or completeness of any PacMag Scheme Information.

The Entrée Scheme Information has been provided by Entrée and is the responsibility of Entrée. Neither PacMag nor any of its representatives, officers, employees or advisers assumes any responsibility for the accuracy or completeness of any Entrée Scheme Information.

BDO has prepared the Independent Expert's Reports contained in Appendix 1 of the Scheme Booklet and takes responsibility for those reports.

SRK has prepared the Independent Technical Expert's Report contained in BDO's report and takes responsibility for that report.

KPMG Transaction Services has prepared the Investigating Accountant's Report contained in Appendix 2 of the Scheme Booklet and takes responsibility for that report and references to that report in this Scheme Booklet.

References to any specific PacMag Shareholder or Entrée Shareholder are for informational purposes only. No PacMag Shareholder or Entrée Shareholder mentioned in this Scheme Booklet nor any of its representatives, officers, employees or advisers assumes any responsibility for the accuracy or completeness of any information in this Scheme Booklet.

DEFINED TERMS

Unless the context otherwise requires, capitalised words and phrases in this document are defined terms. Certain terms and abbreviations used in this document also have defined meanings. The definitions are set out in the Glossary in Section 14.

ASIC

A copy of this document was registered with ASIC in accordance with section 412(6) of the Corporations Act on 23 April 2010.

ASIC has been requested to provide a statement in accordance with section 411(17)(b) of the Corporations Act that ASIC has no objection to the Schemes. If ASIC provides that statement, it will be produced to the Court on the Second Court Date.

Neither ASIC nor any of its officers takes any responsibility for the contents of this document.

ASX

A copy of this document has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this document.

ROLE OF THE COURT

A copy of this Scheme Booklet has been lodged with the Court in order to gain approval for convening the Scheme Meetings. Orders made by the Court in accordance with section 411(1) of the Corporations Act to convene a meeting are not an endorsement of, or any expression of opinion on, the Schemes by the Court.

If the Share Scheme Resolution in favour of the Share Scheme is approved at the Share Scheme Meeting, the Option Scheme Resolution in favour of the Option Scheme is approved at the Option Scheme Meeting and all the Conditions are satisfied or waived, PacMag will apply to the Court for approval of the Schemes. Once approved by the Court, the Share Scheme will be binding on all PacMag Shareholders and the Option Scheme will be binding on all PacMag Optionholders.

TAX IMPLICATIONS OF THE SCHEMES

Section 12 of this Scheme Booklet provides a guide to the general tax position in Australia of certain PacMag Shareholders in relation to the Share Scheme based on income tax legislation enacted as at the date of this Scheme Booklet. It does not purport to be a complete analysis, nor to identify all of the potential tax consequences, nor is it intended to replace the need for specialist tax advice in respect of particular circumstances of individual PacMag Shareholders. Therefore, PacMag Shareholders should seek their own advice in relation to the tax implications of the Share Scheme.

As the circumstances in which PacMag Optionholders acquired their PacMag Options differ it is not possible to make general comments about the tax consequences of the Option Scheme. Therefore, in relation to the tax implications of the Option Scheme, PacMag Optionholders should seek their own tax advice.

FORWARD-LOOKING STATEMENTS

This document may contain statements of historical fact and forward-looking statements in relation to PacMag and Entrée. Any forward-looking statements included in this document are made only as of the date of this document. Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of PacMag, Entrée and their respective directors. Such statements reflect the current expectations of PacMag and Entrée concerning future results and events, and are not guarantees of future performance. The actual results of PacMag and Entrée may differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. Subject to any obligations under the Corporations Act or the ASX Listing Rules, neither PacMag nor Entrée has any obligation to disseminate after the date of this document any update or revisions to any forward-looking statements to reflect any change in expectations in relation to those statements or any change in circumstances, events or conditions on which any of those statements are based.

The risk factors in Section 11 could affect future results, causing these results to differ materially from those expressed, implied or projected in any forward-looking statements. These factors are not necessarily all of the factors that could cause actual results to differ materially from those expressed in any forward-

looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results.

None of PacMag, Entrée, their respective legal or professional advisers, their shareholders or any other person (including any director) gives any representation, assurance or guarantee that the results, performance or achievements expressed in or implied by the forward-looking statements in this document will actually occur. PacMag Shareholders and PacMag Optionholders are cautioned not to place undue reliance on any forward-looking statement.

SHARE PRICES

All share prices quoted in this Scheme Booklet in relation to PacMag are references to Australian dollar share prices quoted on ASX.

All share prices quoted in this Scheme Booklet in relation to Entrée are references to Canadian dollar share prices quoted on the TSX.

FOREIGN EXCHANGE RATES

To the extent that the Share Scheme Consideration comprises Canadian dollars, then Entrée will:

- pay the relevant amount in Australian dollars; and
- determine the Australian dollar equivalent of the relevant amount by reference to the “latest nominal noon rate” as published by the Bank of Canada at 12:30pm (Canadian Eastern Standard Time) on the Effective Date.

Ineligible Foreign Holders and Retail Shareholders who elect to use the Sale Facility will receive the proceeds from the sale of their Entrée Shares held by the Sale Agent in Australian dollars.

Ineligible Foreign Holders and Retail Shareholders who elect to use the Sale Facility should refer to Section 9.5 for further details regarding how their entitlement to Scheme Consideration will be dealt with.

INVESTMENT DECISIONS

This document does not constitute financial product advice and does not take into account the objectives, financial situation or needs of any PacMag Shareholder or PacMag Optionholder or any other person.

This document should not be relied on as the sole basis for any decision in relation to PacMag Shares or PacMag Options. Independent financial and taxation advice should be sought before making any investment decision in relation to the Schemes.

SECURITYHOLDER INFORMATION LINE

If you have any questions in relation to the Proposal or the Scheme Meetings please contact PacMag’s company secretary by email at info@pacmag.com.au or by telephone on +61 8 9481 2997 or consult with your investment or other professional adviser.

SHARE SCHEME WEBSITE

A digital copy of the Scheme Booklet may be downloaded at www.pacmag.com.au. The site also contains other useful information relating to the Share Scheme as well as a link to a facility that allows PacMag Shareholders who wish to vote by proxy to appoint a proxy online. PacMag Shareholders who wish to use the online system of proxy appointment will require their HIN or SRN number along with their registered holders’ details and post code in order to complete the online process.

For further information go to www.pacmag.com.au or contact PacMag’s company secretary by email at info@pacmag.com.au or by telephone on +61 8 9481 2997.

PRIVACY AND PERSONAL INFORMATION

PacMag may collect personal information in the process of implementing the Schemes. Such information may include the name and contact details and security holding of PacMag Shareholders and PacMag Optionholders and the name of persons appointed by PacMag Shareholders and PacMag Optionholders to act as a proxy, corporate representative or attorney at the Scheme Meetings. The primary purpose of collection of the personal information is to assist PacMag in the conduct of the Scheme Meetings and to enable the Schemes to be implemented by PacMag in the manner described in this Scheme Booklet. Without this information, PacMag may be hindered in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the Registry, Computershare, print and mail service providers, authorised securities brokers, Entrée and Related Bodies Corporate of PacMag and Entrée.

PacMag Shareholders and PacMag Optionholders have certain rights to access personal information that has been collected. PacMag Shareholders and PacMag Optionholders should contact the Registry in the first instance, if they wish to request access to their personal information.

PacMag Shareholders or PacMag Optionholders who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meetings should ensure that they inform that person of the matters outlined above.

NOTICE OF SCHEME MEETINGS

A notice convening the Share Scheme Meeting of PacMag Shareholders ("**Notice of Share Scheme Meeting**"), as ordered by the Court, to which this Scheme Booklet relates, is included with this Scheme Booklet.

A notice convening the Option Scheme Meeting of PacMag Optionholders ("**Notice of Option Scheme Meeting**"), as ordered by the Court, to which this Scheme Booklet relates, is included with this Scheme Booklet.

NOTICE TO PERSONS OUTSIDE AUSTRALIA

The Schemes are subject to the disclosure requirements under Australian law. This document has been prepared in accordance with Australian requirements and style, which may differ from the requirements and style in jurisdictions outside Australia. Except to the extent otherwise stated, financial information included in this document has been prepared in accordance with Australian accounting standards, which include AIFRS and may not be comparable to the financial statements prepared in accordance with accounting standards in jurisdictions outside Australia.

INELIGIBLE FOREIGN HOLDERS

PacMag Shareholders and PacMag Optionholders whose address is shown in the Register on the Record Date as being in a jurisdiction other than Australia or New Zealand should refer to Section 4.8 in relation to how their entitlement to Scheme Consideration will be dealt with. This Scheme Booklet has not been lodged with or approved by any government or regulatory body or authority outside of Australia. Neither the Schemes nor this Scheme Booklet constitutes in any way, an offer of securities in any place in which, or to any person whom, it would be unlawful to make such an offer.

NEW ZEALAND SHAREHOLDERS AND OPTIONHOLDERS

Entrée Shares that are being offered under the Share Scheme to PacMag Shareholders who are resident in New Zealand are being offered under the New Zealand Securities Act (Overseas Companies) Exemption Notice 2002. This Scheme Booklet is not a prospectus or an investment statement under New Zealand law and may not contain all of the information that a prospectus or investment statement under New Zealand law is required to contain. This Scheme Booklet has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (NZ) (or any other

relevant New Zealand law). PacMag Shareholders in New Zealand should seek their own advice and satisfy themselves as to the Australian and New Zealand tax implications of participating in the Share Scheme. Entrée is not listed on any New Zealand Stock Exchange and has no current intention to list the Entrée Shares in New Zealand.

There are no PacMag Optionholders resident in New Zealand.

RETAIL SHAREHOLDERS

PacMag Shareholders holding a parcel of less than 5,600 PacMag Shares on the Record Date (“**Retail Shareholder**”) should refer to Section 9.5 in relation to how their entitlement to Scheme Consideration may be dealt with if they elect to participate in the Sale Facility.

MINERAL RESERVES AND MINERAL RESOURCES DEFINITIONS

Except as otherwise noted, PacMag’s disclosure of mineral reserves and mineral resources is based on the reporting requirements of the JORC Code and Entrée’s disclosure of mineral reserves and mineral resources is governed by NI 43-101 and the CIM standards. CIM definitions of the terms “mineral reserve”, “proven mineral reserve”, “probable mineral reserve”, “mineral resources”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are substantially similar to the JORC Code corresponding definitions of the terms “ore reserve”, “proven ore reserve”, “probable ore reserve”, “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource”, respectively.

The Independent Technical Expert has confirmed that estimates of mineral resources and mineral reserves prepared in accordance with the CIM definitions applicable under NI 43-101 would not be materially different if prepared in accordance with the JORC Code.

THE PROPOSAL AND HOW TO VOTE

THE PROPOSAL

The Proposal involves the transfer of all PacMag Shares to Entrée Australia (a wholly owned subsidiary of Entrée) and the cancellation of all PacMag Options in exchange for consideration, as follows:

- in the case of a PacMag Shareholder:
 - 0.1018 Entrée Shares; and
 - C\$0.0415,for every PacMag Share held as at the Record Date;
- in the case of a PacMag Optionholder, for every PacMag Option held as at the Record Date, the Entrée Shares and the cash set out in Section 9.3(a);
- in the case of an Ineligible Foreign Holder or a Retail Shareholder that elects to use the Sale Facility, you will receive the cash portion of the Scheme Consideration (i.e. C\$0.0415) and the Entrée Shares that would otherwise have been issued to you will be issued to the Sale Agent as your nominee in trust, for sale through the Sale Facility and you will be paid a pro-rata share of the net proceeds converted into Australian Dollars from the sale of all Entrée Shares sold through the Sale Facility. Please see Section 9.5 for more information regarding the Sale Facility.

If the Proposal proceeds, PacMag will become a wholly owned subsidiary of Entrée.

SCHEME MEETINGS

For the Proposal to take effect, it must be approved by the requisite majorities of PacMag Shareholders at the Share Scheme Meeting and PacMag Optionholders at the Option Scheme Meeting. Details of the majorities required to approve the Schemes are set out in Section 4.3.

The Share Scheme Meeting will take place at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia at 10:00am on 4 June 2010.

The Option Scheme Meeting will take place at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia at 10:30am (or immediately after the previous Scheme Meeting (whichever is later)) on 4 June 2010.

ENTITLEMENT TO VOTE

If you are registered as the holder of PacMag Shares on the Register as at 7.00pm EST on 2 June 2010 you will be entitled to vote in person, by proxy, attorney or, in the case of a corporation, by corporate representative at the Share Scheme Meeting.

If you are registered as the holder of PacMag Options on the Register as at 7.00pm EST on 2 June 2010 you will be entitled to vote in person, by proxy, attorney or, in the case of a corporation, by corporate representative at the Option Scheme Meeting.

In the case of joint holders, only the vote of the PacMag Shareholder or PacMag Optionholder whose name appears first on the Register will be counted.

VOTING IN PERSON

PacMag Shareholders who are entitled to vote and wish to do so in person should attend the Share Scheme Meeting.

PacMag Optionholders who are entitled to vote and wish to do so in person should attend the Option Scheme Meeting.

A corporation who is a PacMag Shareholder or PacMag Optionholder may vote by proxy or by appointing a corporate representative.

VOTING BY PROXY

PacMag Shareholders who wish to vote by appointing a proxy may:

- complete and sign the white proxy form accompanying the Notice of Share Scheme Meeting and return it to the Registry by mail or fax so it is received by the Registry no later than 10:00am on 2 June 2010; or
- go to www.pacmag.com.au and follow the instructions on that website.

PacMag Optionholders who wish to vote by appointing a proxy must complete and sign the yellow proxy form accompanying the Notice of Option Scheme Meeting and return it to the Registry by mail or fax so it is received by the Registry no later than 10:30am on 2 June 2010. PacMag Optionholders may not appoint a proxy online.

Lodgment for Proxy Form

By mail: PacMag Metals Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By hand: Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Fax: +61 2 9287 0309 (proxy fax)

Telephone: 1300 553 490 (within Australia)
+61 2 8280 7914 (outside Australia)

Internet: www.pacmag.com.au (in the case of
PacMag Shareholders only)

If a proxy appointment is received by PacMag or by the Registry on behalf of PacMag and has been signed by a PacMag Shareholder or PacMag Optionholder but does not name the proxy in whose favour it is given, the chairman of the Scheme Meetings will act as the proxy. Proxy appointments in favour of the chairman which do not contain a direction will be voted in favour of the resolution to approve the Share Scheme or Option Scheme (as the case may be).

VOTING BY ATTORNEY

If a person acting under a power of attorney is to attend and vote at a Scheme Meeting on behalf of a PacMag Shareholder or a PacMag Optionholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been produced to PacMag, must be either lodged with the Registry before, or brought to, the relevant Scheme Meeting. Unless the contrary is evident from its express terms, a power of attorney granted by a PacMag Shareholder or PacMag Optionholder will continue in force and may be acted on by PacMag unless express notice in writing of its revocation or the death of the relevant PacMag Shareholder or PacMag Optionholder is lodged with PacMag.

VOTING BY CORPORATE REPRESENTATIVE

To vote at the Share Scheme Meeting a corporation which is a PacMag Shareholder, or which has been appointed as a proxy by a PacMag Shareholder, may appoint a person to act as its representative. Evidence of the appointment (including a copy of the resolution of directors appointing the representative) must be either lodged with the Registry before, or brought to, the Share Scheme Meeting together with any authority under which it is signed.

To vote at the Option Scheme Meeting a corporation which is a PacMag Optionholder, or which has been appointed as a proxy by a PacMag Optionholder, may appoint a person to act as its representative. Evidence of the appointment (including a copy of the resolution of directors appointing the representative) must be either lodged with the Registry before, or brought to, the Share Scheme Meeting together with any authority under which it is signed.

A pro forma "Certificate of Appointment of Corporate Representative" may be obtained by contacting PacMag's company secretary by email at info@pacmag.com.au or by fax on +61 8 9321 0070 or at www.pacmag.com.au or from the Registry's website at www.linkmarketservices.com.au.

If a Certificate of Corporate Representative is executed by an attorney of a PacMag Shareholder or PacMag Optionholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by PacMag, must accompany the certificate.

Further details about how to vote at the Share Scheme Meeting and the Option Scheme Meeting are contained in the Notice of Share Scheme Meeting and Notice of Option Scheme Meeting respectively.

SECTION 1 - WHY YOU SHOULD VOTE IN FAVOUR OF THE SCHEMES

POTENTIAL BENEFITS RESULTING FROM THE MERGER

1. ENHANCED BALANCE SHEET

The Merged Group will have in excess of C\$40 million in cash (as of 22 April 2010) which should strengthen the overall credit profile of the Merged Group, as compared to that of PacMag alone, which may be applied to future project exploration, evaluation, business development and corporate requirements.

2. EXPOSURE TO A LARGER MORE DIVERSE RESOURCE BASE

The Merged Group will have exposure to a larger more diverse resource base including significant resources of copper, gold and molybdenum. The combined resource base of the Merged Group will include:

- The Ann Mason deposit in Nevada, containing an Australian JORC and Canadian NI 43-101 compliant 810Mt @ 0.4% copper, that would likely be extracted by low cost open cut mining methods.
- The high-grade Hugo North Extension deposit in Mongolia containing both Inferred and Indicated Resources that will likely be exploited by underground extraction methods. This deposit is a direct extension of Ivanhoe Mine's Hugo Dummett orebody, which is currently under development by Ivanhoe Mines and Rio Tinto as a proposed underground block cave operation. Shaft sinking has been completed to over 1,350 metres to access the deep, rich copper-gold ores in the Hugo Dummett and Hugo North Extension orebodies. Using a 0.6% copper-equivalent cut-off, the Hugo North Extension deposit hosts a Canadian NI 43-101 compliant Indicated Resource of 117 million tonnes grading 1.8% copper and 0.61 g/t gold, estimated to contain 4.6 billion pounds of copper and 2.3 million ounces of gold and an Inferred Resource of 95.5 million tonnes grading 1.15% copper and 0.31 g/t gold, estimated to contain 2.4 billion pounds copper and 950,000 ounces of gold. The deposit remains open along strike and to depth with upside for the discovery of additional mineralization. Entrée retains a 20% carried interest in these resources.
- The Heruga deposit also in Mongolia contains a Canadian NI 43-101 compliant Inferred Resource, using a 0.6% copper-equivalent cut-off, of 910 million tonnes grading 0.48% copper, 0.49 g/t gold and 141 ppm molybdenum, estimated to contain 9.6 billion pounds of copper and 14 million ounces of gold. This resource estimate is based on drilling completed in 2007 and 2008. The Heruga deposit is being evaluated for exploitation via bulk underground mining methods. Entrée also retains a 20% carried interest in this resource.

There will also be geographic diversification as the Merged Group will have assets in Mongolia, China, Australia, USA and Canada.

3. POTENTIAL FOR UPLIFT FROM NORTH AMERICAN MARKET EXPOSURE

Potential for significant value uplift from North American market exposure for PacMag's assets, including the Ann Mason copper deposit in Nevada, USA via Entrée's TSX and NYSE Amex listings.

4. POTENTIAL UPLIFT BY UNLOCKING POTENTIAL OF PACMAG'S ANN MASON COPPER DEPOSIT

If the Schemes are implemented, it is likely that there will be a possible significant market value uplift by unlocking the currently unobtainable potential of PacMag's very large Ann Mason copper deposit (containing 7.1 billion pounds of contained copper metal in an Australian JORC and Canadian NI 43-101 compliant Inferred Resource of 810 million tonnes at 0.4% copper) via accelerated evaluation programs and larger budget allocation from those currently proposed by PacMag.

5. MULTIPLE LISTINGS WILL PROVIDE OPPORTUNITY FOR INCREASED LIQUIDITY

Entrée trades on the TSX, under the trading symbol "ETG", the NSYE Amex under the trading symbol "EGI" and the Frankfurt Stock Exchange under the trading symbol "EKA,WKN: 121411".

The Merged Group will have greater potential market liquidity with the average trading value of fully paid ordinary Entrée Shares being A\$1.313 million per day compared to the average trading value of fully paid ordinary PacMag Shares of A\$0.044 million per day (based on the historical trading of Entrée on the TSX and NYSE Amex and PacMag on ASX during the three months leading up to 30 November 2009 being the day that the Proposal was first announced).

6. SHARE SCHEME CONSIDERATION PROVIDES A PREMIUM

Based on the twenty day VWAP of Entrée Shares on Friday, 27 November 2009, being the last day the Entrée Shares traded before the public announcement of the Merger, the offer under the Share Scheme of A\$0.33 per PacMag Share, represented:

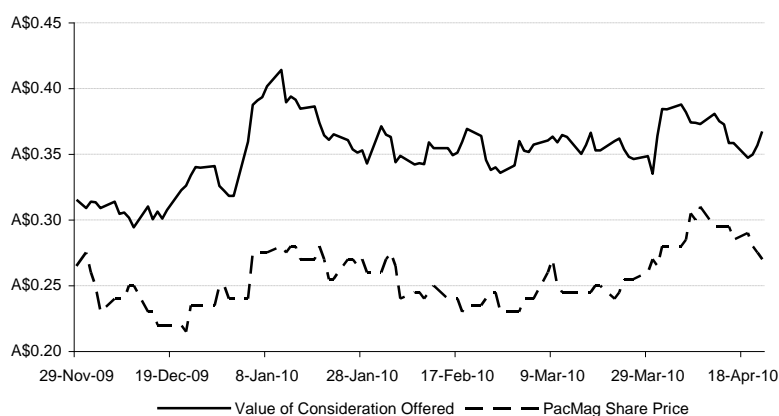
- a 31% premium to the twenty day VWAP of PacMag Shares;
- a 47% premium to the three month VWAP of PacMag Shares;
- a 118% premium to the six month VWAP of PacMag Shares; and
- a 38% premium to the closing share price of PacMag (A\$0.23) based on the closing price of Entrée (C\$2.60) on Friday, 27 November 2009, being the last day the Entrée Shares and PacMag Shares traded before the public announcement of the Merger.

An exchange rate of C\$1.0356 to A\$1.00 was adopted for the purpose of calculating the above premiums, being the exchange rate of C\$ to A\$ on 27 November 2009.

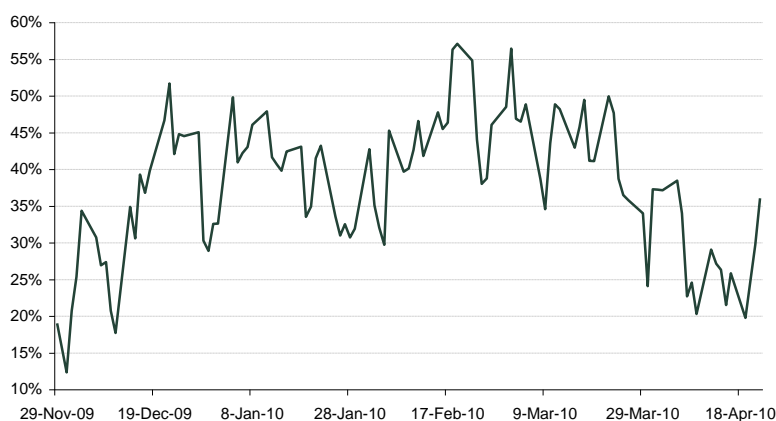
As at the date of this Scheme Booklet the C\$ to A\$ exchange rate is C\$1.00 to A\$1.0803.

As at the date of this Scheme Booklet, the value of the offer is A\$0.368, based on the last closing price of Entrée (C\$2.94). This represents a 36% premium over the last closing price of PacMag (A\$0.27). The following graphs set out the premium that the offer under the Share Scheme represents relative to the price of PacMag Shares since 29 November 2009.

Value of consideration offered



Premium of consideration to PacMag Share Price



Assumptions:

- 0.1018 ETG shares and C\$0.0415 for every PMH share.
- Converted into A\$ at closing exchange rate on day (Source: Bloomberg).

7. PACMAG DIRECTORS UNANIMOUSLY RECOMMEND THAT PACMAG SHAREHOLDERS AND PACMAG OPTIONHOLDERS VOTE IN FAVOUR OF THE SCHEMES IN THE ABSENCE OF A SUPERIOR PROPOSAL

Your PacMag Directors unanimously recommend that PacMag Securityholders vote in favour of the Schemes, in the absence of a Superior Proposal. The PacMag Directors' support for the Schemes comes after a thorough assessment of PacMag's stand alone position as compared to the benefits that could be realised through a merger with Entrée.

PacMag Directors have personal interests in respect of 8,690,865 (6%) PacMag Shares and they intend to cast all of their votes in favour of the Share Scheme in the absence of a Superior Proposal.

The PacMag Directors believe the Merger presents a valuable opportunity to step up to a larger scale company.

Upon implementation of the Merger, PacMag Securityholders will own approximately 13.3% of the Entrée Shares. Therefore, existing PacMag Shareholders will have the opportunity to participate in the significant ongoing benefits expected from the Merger.

8. THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE SCHEMES ARE NOT 'FAIR' BUT ARE 'REASONABLE' AND IN THE BEST INTERESTS OF PACMAG SECURITYHOLDERS

The PacMag Directors engaged BDO as an independent expert to provide an opinion as to whether the Schemes are in the best interests of PacMag Securityholders.

The Independent Expert has concluded that the Schemes are not 'fair' but are 'reasonable' and are in the best interest of PacMag Securityholders.

The Independent Expert's preferred value of the Scheme Consideration is less than the preferred value of PacMag Shares and PacMag Options (as appropriate) and is therefore not 'fair' when assessed on the basis of existing ASIC policy. However, the Independent Expert noted that the Schemes are nevertheless 'reasonable' despite not being 'fair' after considering other significant factors. Amongst other things, those factors include the factors set out on page 6.

The Independent Expert's Reports dated 12 March 2010 are set out in Appendix 1 of this Scheme Booklet. In the preparation of these reports, BDO sought the assistance of the Independent Technical Expert, SRK. The Independent Technical Expert's Report is attached to the Independent Expert's Report.

PacMag Securityholders should read the relevant Independent Expert's Report in full (complete copies of which are set out in Appendix 1) prior to making their own determination on the merits of the Schemes.

9. PARTIAL CAPITAL GAINS TAX ROLLOVER RELIEF IS EXPECTED TO BE AVAILABLE TO INDIVIDUAL AUSTRALIAN RESIDENT PACMAG SHAREHOLDERS

If the Share Scheme is implemented, an individual Australian resident PacMag Shareholder who would make an Australian capital gain from the disposal of their PacMag Shares may benefit from partial rollover relief under which the capital gain derived from the scrip component of the Share Scheme Consideration will be disregarded and effectively deferred until they dispose of any Entrée Shares which they acquire under the Share Scheme.

As the circumstances in which PacMag Optionholders acquired their PacMag Options differ it is not possible to make general comments about the tax consequences of the Option Scheme. Therefore, in relation to the tax implications of the Option Scheme, PacMag Optionholders should seek their own tax advice.

See Section 12 for more information regarding tax implications of the Share Scheme.

10. GREATER FINANCIAL STRENGTH

The Merged Group is anticipated to have a pro forma market capitalisation in excess of A\$300 million, which may allow easier access to capital or debt for future funding requirements.

11. ANALYST COVERAGE

Companies listed on the TSX enjoy a higher level of coverage by research analysts. This is likely to generate more investor interest in the Merged Group.

12. GAIN SUPPORT FROM ENTRÉE'S INSTITUTIONAL AND CORPORATE INVESTORS

PacMag Securityholders will hold securities in a group that will have a more significant institutional shareholder base with enhanced potential in providing future capital needs. Major shareholders include Rio Tinto (15.3%) and Ivanhoe Mines (14.2%), as well as one of the largest pension fund groups in Canada, Caisse de depot et placement du Quebec (9.7%), Front Street Capital (4.9%), TD Asset Management Inc. (4.8%), Royce & Associates,

LLC (2.7%) and RBC Asset management, Inc. (1.6%), that have a combined total holding of 53% of Entrée's current capital.

13. EXPOSURE TO BOTH PACMAG'S AND ENTRÉE'S ASSETS

Implementation of the Schemes will allow PacMag Securityholders exposure to PacMag's existing assets as well as exposure to Entrée's projects, including portions of the world class Oyu Tolgoi copper-gold project in Mongolia that is under development by Rio Tinto and Ivanhoe Mines, as well as Entrée's Yerington Project that immediately adjoins the western boundary of PacMag's Ann Mason copper project in Nevada. The Merged Group will have a copper-gold focused exploration portfolio spanning five countries, offering a pipeline of opportunities with a range of risk profiles.

14. SYNERGY FROM TWO COMPANIES' ADJOINING COPPER PROJECTS

Synergy from the combination of the two companies' neighbouring Yerington copper projects, Ann Mason, Roulette and Blackjack. Benefits are possible during both the evaluation stage and, with positive exploration results warranting advancement, the future development stages of those projects. Potential advantages include:

- a larger group of specialist employees;
- the ability to incorporate geological data and geological interpretations on the three projects into a single unified regional geological and exploration targeting model that will potentially result in a higher percentage of exploration success and possibly decrease the time taken for discovery of mineralisation;
- greater pricing power in exploration logistics including drilling contractors, analytical laboratories and geological support staff as a result of larger and more continuous programs;
- a larger area available to optimise the location of potential future mine infrastructure such as waste rock and processing facilities;
- if development proceeds, greater flexibility in mine scheduling from multiple ore sources; and
- the potential to blend different ore types that may lead to a more beneficial financial outcome.

15. PROPOSED EXPLORATION BUDGET OF APPROXIMATELY A\$7.8 MILLION

Entrée has proposed an active exploration program on its existing exploration portfolio via a 2010 proposed exploration budget anticipated to be approximately \$A7.8 million. The proposed 2010 Entrée exploration budget is larger than PacMag's current cash reserves plus available for-sale assets. Work is proposed on the following Entrée exploration projects:

- drill testing for deep porphyry copper-gold-molybdenum targets on Entrée's 100% owned portion of the Shivee Tolgoi mining licence ("**Shivee West**"), Mongolia, that is located approximately 10 kilometres west of the Oyu Tolgoi copper project. The targets are hosted within a similar geological setting as that associated with the Oyu Tolgoi deposits;
- drill testing of geological and geochemical copper-molybdenum targets on the Blackjack property, Nevada, which has been optioned from HoneyBadger Exploration Inc. ("**HoneyBadger**");

- drill testing of geophysical and geological targets on the Roulette property, Nevada, which has been optioned from Bronco Creek Exploration Inc. (a wholly owned subsidiary of Eurasian Minerals) (“**Bronco Creek**”);
- drill testing of porphyry copper targets on an area of interest near Bisbee, Arizona, under agreement with Empirical Discovery LLC; and
- further surface exploration of copper-molybdenum geochemical targets on the Crystal project, central British Columbia under agreement with Taiga Consultants Ltd.

On the assumption the Merger proceeds, Entrée will propose (subject to a detailed strategic review) the following 2010-11 exploration programs for the PacMag core copper projects:

- Ann Mason copper deposit – a further evaluation of the deposit including preliminary economic modelling. Drilling of potential extensions to the deposit with the aim of expanding the current resource and examining potential for higher grade portions to the deposit;
- Blue Hills oxide copper prospect – continued drilling of the copper oxide potential. This will complement the US\$1.0 million program on HoneyBadger’s contiguous ground to the west;
- Blue Hills porphyry copper prospect – geophysics and possible deep drilling of potential sulphide porphyry copper mineralization below the known zones of copper oxide mineralisation; and
- Meadow Valley copper prospect, Arizona – further geophysical surveying to evaluate the IP anomaly outlined by PacMag.

16. EXPERIENCED MANAGEMENT TEAM

The Entrée Board and Entrée’s senior management is comprised of an experienced evaluation and development team which is capable of rapidly progressing the combined assets of the Merged Group.

Please refer to Sections 6.4 and 6.5 for further details in relation to the Entrée Board and Entrée’s senior management.

17. STRONG INVESTOR RELATIONS PROGRAM

If the Schemes are implemented, existing PacMag Securityholders will hold securities in a Canadian company with a strong investor relations program that is actively and regularly presenting to new and existing Canadian, USA, UK, European and Australian financial institutions and investors via focused methods including corporate “road-shows”, conferences, media releases and media interviews.

18. EXPOSURE TO MORE ADVANCED EXPLORATION AND POTENTIAL DEVELOPMENT PROJECTS

Exposure to more advanced exploration and potential development projects containing resources in categories of greater confidence – specifically those reported in Entrée’s Hugo North Extension Indicated copper-gold resource which comprises more than 60% of the contained metal resources in this deposit.

19. GREATER FINANCING CAPABILITIES

Since 2004, Entrée has been successful in raising more than C\$100 million on the strength of its Mongolian assets.

20. INCREASE IN SHARE PRICE SINCE ANNOUNCEMENT OF THE MERGER

The share prices of PacMag and Entrée have increased since the announcement of the Merger suggesting that the market views the transaction favourably.

21. FOR PACMAG OPTIONHOLDERS THE BENEFIT OF EXCHANGING UNLISTED OPTIONS IN PACMAG FOR CASH AND LISTED SHARES IN ENTRÉE

PacMag Options are unlisted and cannot be traded. The offer under the Option Scheme will provide PacMag Optionholders with cash and Entrée Shares that may be traded on the TSX, NYSE Amex or the Frankfurt Stock Exchange.

IMPLICATIONS OF THE SCHEMES NOT BEING APPROVED

If the Schemes are not implemented, PacMag will remain a standalone entity listed on the ASX and will bear transaction costs in relation to the proposed Schemes. As at 30 September 2009 PacMag had working capital of A\$2,205,396 and has a low level of gearing. Therefore, it is not expected that there would be any other forced recapitalisation.

In the short term PacMag would continue to evaluate its exploration assets with the view of advancing the projects. In order to develop the Ann Mason project it is likely that a corporate transaction would be required in the future.

Please refer to Section 4.12 for further information in relation to the Schemes not proceeding.

SECTION 2 - DISADVANTAGES OF THE SCHEMES

Although the Schemes are recommended by your PacMag Directors and the Independent Expert believes the Proposal to be in the best interests of PacMag Shareholders and PacMag Optionholders, PacMag Shareholders and PacMag Optionholders should also be aware of reasons as to why they may consider voting against the Schemes.

Some factors which may lead you to vote against the Schemes are set out below. Your PacMag Directors believe that these disadvantages are more than outweighed by the benefits the Merger would deliver.

(a) PACMAG WILL NOT CONTINUE AS AN INDEPENDENT ENTITY

You may consider that PacMag will deliver greater returns to PacMag Shareholders or PacMag Optionholders over the long term by remaining as an independent company.

(b) INTEGRATION RISK

Often issues arise when integrating the cultures and management systems of two companies.

(c) THERE WILL BE NO DIRECT INVESTMENT EXPOSURE TO PACMAG IN ITS CURRENT FORM

You may wish to maintain the same portfolio risk profile for your investment and if so will need to seek an alternative investment. In doing so, you may find it difficult to find another investment with a similar risk profile to that of PacMag and may incur transaction costs in undertaking any new investment.

(d) A SUPERIOR PROPOSAL MAY ARISE

You may consider that a higher offer for PacMag may be made such that you would receive more than the Scheme Consideration for your PacMag Shares and PacMag Options. However, the PacMag Directors are not currently aware of any forthcoming Superior Proposals.

(e) YOU MAY DISAGREE WITH THE PACMAG DIRECTORS AND THE INDEPENDENT EXPERT

You may believe that the Proposal and the Scheme Consideration offered by Entrée pursuant to the Schemes are not in the best interests of PacMag Shareholders and PacMag Optionholders.

(f) THE SCHEMES ARE NOT FAIR

The Independent Expert's preferred value of the Scheme Consideration is in the range of A\$0.30 to A\$0.32 per PacMag Share which is less than the preferred value range for PacMag Shares on a 100% controlling interest basis of A\$0.22 to A\$0.45 per PacMag Share. Therefore the Independent Expert's conclusion is that the Schemes are not 'fair'. However, due to the factors set out in Section 1, the Independent Expert nevertheless considers the Schemes 'reasonable' to, and 'in the best interests' of, PacMag Securityholders in the absence of a Superior Proposal (please refer to the Independent Expert's Reports in Appendix 1).

(g) THERE MAY BE TAXATION IMPLICATIONS

The Proposal could give rise to adverse tax consequences for you personally that would not arise if the Proposal did not proceed. Each PacMag Shareholder and PacMag Optionholder is advised to consult their own taxation or other professional adviser.

A general guide to the taxation implications of the Share Scheme is set out in Section 12.

(h) RISKS OF MERGED GROUP

If the Proposal is approved and implemented, PacMag Shareholders and PacMag Optionholders will become exposed to risks in the Merged Group that they may not otherwise be exposed to if

they continued to hold PacMag Shares and PacMag Options. Details of the material risks associated with the Proposal and Entrée Shares are contained in Section 11.

(i) VALUE OF SCHEME CONSIDERATION

Given that the Scheme Consideration consists in part of quoted securities, the exact value of the Scheme Consideration that will be realised by PacMag Shareholders and PacMag Optionholders will be dependent on the Australian dollar-Canadian dollar exchange ratio and the price at which the new Entrée Shares trade on the TSX after the Implementation Date.

The final value of the Scheme Consideration is likely to be different from the implied values set out in this Scheme Booklet.

In addition, the Sale Agent nominated by Entrée will be issued, as nominee in trust, new Entrée Shares attributable to certain Ineligible Foreign Holders and Retail Shareholders who elect to use the Sale Facility and will sell those securities on market as soon as reasonably practicable after the Implementation Date (see Sections 4.8 and 4.9). It is possible that such sales may negatively impact the price of Entrée Shares during the relevant period. There may also be insufficient liquidity for the Sale Agent to sell the Entrée Shares during the relevant period.

There is no guarantee regarding the prices that will be realised by the Sale Agent or the future market price or liquidity of Entrée Shares. Future market prices may be either above or below current or historical market prices.

(j) TRADEABILITY OF ENTRÉE SHARES

Entrée Shares are listed on three overseas exchanges, including the TSX, NYSE Amex and the Frankfurt Stock Exchange but are not listed on the ASX. In order for PacMag Shareholders to sell their Entrée Shares, they will be required to establish an overseas trading account with an Australian broking firm and pay brokerage on the sale of Entrée Shares.

Please see Section 9.4(a) for further information on trading Entrée Shares.

(k) DILUTION

PacMag Shareholders' proportional shareholding in the Merged Group will be approximately 13.3%. While the Merger is likely to create operational synergies and benefits from being a larger, more diverse entity, the majority of these benefits will flow to existing Entrée Shareholders.

(l) EXCHANGE RATE RISK

To the extent that the Scheme Consideration comprises Canadian dollars, then Entrée will:

- pay the relevant amount in Australian dollars; and
- determine the Australian dollar equivalent of the relevant amount by reference to the "latest nominal noon rate" as published by the Bank of Canada at 12.30pm (Canadian Eastern Standard Time) on the Effective Date.

Ineligible Foreign Holders and Retail Shareholders who elect to use the Sale Facility will receive the proceeds received from the sale of their Entrée Shares held by the Sale Agent in Australian dollars (converted from Canadian dollars).

The price of Entrée Shares is quoted on the TSX in Canadian dollars, on the NYSE Amex in United States dollars and on the Frankfurt Stock Exchange in Euros.

The Australian dollar value of the cash portion of the Scheme Consideration and the Australian dollar value of the Entrée Shares will depend on the prevailing A\$, C\$, US\$ or € exchange rate.

SECTION 3 - QUESTIONS AND ANSWERS

This Section answers some commonly asked and important questions about the Schemes and will assist you to locate further information in this Scheme Booklet. It is not intended to address all relevant issues for PacMag Shareholders or PacMag Optionholders and should be read together with the whole Scheme Booklet before deciding how to vote.

GENERAL QUESTIONS

Q1 WHAT IS THE PROPOSAL?

The Proposal involves the transfer of all PacMag Shares to Entrée Australia and the cancellation of all PacMag Options in exchange for the Scheme Consideration, as follows:

- (a) in the case of a PacMag Shareholder:
 - (i) 0.1018 Entrée Shares; and
 - (ii) C\$0.0415,for every PacMag Share held as at the Record Date; and
- (b) in the case of a PacMag Optionholder, for each PacMag Option held as at the Record Date, the Entrée Shares and the cash consideration set out in Section 9.3(a).

To the extent that the Scheme Consideration comprises Canadian dollars, then Entrée will:

- (a) pay the relevant amount in Australian dollars; and
- (b) determine the Australian dollar equivalent to the relevant amount by reference to the "latest nominal noon rate" published by the Bank of Canada at 12:30pm (Canadian Eastern Standard Time) on the Effective Date.

Ineligible Foreign Holders and Retail Shareholders who elect to use the Sale Facility will receive the proceeds received from the sale of their Entrée Shares held by the Sale Agent in Australian dollars.

In order to become entitled to the Share Scheme Consideration a PacMag Shareholder must be recorded on the Register as a PacMag Shareholder as at 7:00pm on the Record Date. In order to become entitled to the Option Scheme Consideration a PacMag Optionholder must be recorded on the Register as a PacMag Optionholder as at 7:00pm on the Record Date. The Record Date is expected to be 23 June 2010.

Entrée Australia is 100% owned by Entrée.

If the Proposal proceeds, PacMag will become a wholly owned subsidiary of Entrée Australia.

Q2 WHAT IS THE INDEPENDENT EXPERT'S CONCLUSION?

The Independent Expert has concluded that the Schemes are not 'fair' but are 'reasonable' to and 'in the best interests' of PacMag's Shareholders and PacMag's Optionholders in the absence of a Superior Proposal.

Complete copies of the Independent Expert's Reports are contained in Appendix 1 of this Scheme Booklet and should be read in full.

Q3 WHAT SHOULD I DO?

Read this Scheme Booklet and the accompanying Notices of Scheme Meetings carefully and then vote:

- (a) if you are a PacMag Shareholder, by attending the Share Scheme Meeting or by appointing a proxy or attorney or, if applicable, a corporate representative to vote on your behalf; and
- (b) if you are a PacMag Optionholder, by attending the Option Scheme Meeting or by appointing a proxy or attorney or, if applicable, a corporate representative to vote on your behalf.

Your PacMag Directors recommend that PacMag Shareholders and PacMag Optionholders vote in favour of the Schemes, in the absence of a Superior Proposal. Your PacMag Directors intend to vote in favour of the Schemes in respect of all PacMag Shares and all PacMag Options they personally control.

If, after reading this Scheme Booklet and the PacMag Directors' recommendation, you are in doubt as to what you should do, you should consult your investment or other professional adviser.

Q4 DO I HAVE TO SIGN ANYTHING?

If you are an individual PacMag Shareholder and attend the Share Scheme Meeting in person to vote you do not need to sign anything. However, if you are not going to attend the Share Scheme Meeting in person but still wish to vote, or if you are a body corporate, you will need to complete and sign a white shareholder proxy form and/or a corporate representative form. Please refer to the Notice of Share Scheme Meeting for instructions.

If you are an individual PacMag Optionholder and attend the Option Scheme Meeting in person to vote you do not need to sign anything. However, if you are not going to attend the Option Scheme Meeting in person but still wish to vote, or if you are a body corporate, you will need to complete and sign a yellow optionholder proxy form and/or a corporate representative form. Please refer to the Notice of Option Scheme Meeting for instructions.

Q5 WHAT CHOICES DO I HAVE AS A PACMAG SHAREHOLDER OR PACMAG OPTIONHOLDER?

- (a) As a PacMag Shareholder, you have the following choices:
 - (i) you can vote in person, by proxy, attorney or corporate representative at the Share Scheme Meeting;
 - (ii) you can elect not to vote at the Share Scheme Meeting; or
 - (iii) you can sell your PacMag Shares on ASX prior to the PacMag Shares being suspended from trading on the Effective Date.
- (b) As a PacMag Optionholder, you have the following choices:
 - (i) you can vote in person, by proxy, attorney or corporate representative at the Option Scheme Meeting;
 - (ii) you can elect not to vote at the Option Scheme Meeting;
 - (iii) to the extent that the PacMag Options are transferable and you can find a purchaser, you can sell your PacMag Options prior to the Record Date provided that sufficient time is given to allow for registration of the transfer, so that you are no longer registered as a PacMag Optionholder on the Record Date; or

- (iv) you may exercise your PacMag Options and participate in the Share Scheme, provided that sufficient time is given to allow for processing of the exercise notice so that you are registered as a PacMag Shareholder on the Record Date.

You are encouraged to consider your personal financial circumstances and seek professional advice before making any decision about your PacMag Shares or PacMag Options.

Q6 WILL I HAVE TO PAY BROKERAGE ON THE TRANSFER OF MY PACMAG SHARES OR PACMAG OPTIONS TO ENTRÉE AUSTRALIA?

If the Schemes are approved and implemented you will not need to pay brokerage on the transfer of your PacMag Shares or PacMag Options to Entrée Australia under the Schemes.

Entrée will pay all brokerage and other fees associated with the sale of Entrée Shares under the Sale Facility except for applicable taxes and currency conversion costs.

See Section 9.5 for details regarding the Sale Facility.

Q7 WHAT ARE THE PROSPECTS OF RECEIVING A SUPERIOR PROPOSAL?

Since the announcement of the Proposal, the PacMag Board has not received any other offers that would constitute a Superior Proposal from interested parties as at the date of this Scheme Booklet. Prior to the execution of the Scheme Implementation Agreement on 28 November 2009 (which has subsequently been varied by a Deed of Variation dated 12 April 2010) several parties indicated interest in a corporate transaction with PacMag.

If a Superior Proposal for PacMag emerges this will be announced to the ASX and the PacMag Directors will carefully consider the proposal and advise PacMag Shareholders and PacMag Optionholders of their recommendation. A Break Fee may be payable by PacMag in the event that a director withdraws their recommendation or adversely modifies his support for either of the Schemes. PacMag has agreed to certain exclusivity provisions (see Section 13.5 for details), that restrict it from soliciting or participating in discussions in relation to an Alternative Proposal. However, these restrictions will not prevent the PacMag Board from entering into negotiations for an Alternative Proposal where the PacMag Board considers, in good faith and acting reasonably after obtaining legal advice, that the Alternative Proposal is a Superior Proposal.

Q8 CAN I SELL MY PACMAG SHARES ON ASX?

Yes, you can sell your PacMag Shares on ASX. If the Schemes are approved, you will only be able to do so before close of trading on the Effective Date (which is expected to be on or about 16 June 2010). If you sell in this way, you may need to pay brokerage on the sale.

Q9 WILL ENTRÉE BE PAYING ANY DIVIDENDS?

Entrée has not paid any dividends in respect of Entrée Shares since its incorporation and does not anticipate doing so in the foreseeable future.

If the Schemes do not become Effective, PacMag does not intend, at this time, to declare or pay any dividend in respect of PacMag Shares to PacMag Shareholders.

Q10 DOES PACMAG PROPOSE A PACMAG EMPLOYEE OPTIONHOLDERS' SCHEME OF ARRANGEMENT?

No. Under the Scheme Implementation Agreement, subject to the Share Scheme and the Option Scheme becoming Effective and PacMag obtaining all necessary waivers from ASX under Listing Rule 6.23, Entrée must within five Business Days after the Scheme Booklet is despatched to Scheme Shareholders and Scheme Optionholders, make an offer to each PacMag Employee Optionholder to cancel their PacMag Employee Options. In return for the cancellation of these PacMag Employee Options, PacMag Employee Optionholders will receive the consideration set

out under Section 13.1. For further detail in relation to the arrangements in relation to the PacMag Employee Optionholders please refer to Section 13.1.

QUESTIONS ABOUT PACMAG DIRECTORS' RECOMMENDATION

Q11 WHAT DO THE PACMAG DIRECTORS RECOMMEND?

Your PacMag Directors unanimously recommend that PacMag Shareholders and PacMag Optionholders vote in favour of the Share Scheme and Option Scheme respectively, in the absence of a Superior Proposal.

Detailed reasons for the PacMag Directors' recommendation are contained in Section 1.

Each PacMag Director who holds PacMag Shares or PacMag Options intends, in the absence of a Superior Proposal, to vote in favour of the Schemes at the Scheme Meetings.

Q12 WHAT IS THE OPINION OF THE INDEPENDENT EXPERT?

The Independent Expert has provided an opinion in respect of the Schemes. The Independent Expert has concluded that the Schemes are in the best interests of PacMag Shareholders and PacMag Optionholders. Appendix 1 sets out the Independent Expert's Reports.

QUESTIONS ABOUT THE CONSIDERATION PACMAG SHAREHOLDERS AND PACMAG OPTIONHOLDERS WILL RECEIVE

Q13 WHAT WILL I RECEIVE IF THE PROPOSAL IS IMPLEMENTED?

PacMag Shareholders and PacMag Optionholders will receive:

- (a) in the case of a PacMag Shareholder:
 - (i) 0.1018 Entrée Shares; and
 - (ii) C\$0.0415,for every PacMag Share held as at the Record Date; and
- (b) in the case of a PacMag Optionholder, for every PacMag Option held as at the Record Date, the Entrée Shares and the cash consideration set out in Section 9.3(a).

To the extent that the Scheme Consideration comprises Canadian dollars, then Entrée will:

- (a) pay the relevant amount in Australian dollars; and
- (b) determine the Australian dollar equivalent to the relevant amount by reference to the "latest nominal noon rate" published by the Bank of Canada at 12.30pm (Canadian Eastern Standard Time) on the Effective Date.

Ineligible Foreign Holders and Retail Shareholders who elect to use the Sale Facility will not receive Entrée Shares, but will receive the net sale proceeds upon the sale of those Entrée Shares.

Ineligible Foreign Holders and Retail Shareholders who elect to use the Sale Facility should refer to Section 9.5.

PacMag Employee Optionholders will receive 0.0367 Entrée Shares and C\$0.0429 for each PacMag Employee Option held.

PacMag Employee Optionholders should refer to Section 13.1.

Q14 WHAT CAN I DO IF I AM A RETAIL SHAREHOLDER OF PACMAG SHARES?

If you are a Retail Shareholder (i.e. a PacMag Shareholder holding a parcel of less than 5,600 PacMag Shares on the Record Date), you may elect to have the Entrée Shares you would otherwise be entitled to receive as Scheme Consideration to be issued in trust to a nominee who will sell them on the TSX and the net sale proceeds will be converted into Australian dollars and remitted to you. Please refer to Section 9.5 for further details in relation to the Sale Facility.

Q15 WHAT ARE ENTRÉE SHARES AND WHERE ARE THEY LISTED?

Entrée Shares are fully paid common shares in the capital of Entrée ranking equally in all respects with all other common shares in Entrée. Entrée Shares are listed and traded on the TSX in Canadian dollars, NYSE Amex in United States dollars and the Frankfurt Stock Exchange in Euros. Entrée Shares are not and will not be quoted and traded on ASX.

Q16 HOW WAS THE OPTION SCHEME CONSIDERATION CALCULATED?

The value of each PacMag Option has been calculated using the Black-Scholes option valuation model. See Section 9.3(b) for further details.

Q17 WHEN WILL I RECEIVE THE SCHEME CONSIDERATION?

If you are a PacMag Shareholder or a PacMag Optionholder you will receive the Scheme Consideration as soon as possible after the Implementation Date, which is expected to be 30 June 2010.

If you are an Ineligible Foreign Holder or a Retail Shareholder that elects to use the Sale Facility, please refer to Section 9.5 in relation to how your entitlement will be dealt with.

Q18 WHERE CAN I TRADE MY ENTRÉE SHARES?

Trading in the new Entrée Shares to be issued under the Schemes on the TSX, NYSE Amex and the Frankfurt Stock Exchange is expected to commence on 30 June 2010 (at local times). The actual date will be announced by Entrée and published on PacMag's website (www.pacmag.com.au).

The exact number of Entrée Shares to be issued to you will not be known until after the Record Date and will not be confirmed to you until you receive your DRS Statement (see Section 9.4(a) for more information) or your share certificate for Entrée Shares following the Implementation Date. It is your responsibility to confirm your holding in Entrée Shares before you trade them to avoid committing to sell more than will be issued to you.

Entrée Shares are listed on the TSX, NYSE Amex and the Frankfurt Stock Exchange. Accordingly, investors that wish to trade Entrée Shares on the open market must do so on either the TSX, NYSE Amex or the Frankfurt Stock Exchange. Such trades must be undertaken through a broker entitled to trade on the TSX, NYSE Amex or the Frankfurt Stock Exchange. Not all Australian brokers are able to trade securities on the TSX, NYSE Amex or the Frankfurt Stock Exchange (as the case may be).

Please see Section 9.4(a) for further information on trading Entrée Shares.

Q19 WILL THE PROCEEDS BE TAXED?

If the Share Scheme is implemented, an individual Australian resident PacMag Shareholder who would otherwise make an Australian capital gain from the disposal of their PacMag Shares may benefit from partial CGT rollover relief under which any capital gain derived from the scrip component of the Scheme Consideration will be effectively deferred until they dispose of any Entrée Shares acquired under the Proposal.

The potential taxation implications for individual PacMag Shareholders resident in Australia are set out in Section 12. The guide in Section 12 is expressed in general terms only and is not

intended to provide taxation advice in relation to the particular circumstances of any one PacMag Shareholder. PacMag Shareholders should seek their own advice in respect of the taxation implications of the Share Scheme.

As the circumstances in which PacMag Optionholders acquired their PacMag Options differ it is not possible to make general comments about the tax consequences of the Option Scheme. Therefore, in relation to the tax implications of the Option Scheme, PacMag Optionholders should seek their own tax advice.

QUESTIONS ABOUT THE FUTURE OF PACMAG

Q20 WHO IS ENTRÉE?

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

Entrée's flagship 179,590 hectare Lookout Hill property in Mongolia includes two mining licences (Shivee Tolgoi and Javhlant) and one exploration licence (Togoot). The Lookout Hill property completely surrounds Ivanhoe Mines' 8,496 hectare Oyu Tolgoi Project, and hosts the Hugo North Extension of the Hugo Dummett 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 Oyu Tolgoi LLC, a subsidiary of Ivanhoe Mines Ltd (formerly known as Ivanhoe Mines Mongolia Inc.).

Entrée continues to explore the large portions of the Lookout Hill property which are outside of the Entrée-Ivanhoe Mines joint venture area ("**Lookout Hill West**"), including the western portion of Shivee Tolgoi ("**Shivee West**") and the coal discovery at Nomkhon Bohr on the Togoot licence.

Aside from its activities in Mongolia, Entrée is conducting a drill program on the Huaixi copper project in southeastern Zhejiang Province in China, under an agreement to acquire up to a 78% interest in the property. In North America, Entrée has signed option agreements to acquire the Blackjack and Roulette properties in Nevada which are contiguous with the southern and western boundaries of PacMag's Ann Mason copper project. Entrée is also exploring for porphyry copper systems in Arizona, New Mexico, Nevada and British Columbia through agreements with various third parties.

Entrée's common shares are listed on the TSX, NYSE Amex and the Frankfurt Stock Exchange.

Q21 WHAT BUSINESS WILL PACMAG (AS ACQUIRED BY ENTRÉE) COMPRISE?

Entrée intends that the business of PacMag will be continued substantially in the same manner as it is presently being conducted. However, Entrée intends to utilise existing infrastructure and resources and relationships to expand PacMag's business.

See Section 7 for details of the Merged Group and its business.

Q22 WILL THE DIRECTORS OF ENTRÉE AND PACMAG CHANGE AFTER THE MERGER?

The Entrée Board currently consists of six directors and it is not anticipated that this will change if the Proposal proceeds.

Entrée will nominate two members of the Entrée Board to be appointed to the PacMag Board, and nominate two members of the current PacMag Board to resign from the PacMag Board.

Profiles of the Entrée Directors are set out in Section 6.4.

Q23 DOES PACMAG ANTICIPATE ANY REDUNDANCIES AS A RESULT OF THE MERGER?

Certain corporate functions and specialist technical or professional services (such as finance and accounting, administration, human resources, technology and communications) presently carried out by PacMag will be eliminated where it is economically efficient to do so. PacMag has only one employee, Michael Clifford, who will be made redundant and will receive payments in accordance with his contractual and other legal entitlements.

QUESTIONS ABOUT VOTING AND CONDITIONS TO THE PROPOSAL

Q24 AM I ENTITLED TO VOTE AT THE SCHEME MEETINGS?

If you are registered as the holder of PacMag Shares on the Register as at 7:00pm EST on 2 June 2010 you will be entitled to vote at the Share Scheme Meeting.

If you are registered as the holder of PacMag Options on the Register as at 7:00pm EST on 2 June 2010 you will be entitled to vote at the Option Scheme Meeting.

If you are unsure whether you are entitled to vote, you can contact the Registry on +61 2 8280 7111 between 9:00am to 5:00pm EST, Monday to Friday.

Q25 HOW DO I VOTE?

Please refer to the Section entitled “The Proposal and How to Vote” located before Section 1 at the beginning of this Scheme Booklet and the Notice of Share Scheme Meeting and Notice of Option Scheme Meeting for details about how to vote.

Q26 IS VOTING COMPULSORY FOR THE SHARE SCHEME?

No. You do not have to vote. However, your PacMag Directors believe that the Proposal is important to all PacMag Shareholders and recommend that you read this Scheme Booklet carefully and, in the absence of a Superior Proposal, unanimously recommend that you vote in favour of the Share Scheme. Your PacMag Directors who personally control PacMag Shares intend to vote all of their PacMag Shares in favour of the Share Scheme.

Q27 IS VOTING COMPULSORY FOR THE OPTION SCHEME?

No. You do not have to vote. However, your PacMag Directors believe that the Proposal is important to all PacMag Optionholders and recommend that you read this Scheme Booklet carefully and, in the absence of a Superior Proposal, unanimously recommend that you vote in favour of the Option Scheme. Your PacMag Directors who personally control PacMag Options intend to vote all of their PacMag Options in favour of the Option Scheme.

Q28 WHAT VOTING MAJORITY IS REQUIRED TO APPROVE THE SHARE SCHEME?

The Share Scheme must be approved by:

- a majority in number of PacMag Shareholders present and voting at the Share Scheme Meeting (in person, by proxy, attorney or corporate representative); and
- PacMag Shareholders who together hold at least 75% of the total number of votes cast on the resolution at the Share Scheme Meeting.

After the Share Scheme Meeting, the Share Scheme must also be approved by the Court.

Q29 WHAT VOTING MAJORITY IS REQUIRED TO APPROVE THE OPTION SCHEME?

The Option Scheme must be approved by:

- a majority in number of PacMag Optionholders present and voting at the Option Scheme Meeting (in person, by proxy, attorney or corporate representative); and
- PacMag Optionholders whose PacMag Options amount to at least 75% of the total value of the PacMag Options held by the PacMag Optionholders who vote at the Option Scheme Meeting. Please refer to Section 9.3(b) in relation to how the value of a PacMag Option will be determined.

After the Option Scheme Meeting, the Option Scheme must also be approved by the Court.

Q30 WHAT HAPPENS IF I DO NOT VOTE ON, OR I VOTE AGAINST, A SCHEME?

If a Scheme is implemented (as a result of receiving the requisite approval from PacMag Shareholders or PacMag Optionholders and the Court), you will be bound by the Scheme regardless of whether you voted for, or did not vote for, or voted against the Scheme.

In other words, if you are a PacMag Shareholder as at the Record Date and the Share Scheme is implemented, your PacMag Shares will be transferred under the Share Scheme and you will receive the Share Scheme Consideration notwithstanding that you did not vote or voted against the Share Scheme.

Similarly, if you are a PacMag Optionholder as at the Record Date and the Option Scheme is implemented, your PacMag Options will be transferred under the Option Scheme and you will receive the Option Scheme Consideration notwithstanding that you did not vote or voted against the Option Scheme.

Q31 WHAT IF ONLY ONE OF THE SCHEMES IS APPROVED?

Under the Scheme Implementation Agreement, each Scheme is dependent on the approval of the other Scheme. Whilst this condition may be waived by Entrée, Entrée currently has no intention to do so. Accordingly, if only the Share Scheme is approved or if only the Option Scheme is approved, neither of the Schemes will proceed.

Q32 WHEN WILL THE RESULTS OF THE SCHEME MEETINGS BE KNOWN?

The result of the votes cast at the Scheme Meetings will be available shortly after the conclusion of the Scheme Meetings and will be announced to ASX. The results will also be published on PacMag's website (www.pacmag.com.au) and Entrée's website (www.entreegold.com) following the Scheme Meetings.

You should be aware that the Schemes are subject to the approval of the Court, and the satisfaction of the Conditions. The Court hearing for approving the Schemes is expected to be held on 11 June 2010.

Q33 WHAT HAPPENS IF THE SCHEMES ARE NOT APPROVED?

If the Schemes are not approved:

- PacMag will remain an ASX listed company;
- PacMag Shareholders will retain their PacMag Shares and will not receive any Share Scheme Consideration;
- PacMag Optionholders will retain their PacMag Options and will not receive any Option Scheme Consideration;
- PacMag Employee Optionholders will retain their PacMag Employee Options and will not receive the PacMag Employee Option Consideration;

- PacMag will be required to expense the costs of arranging the Schemes of approximately \$460,000 in the financial accounts for the financial year in which they were incurred;

The Schemes not being implemented has the following disadvantages to PacMag:

- if the Schemes do not proceed there are currently no viable alternate bona fide offers;
- there is no guarantee that PacMag's Share price will change should the offer be withdrawn, however it is possible that the price and liquidity of PacMag Shares may reduce in the absence of the Scheme;
- PacMag will remain a separate trading entity on the ASX with substantially the same shareholder base, that does not include major institutional shareholders;
- PacMag will retain its exploration portfolio in two countries and, therefore, PacMag Shareholders will not gain exposure to Entrée projects such as the Mongolian Oyu Tolgoi copper-gold project under development by Rio Tinto and Ivanhoe Mines;
- the synergy that may be derived from the combination of the two companies' assets in Yerington, will not likely be realised, in the absence of the Schemes proceeding;
- a unified single regional geological and exploration targeting model will be more difficult to develop based on information from one company only, potentially resulting in a lower percentage of exploration success and possibly a longer lead time to discovery of mineralisation;
- in the absence of the Schemes proceeding there will be no advantages in pricing power over exploration costs as a result of larger programs;
- there is very limited open ground available for staking new claims in the Ann Mason region. If further land area is required for project development this will likely require negotiations with neighbouring claim owners;
- if PacMag is successful in developing an operation at Ann Mason it will rely on ore sources from its own landholdings or if additional or different ore sources are beneficial to its operations it will require negotiations with neighbouring claim owners;
- there will be no exposure to Entrée's assets or its significant proposed 2010 exploration programs and budgets in the absence of the Schemes;
- PacMag will continue to trade on the ASX only;
- although PacMag has sufficient cash and for-sale assets to continue to function as a going concern and undertake exploration on its projects, it will not be in a position to undertake a major drill-out and feasibility studies of the Ann Mason or Blue Hills projects without resorting to raising additional capital either via the market or through project based funding or joint venture style arrangements;
- PacMag Shareholders will not gain exposure to Entrée's assets that include a 20% interest in the advanced stage Hugo North Extension project in Mongolia that is a direct extension of Ivanhoe Mine's Hugo Dummett orebody, which contains both Inferred and Indicated Resources and is currently under development by Ivanhoe Mines and Rio Tinto as a proposed underground block cave operation and a 20% interest in the Heruga deposit that is being evaluated for exploitation via bulk underground mining methods;
- there will be no exposure to the Entrée Board and senior management in the absence of the Schemes;
- since 2004 PacMag has been successful in raising A\$14 million on the strength of its assets, there is no reason to believe that it would not be in a position to raise future

funds, in the absence of the Schemes, however, PacMag would potentially have lower ability to raise substantial capital in the short term than Entrée; and

- PacMag has lower trading liquidity than Entrée, and it is unlikely that PacMag's short term market trading liquidity will change substantially in the absence of the Schemes.

In certain cases where the Schemes do not become Effective, a Break Fee of C\$350,000 may become payable by PacMag to Entrée or by Entrée to PacMag. Further details concerning the Break Fees are set out in Section 13.8.

The implications for PacMag Shareholders and PacMag Optionholders if the Proposal does not proceed are detailed in Section 4.12.

Q34 WHAT CONDITIONS NEED TO BE SATISFIED FOR THE PROPOSAL TO BE IMPLEMENTED?

In addition to approval of the Schemes by the requisite majorities of PacMag Shareholders and PacMag Optionholders, the Schemes are conditional on a number of other matters that are set out in Section 8.3 and include:

- approval of both the Share Scheme and the Option Scheme by the Court; and
- no PacMag Material Adverse Change or Entrée Material Adverse Change and no PacMag Prescribed Occurrence or Entrée Prescribed Occurrence having occurred prior to the Second Court Date in respect of each of the Schemes.

PacMag Shareholders and PacMag Optionholders should refer to clause 2.1 of the Scheme Implementation Agreement contained in Appendix 3. Certain Conditions can be waived.

Q35 WHY WOULD TRADING IN PACMAG SHARES BE SUSPENDED?

If the Schemes become Effective, trading in PacMag Shares on ASX will be suspended on and from close of trading on the Effective Date. This is so that trades in PacMag Shares on ASX can be registered on or before the Record Date, after which time no further transfers may be registered. If the Schemes are implemented, PacMag will become a wholly owned subsidiary of Entrée and PacMag Shares will no longer be quoted on ASX.

Therefore, if PacMag Shareholders wish to sell their PacMag Shares, they must do so by close of trading on the Effective Date.

Q36 HOW CAN PACMAG OR ENTRÉE TERMINATE THIS MERGER TRANSACTION?

The Scheme Implementation Agreement contains certain provisions allowing for termination of the Merger. These include, among others, termination rights in certain circumstances, including if there is a material breach under the Scheme Implementation Agreement, if any of the Conditions Precedent are not satisfied or validly waived, including if the Share Scheme or Option Scheme is not approved by PacMag Shareholders or PacMag Optionholders or if PacMag receives a Superior Proposal and the PacMag Board publicly recommends the Superior Proposal or the PacMag Board withdraws or adversely modifies its recommendation of the Merger.

See Section 13.9 for more details regarding cases where the Merger may be terminated.

In certain cases where the Scheme Implementation Agreement has been terminated, a Break Fee of C\$350,000 may become payable by PacMag to Entrée or by Entrée to PacMag. Further details concerning the Break Fees are set out in Section 13.8.

OTHER QUESTIONS

Q37 WHAT IF I HAVE FURTHER QUESTIONS?

If you have any further questions relating to voting procedures consult your financial, legal, tax or other professional adviser or contact PacMag's company secretary by email at info@pacmag.com.au or by telephone on +61 8 9481 2997.

SECTION 4 - DETAILS OF THE SCHEMES

4.1 BACKGROUND

On 30 November 2009, PacMag announced the Proposal for Entrée Australia, a wholly-owned subsidiary of Entrée, to acquire all PacMag Shares and for all PacMag Options to be cancelled by way of two Court ordered schemes of arrangement pursuant to Part 5.1 of the Corporations Act.

The announcement followed the execution of the Scheme Implementation Agreement on 28 November 2009 (subsequently varied by a Deed of Variation dated 12 April 2010) by PacMag and Entrée under which:

- PacMag and Entrée agreed to propose the Schemes to the PacMag Shareholders and PacMag Optionholders and implement the Schemes upon and subject to the terms of the Scheme Implementation Agreement; and
- Entrée agreed to provide the Scheme Consideration as consideration for the transfer to Entrée Australia of all of the PacMag Shares and the cancellation of the PacMag Options.

The proposed Merger values PacMag at approximately A\$53.3 million on a basic equity value basis, or A\$0.3681 per PacMag Share and approximately A\$50.2 million on an enterprise value basis as at the date of this Scheme Booklet.

4.2 OWNERSHIP STRUCTURE

Based on the current capital structure of PacMag and Entrée, immediately after implementation of the Schemes, PacMag Securityholders will hold approximately 13.3% of the total number of issued Entrée Shares and existing Entrée Shareholders will hold approximately 86.7% of the total number of issued Entrée Shares (on a non-diluted basis).

4.3 THE SCHEMES

If the Schemes are approved (and the other Conditions are satisfied or waived), it will result in:

- the transfer of all the PacMag Shares to Entrée Australia;
- the cancellation of all the PacMag Options;
- the cancellation of all the PacMag Employee Options;
- Scheme Shareholders receiving the Share Scheme Consideration;
- Scheme Optionholders receiving the Option Scheme Consideration;
- PacMag Employee Optionholders receiving the PacMag Employee Option Consideration; and
- PacMag becoming a wholly owned subsidiary of Entrée Australia and being delisted from ASX.

However, before the Schemes can take effect:

- the Share Scheme must be approved by the requisite majorities of the PacMag Shareholders attending and voting (either in person, by proxy, attorney or corporate representative) at the Share Scheme Meeting;
- the Option Scheme must be approved by the requisite majorities of the PacMag Optionholders attending and voting (either in person, or by proxy, attorney or corporate representative) at the Option Scheme Meeting;
- the Share Scheme must be approved by the Court;

- the Option Scheme must be approved by the Court;
- the PacMag Employee Optionholders must agree to the cancellation of the PacMag Employee Options; and
- the Conditions must be satisfied.

If only one of the Schemes is approved, under the Scheme Implementation Agreement neither of the Schemes will proceed. Whilst this condition may be waived by Entrée, Entrée currently has no intention of doing so.

The Share Scheme must be approved by:

- a majority in number of PacMag Shareholders present and voting at the Share Scheme Meeting (in person, by proxy, attorney or corporate representative); and
- PacMag Shareholders who together hold at least 75% of the total number of votes cast on the resolution at the Share Scheme Meeting.

The Option Scheme must be approved by:

- a majority in number of PacMag Optionholders present and voting at the Option Scheme Meeting (in person, by proxy, attorney or corporate representative); and
- PacMag Optionholders whose PacMag Options amount to at least 75% of the total value of the PacMag Options held by the PacMag Optionholders who vote at the Option Scheme Meeting. The value of a PacMag Option will be determined by reference to the value of the Option Scheme Consideration.

4.4 SCHEME CONSIDERATION

(a) Share Scheme Consideration

If the Schemes become Effective, PacMag Shareholders will receive:

- 0.1018 Entrée Shares; and
- C\$0.0415,

for every PacMag Share held as at the Record Date.

(b) Option Scheme Consideration

If the Schemes become Effective, PacMag Optionholders will receive the Entrée Shares and cash consideration set out in Section 9.3(a) for each PacMag Option held by a PacMag Optionholder as at the Record Date.

(c) Ineligible Foreign Holders and Retail Shareholders

If the Schemes become Effective, Ineligible Foreign Holders and Retail Shareholders who elect to use the Sale Facility will receive the cash portion of the Scheme Consideration (i.e. C\$0.0415) and a pro-rata share of the net proceeds converted into Australian Dollars from the sale of all Entrée Shares sold through the Sale Facility. Please see Section 9.5 for details regarding the Sale Facility.

(d) Canadian currency component of Scheme Consideration

To the extent that the Scheme Consideration comprises Canadian dollars, then Entrée will:

- pay the relevant amount in Australian dollars; and
- determine the Australian dollar equivalent of the relevant amount by reference to the “latest nominal noon rate” published by the Bank of Canada at 12:30pm (Canadian Eastern Standard Time) on the Effective Date.

(e) Tradability of Entrée Shares

The Entrée Shares will be listed and traded on the TSX in Canadian dollars, on NYSE Amex in United States dollars and on the Frankfurt Stock Exchange in Euros and they will not be quoted and traded on ASX.

Please see Section 9.4(a) for further information on trading Entrée Shares.

4.5 PACMAG DIRECTORS' RECOMMENDATION

In the absence of a Superior Proposal, the PacMag Directors unanimously recommend that PacMag Shareholders and PacMag Optionholders vote in favour of the Schemes. In the absence of a Superior Proposal the PacMag Directors intend to cast all of their votes attaching to any PacMag Shares and PacMag Options they personally control in favour of the Schemes.

Discussion with a number of interested parties led to some of those groups conducting due diligence on PacMag prior to the announcement of the Proposal, however this has not resulted in any viable bona fide alternate offers being made to PacMag. Furthermore, PacMag has not received any approaches that have led to any bona fide alternate offer subsequent to the announcement of the Proposal.

4.6 INDEPENDENT EXPERT'S RECOMMENDATION

The Independent Expert was retained by PacMag in order to determine whether, in the Independent Expert's opinion, the Schemes are in the best interests of PacMag Shareholders and PacMag Optionholders. The Independent Expert has concluded that the Schemes are in the best interests of PacMag Shareholders and PacMag Optionholders. Appendix 1 sets out the Independent Expert's Reports.

4.7 CONDITIONS TO IMPLEMENTATION OF THE SCHEMES

The implementation of the Schemes is subject to the satisfaction or waiver of the Conditions which are described in Section 8.3 and set out in full in clause 2.1 of the Scheme Implementation Agreement, a copy of which is contained in Appendix 3.

4.8 INELIGIBLE FOREIGN HOLDERS

A PacMag Shareholder or PacMag Optionholder whose address is shown in the Register on the Record Date as being in a jurisdiction other than Australia or New Zealand will be an Ineligible Foreign Shareholder and an Ineligible Foreign Optionholder respectively, unless Entrée is reasonably satisfied that the issue of Entrée Shares is not prohibited, not unduly onerous and not unduly impracticable in that jurisdiction.

If Entrée does not issue Entrée Shares to a PacMag Shareholder or a PacMag Optionholder because they will be treated as an Ineligible Foreign Shareholder or Ineligible Foreign Optionholder respectively, the Entrée Shares that would have been issued to that PacMag Shareholder or PacMag Optionholder will be issued to the Sale Agent as nominee in trust for sale through the Sale Facility.

Ineligible Foreign Holders should refer to Section 9.5 for further information.

There is no guarantee regarding the prices that will be realised on the sale by the Sale Agent of Entrée Shares on the TSX. The price realised by the Sale Agent may be significantly lower than the price of Entrée Shares that may have otherwise been realised by an Ineligible Foreign Holder if those Entrée Shares were issued to that Ineligible Foreign Holder instead of to the Sale Agent.

Entrée will pay all brokerage and other fees associated with the sale of Entrée Shares under the Sale Facility except for applicable taxes and currency conversion costs.

4.9 RETAIL SHAREHOLDER

Retail Shareholders (i.e. a PacMag Shareholder holding a parcel of less than 5,600 PacMag Shares), may elect to have the Entrée Shares that would have been issued to them to be issued to the Sale Agent as nominee in trust for sale through the Sale Facility.

The blue Sale Election Form is provided with the Notice of Share Scheme Meeting.

Retail Shareholders who elect to use the Sale Facility should refer to Section 9.5 for further information in relation to the Sale Facility.

There is no guarantee regarding the prices that will be realised on the sale by the Sale Agent of Entrée Shares on the TSX. The price realised by the Sale Agent may be significantly lower than the price of the Entrée Shares that may have otherwise been realised by a Retail Shareholder if those Entrée Shares were issued to that Retail Shareholder instead of to the Sale Agent.

Retail Shareholders who wish to sell their PacMag Shares on the ASX prior to implementation of the Schemes must do so before close of trading on the Effective Date.

Entrée will pay all brokerage and other fees associated with the sale of Entrée Shares under the Sale Facility except for applicable taxes and currency conversion costs.

4.10 TIMING AND IMPLEMENTATION

The key dates for implementation of the Schemes and for trading in PacMag Shares are set out at the beginning of this Scheme Booklet.

It is proposed that each Scheme will become Effective when the Court order approving the Schemes is lodged with ASIC. PacMag anticipates that this will take place on or around 16 June 2010.

If the Schemes become Effective, PacMag Shares will be suspended from trading on ASX at close of trading on the Effective Date. The Record Date for determining entitlement to the Scheme Consideration will be 7:00pm on the fifth Business Day after the Effective Date, which is expected to be 23 June 2010.

Payment of the Scheme Consideration to the Scheme Shareholders and Scheme Optionholders is expected to be made as soon as possible after the Implementation Date, which is expected to be 30 June 2010, and trading of the Entrée Shares issued under the Schemes is expected to occur on the same date.

The Scheme Consideration will be paid as described in Section 9.

Ineligible Foreign Holders or Retail Shareholders that elect to use the Sale Facility, should refer to Section 9.5 in relation to how their entitlement will be dealt with.

4.11 TAXATION CONSIDERATIONS

Australian taxation considerations for individual Australian resident PacMag Shareholders that are relevant to PacMag Shareholders' decision on how to vote on the Share Scheme are discussed in Section 12. This guide is expressed in general terms only and is not intended to provide taxation advice as to the particular circumstances of any PacMag Shareholder. Each PacMag Shareholder is advised to consult their own tax adviser.

As the circumstances in which PacMag Optionholders acquired their PacMag Options differ it is not possible to make general comments about the tax consequences of the Option Scheme. Therefore, in relation to the tax implications of the Option Scheme, PacMag Optionholders should seek their own tax advice.

4.12 CONSEQUENCES OF SCHEMES NOT PROCEEDING

If the Schemes are not approved by the necessary majorities of PacMag Shareholders at the Share Scheme Meeting and PacMag Optionholders at the Option Scheme Meeting:

- (a) PacMag will continue to be listed on the ASX;
- (b) PacMag Shareholders will retain their direct interest in, and collective control of, PacMag;
- (c) PacMag Optionholders will retain their PacMag Options which they have not exercised;
- (d) PacMag will continue to pursue its operational and growth objectives focused on the creation of PacMag Shareholder value;
- (e) the PacMag Share price may, in the absence of any alternative Superior Proposal, trade below or above its current price;
- (f) PacMag Employee Optionholders will retain their PacMag Employee Options which they have not exercised; and
- (g) PacMag will be required to expense the costs of arranging the Schemes of approximately \$460,000 in the financial accounts for the financial year in which they were incurred.

Even if you vote against the Schemes or do not vote at all, that does not necessarily mean that the Proposal will not be implemented. If the Schemes are approved by the necessary majorities of PacMag Shareholders and PacMag Optionholders at the Scheme Meetings and by the Court (and the Conditions are satisfied or waived), your PacMag Shares will be transferred to Entrée Australia and your PacMag Options will be cancelled and you will receive the Scheme Consideration for every PacMag Share and PacMag Option you hold, even though you voted against the Schemes or did not vote at all.

In certain cases where the Schemes do not become Effective (other than as a result of PacMag Securityholders not approving the Schemes), a Break Fee of C\$350,000 may become payable by PacMag to Entrée or by Entrée to PacMag. Further details concerning the Break Fees are set out in Section 13.8.

4.13 ANCILLARY DOCUMENTS

The following documents are attached to this Scheme Booklet:

- (a) **Appendix 1:** The Independent Expert's Reports – the reports compiled by the Independent Expert as to whether the proposed Schemes are in the best interests of PacMag Shareholders and PacMag Optionholders. The Independent Technical Expert has reported to the Independent Expert and its report is included as a part of the Independent Expert's Reports;
- (b) **Appendix 2:** The Investigating Accountant's Report – the report prepared by the Investigating Account as to the compilation of the Merged Group pro forma historical financial information and the pro forma adjustments for PacMag, Entrée and the Merged Group;
- (c) **Appendix 3:** Scheme Implementation Agreement – a conformed copy of the agreement entered into between PacMag and Entrée under which each undertakes to do all things necessary to implement the Schemes;
- (d) **Appendix 4:** Share Scheme – setting out the legal rights and obligations of PacMag and Scheme Shareholders under the Share Scheme;
- (e) **Appendix 5:** Option Scheme – setting out the legal rights and obligations of PacMag and Scheme Optionholders under the Option Scheme;

- (f) **Appendix 6:** Share Scheme Deed Poll – executed by Entrée in favour of PacMag Shareholders under which Entrée undertakes, among other things, to provide to PacMag the Share Scheme Consideration; and
- (g) **Appendix 7:** Option Scheme Deed Poll – executed by Entrée in favour of PacMag Optionholders under which Entrée undertakes, amongst other things, to provide the Option Scheme Consideration.

SECTION 5 - PROFILE OF PACMAG

PacMag is a “disclosing entity” for the purposes of the Corporations Act and as such is subject to continuous reporting and disclosure obligations. Information in this Section which has previously been released to ASX by PacMag is dealt with in summary form only.

5.1 INTRODUCTION

(a) Overview

PacMag is an Australian-based exploration company focused on its advanced copper-molybdenum-gold assets at Ann Mason in the USA, as well as its Sentinel uranium-molybdenum-germanium project located in North Dakota, USA.

(b) History

In 1995 the Company listed on ASX as Golden Triangle Resources NL to explore for gold resources in Victoria, Australia. Golden Triangle subsequently refocused on magnesium resources and magnesium metal production in 1997 and changed its name in 2001 to Pacific Magnesium Corporation Limited. The Company subsequently purchased copper and gold assets from Giralia Resources NL in late 2005 with the current management and board being appointed in January 2006. The Company changed its name in early 2006 to PacMag Metals Limited to reflect the new focus on metal exploration, particularly copper-gold opportunities in the USA and Australia.

5.2 PROJECTS AND EXPLORATION

(a) Introduction

PacMag has four USA based projects and is concentrating its exploration efforts on copper and gold projects in Nevada and Arizona. A further three joint venture projects in Australia are also being assessed for their copper and gold potential.

(b) Ann Mason Project Nevada USA

The wholly owned Ann Mason copper deposit contains an Inferred Mineral Resource (as defined by the JORC Code) of 810 million tonnes at 0.4% copper, 0.004% molybdenum (at a 0.30% copper cut off) (7.1 billion pounds of contained copper metal). PacMag has made new discoveries of high-grade copper sulphide targets (Shamrock prospect and Ann Mason “5000” zone) and a new porphyry copper deposit, with near surface copper-oxide targets (Blue Hills). At Shamrock, five kilometres south east of Ann Mason, drilling by PacMag from a first pass 12 hole reverse circulation drilling program returned strong copper intersections, including 33.6 metres at 1.72% copper from a depth of 15.2 metres, whilst at Blue Hills two kilometres west of Ann Mason, drill intersections include 73.2 metres at 0.57% copper equivalent, 100.6 metres at 0.41% copper equivalent and 526m at 0.3% copper equivalent. The Company has also identified a large coherent copper oxide target south and west of the Blue Hills porphyry copper-molybdenum sulphide deposit, over an area 1.5 kilometres by 350 metres.

(c) Sentinel Project North Dakota USA

At the Sentinel uranium project (PacMag 100% owned) in North Dakota, resource definition drill testing of a small portion of the total prospective project area has confirmed continuity, grade and positive metallurgical characteristics of the uranium, molybdenum and germanium mineralisation hosted within regionally continuous lignite seams. The project contains an Inferred Mineral Resource (as defined by the JORC Code) of 2.35 million tonnes at 0.0165% U₃O₈ and 0.0221% MoO₃ (at a 50ppm U₃O₃ cut off).

- (d) USA Projects
- In mid 2009, PacMag secured two new wholly owned US projects, the Meadow Valley copper project located in southern Arizona, and the Rainbow Canyon gold project in western Nevada.
- (e) Olary-Blue Rose Joint Venture – South Australia
- PacMag holds a 51% interest in the Blue Rose/Olary copper-gold-molybdenum project in South Australia, where oxide copper at the Blue Rose copper deposit includes drilling intersections such as 46m at 2.2% copper and 0.8 g/t gold from 11 metres depth, (including 28 metres at 3.0% copper and 0.8 g/t gold) overlay copper-gold-molybdenum sulphide mineralisation.
- Under a recently executed Mineral Development Agreement (“MDA”), Wasco Mining Pty Ltd (“Wasco”) will acquire 100% of a 12 square kilometre area covering the Blue Rose deposit and the rights to mine and process all mineralisation extracted. The MDA includes a staged refund (subject to standard industry terms and conditions) of historical exploration costs to the Blue Rose joint venture by Wasco totaling A\$1.95 million and a 1.5% gross revenue royalty payable to the Blue Rose joint venture partners on the production of metals mined from the deposit.
- (f) Mystique Gold Joint Venture and Northling Copper Joint Venture – Western Australia
- PacMag’s Northling copper project and Mystique gold project in Western Australia are being funded under farm-out arrangements with technically and financially able partners.

5.3 FINANCIAL PERFORMANCE

- (a) Introduction
- Section 5 contains the following PacMag historical financial information:
- Consolidated historical balance sheets as at 30 September 2009 and 30 June 2009 (Table 5A);
 - Consolidated historical income statements for the three months ended 30 September 2009, years ended 30 June 2009 and 30 June 2008, and six months ended 31 December 2008 and 31 December 2007 (Table 5C); and
 - Consolidated historical statements of cash flows for the three months ended 30 September 2009 and years ended 30 June 2009 and 30 June 2008 (Table 5D),
- (“PacMag Pro Forma Historical Financial Information”).**
- PacMag’s annual and half year reporting periods each year end on 30 June and 31 December respectively. For the purposes of inclusion in this Scheme Booklet, pro forma historical financial information has been prepared which shows financial information for PacMag for periods to the same dates as Entrée’s most recent financial year end and quarterly filing date. This has been prepared for the presentation of Merged Group pro forma historical financial information in Section 7 of the Scheme Booklet.
- The PacMag pro forma income statement is set out in Table 5B and consists of income statements for the 12 month period ended 31 December 2008 and for the nine month period ended 30 September 2009.
- (b) Basis of Preparation
- The PacMag Pro Forma Historical Financial Information has been derived from PacMag’s audited annual financial reports for the years ended 30 June 2008 and 2009 and

reviewed interim financial reports for the six months ended 31 December 2007 and 2008 and three months ended 30 September 2009.

The PacMag Pro Forma Historical Financial Information has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (i.e. AIFRS) and is presented in Australian dollars (A\$ or AUD). It is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with AIFRS and the Corporations Act.

The PacMag financial reports for the years ended 30 June 2008 and 2009 were audited in accordance with Australian Auditing Standards. The audit opinions issued to the members of PacMag relating to those financial reports were unqualified. The PacMag interim financial reports for the half years ended 31 December 2007 and 2008 and the three month period ended 30 September 2009 were reviewed in accordance with Australian Auditing Standards applicable to review engagements. The review statements issued with respect to these interim periods were unqualified.

The PacMag pro forma historical income statements set out in Table 5B have been derived by making the following adjustments (“**PacMag Pro Forma Adjustments**”), from Table 5C:

- for the nine month period ended 30 September 2009 by aggregating the three month period ended September 2009 and the 12 month period ended 30 June 2009 and subtracting the six month period ended 31 December 2008; and
- for the 12 month period ended 31 December 2008 by aggregating the six month period ended 31 December 2008 and the 12 month period ended 30 June 2008 and subtracting the six month period ended 31 December 2007.

**PACMAG METALS LIMITED
CONSOLIDATED BALANCE SHEETS**

TABLE 5A

	September 30, 2009 (A\$ thousand) (Unaudited)	June 30, 2009 (A\$ thousand) (Audited)
ASSETS		
Current		
Cash and cash equivalents	2,229	2,462
Trade and other receivables	213	268
Total current assets	2,442	2,730
Non-current assets		
Available for sale assets	2,160	1,225
Property plant and equipment	1	1
Exploration and evaluation expenditure	9,549	9,088
Deferred tax assets	-	600
Total non-current assets	11,710	10,914
Total assets	14,152	13,644
Current liabilities		
Trade and other liabilities	237	170
Total current liabilities	237	170
Non-current liabilities		
Provisions	3	2
Deferred tax liabilities	170	600
Total non-current liabilities	173	602
Total liabilities	410	772
Net assets	13,742	12,872
Equity		
Issued capital	14,794	14,794
Reserves	2,614	1,910
Accumulated losses	(3,645)	(3,832)
Total equity attributable to equity holders of the Company	13,763	12,872
Minority interest	(21)	-
Total equity	13,742	12,872

PACMAG METALS LIMITED
CONSOLIDATED PRO FORMA INCOME STATEMENTS

TABLE 5B

	Nine Months Ended September 30, 2009 (A\$ thousand) (Unaudited)	Year Ended December 31, 2008 (A\$ thousand) (Unaudited)
Revenue		
Revenue	253	354
	<u>253</u>	<u>354</u>
Expenses		
Administration expenses	(196)	(300)
Impairment loss on available for sale assets	-	(2,910)
Employee benefit expenses	(68)	(118)
Exploration expenditures incurred	(115)	(35)
Impairment on exploration expenditure	-	(947)
Other expenses	(9)	(20)
	<u>(388)</u>	<u>(4,330)</u>
Profit (loss) before income tax	(135)	(3,976)
Income tax benefit	323	478
Net profit (loss) for the period	<u>188</u>	<u>(3,498)</u>
Attributable to:		
Equity holders of the company	209	(3,498)
Minority interest	(21)	-
Net profit (loss) for the period	<u>188</u>	<u>(3,498)</u>

PACMAG METALS LIMITED
CONSOLIDATED HISTORICAL INCOME STATEMENTS

TABLE 5C

	Three Months Ended September 30, 2009 (A\$ thousand) (Unaudited)	Year Ended June 30, 2009 (A\$ thousand) (Audited)	Six Months Ended December 31, 2008 (A\$ thousand) (Unaudited)	Year Ended June 30, 2008 (A\$ thousand) (Audited)	Six Months Ended December 31, 2007 (A\$ thousand) (Unaudited)
Revenue					
Revenue	191	250	188	624	458
	<u>191</u>	<u>250</u>	<u>188</u>	<u>624</u>	<u>458</u>
Expenses					
Administration expenses	(49)	(281)	(134)	(321)	(155)
Impairment loss on available for sale assets	-	(720)	(720)	(2,190)	-
Employee benefit expenses	(20)	(102)	(54)	(113)	(49)
Exploration expenditures incurred	(79)	(43)	(7)	(83)	(55)
Impairment on exploration expenditure	-	(947)	(947)	-	-
Other expenses	(8)	(3)	(2)	(20)	(2)
	<u>(156)</u>	<u>(2,096)</u>	<u>(1,864)</u>	<u>(2,727)</u>	<u>(261)</u>
Profit (loss) before income tax	35	(1,846)	(1,676)	(2,103)	197
Income tax benefit	131	225	33	754	309
Net profit (loss) for the period	<u>166</u>	<u>(1,621)</u>	<u>(1,643)</u>	<u>(1,349)</u>	<u>506</u>
Attributable to:					
Equity holders of the company	187	(1,621)	(1,643)	(1,349)	506
Minority interest	(21)	-	-	-	-
Net profit (loss) for the period	<u>166</u>	<u>(1,621)</u>	<u>(1,643)</u>	<u>(1,349)</u>	<u>506</u>

PACMAG METALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

TABLE 5D

	Three Months Ended September 30, 2009 (A\$ thousand) (Unaudited)	Year Ended June 30, 2009 (A\$ thousand) (Audited)	Year Ended June 30, 2008 (A\$ thousand) (Audited)
Cash flows from operating activities			
Payments to suppliers, exploration and evaluation expenditure	(149)	(1,454)	(430)
Interest received	22	203	444
Income tax paid	-	-	(15)
Net cash (used in) operating activities	(127)	(1,251)	(1)
Cash flows from investing activities			
Exploration costs capitalised	(348)	(1,013)	(5,208)
Acquisition of other financial assets at fair value	-	-	(241)
Proceeds on sale of available for sale assets	242	164	-
Proceeds on sale of other financial assets at fair value	-	-	783
Deposits paid in relation to tenements	-	-	(396)
Net cash provided by investing activities	(106)	(849)	(5,062)
Cash flows from financing activities			
Proceeds from issues of equity securities	-	-	773
Cost of issuing equity securities	-	-	(5)
	-	-	768
Net increase (decrease) in cash and cash equivalents	(233)	(2,100)	(4,295)
Cash and cash equivalents, beginning of period	2,462	4,562	8,857
Cash and cash equivalents, end of period	2,229	2,462	4,562

5.4 PACMAG BOARD

Chairman	Mr. Rodney Michael Joyce
Managing Director	Mr. Michael Clifford
Independent Non-Executive Director	Mr. Emmanuel Althaus
Joint Company Secretaries	Ms. Melinda Nelmes and Mr. Bruce Acutt

5.5 PACMAG CAPITAL STRUCTURE

(a) Capital Structure

As at the date of this Scheme Booklet, PacMag has only one class of shares on issue, being fully paid ordinary shares (i.e. PacMag Shares).

As at the date of this Scheme Booklet, PacMag has on issue:

- (i) 144,667,639 PacMag Shares;
- (ii) 8,374,921 PacMag Options; and
- (iii) 400,000 PacMag Employee Options.

(b) Substantial Shareholders

As at the date of this Scheme Booklet, based on substantial shareholder notices filed with PacMag, the following persons hold at least 5% of the total number of issued PacMag Shares.

Shareholder	Number of PacMag Shares	Percentage Held (%)
Giralia Resources NL	15,008,441	10.37
Yandal Investments Pty Ltd	7,763,567	5.37

(c) Substantial Optionholders

As at the date of this Scheme Booklet and based on the Register of PacMag Optionholders, the following persons hold at least 5% of the total number of issued PacMag Options.

Optionholder	Number of PacMag Options	Percentage Held (%)
Mrs Loredana Clifford	3,500,000	41.8
Professional Managers and Associates Pty Ltd	1,020,834	12.2
Ms Nada Granich	1,000,000	11.9
Rose Cedar Holdings Pty Ltd	833,334	10.0
Mr. Sholom Mendel Kluwgant	500,000	6

(d) Market Information about PacMag Shares

The latest recorded sale price of PacMag Shares on ASX before the public announcement of the proposed Merger at close of trading on 27 November 2009 was A\$0.23.

The latest recorded sale price of PacMag Shares on ASX before the date on which this Scheme Booklet was lodged with ASIC was A\$0.245 on 11 March 2010.

During the three month period immediately preceding the date on which this Scheme Booklet was lodged with ASIC, the highest and lowest recorded sale prices of PacMag Shares on ASX were, respectively, A\$0.28 on 19 January 2010 and A\$0.22 on 22 December 2009.

(e) Rights Attaching to PacMag Shares

The rights attaching to PacMag Shares are set out in the constitution, a copy of which may be obtained by contacting PacMag and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules and the common law of Australia.

(f) Rights Attaching to PacMag Options

Each PacMag Option is convertible into one PacMag Share in accordance with the terms of their issue, the constitution of PacMag and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules and the common law of Australia.

A copy of the terms of the PacMag Options may be obtained by contacting PacMag.

(g) Rights Attaching to the PacMag Employee Options

Each PacMag Employee Option is governed by the PacMag Employee Option Plan and convertible into one PacMag Share in accordance with the terms of their issue, the constitution of PacMag and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules and the common law of Australia.

A copy of the terms of the PacMag Employee Options may be obtained by contacting PacMag.

(h) Interests of PacMag Directors in PacMag Securities and Entrée Securities

As at 22 April 2010, being the date of this Scheme Booklet, the PacMag Directors held a relevant interest in the following PacMag Shares, PacMag Employee Options and PacMag Options:

Director	PacMag Shares	PacMag Options
Mr. Rodney Michael Joyce	554,783	1,000,000
Mr. Michael Clifford	900,218	3,500,000
Mr. Emmanuel Althaus	7,235,864	833,334
Total	8,690,865	5,333,334

Note: PacMag Shares and PacMag Options may be held either directly or indirectly by a PacMag Director

The PacMag Directors who hold PacMag Shares will be entitled to participate in the Share Scheme and the PacMag Directors who hold PacMag Options will be entitled to participate in the Option Scheme.

As at the date of this Scheme Booklet, no PacMag Director held a relevant interest in any securities of Entrée.

(i) Disclosing Entity

PacMag is a “disclosing entity” for the purposes of the Corporations Act and as such is subject to continuous reporting and disclosure obligations. Specifically, as a listed company, PacMag is subject to the ASX Listing Rules which require (subject to certain exceptions) the Company to notify ASX immediately of any information of which it becomes aware concerning PacMag that a reasonable person would expect to have a material effect on the price or value of the PacMag Shares.

ASX maintains files containing publicly disclosed information about all listed companies. PacMag’s file is available for inspection at ASX during normal business hours or from the ASX website (www.asx.com.au).

In addition, PacMag is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by PacMag may be obtained from, or inspected at, an ASIC office.

PacMag will provide free of charge, to any holder of PacMag Shares or PacMag Options who requests it before the Scheme Meetings, a copy of:

- the annual financial report of PacMag for the year ended 30 June 2009 (being the annual financial report most recently lodged with ASIC before this Scheme Booklet was lodged with ASIC); and
- any continuous disclosure notice given to ASX by PacMag after the lodgement with ASIC of the annual report of PacMag for the year ended 30 June 2009

referred to above and before lodgement of this Scheme Booklet with ASIC. A list of the continuous disclosure notices given to ASX in the above period is set out below.

Document	Lodgement Date
Half Yearly Accounts	16/03/2010
BFE-Mystique JV Tenement Grant	16/02/2010
Blue Rose Copper Development Agreement	03/02/2010
Entrée Validates Ann Mason Resource	27/01/2010
Quarterly Activities Report	22/01/2010
Quarterly Cashflow Report	22/01/2010
Appendix 3B	12/12/2009
PMH-ETG Proposal Clarification of Consideration	01/12/2009
Scrip-Cash Offer for PacMag by Entrée Gold Inc	30/11/2009
Results of Meeting	26/11/2009
Presentation for AGM	26/11/2009
Quarterly Cashflow Report	26/10/2009
Notice of General Meeting/proxy form	21/10/2009
Quarterly Activities Report	21/10/2009
Extension to Major Iron Ore Project on Blue Rose JV	14/10/2009
New Gold Project – Nevada USA	12/10/2009
Further positive leach test work from Sentinel	09/10/2009
Northling Copper Joint Venture with DOM	30/09/2009

The 2009 annual report and notices provided to ASX by PacMag over the past year can be viewed on-line or downloaded from the PacMag website at www.pacmag.com.au while copies of any of the documents referred to above can be obtained by writing to:

Company Secretary
PacMag Metals Limited
PO Box 1569
West Perth Western Australia 6872

(j) Litigation

PacMag is not party to any legal proceedings as at the date of this Scheme Booklet.

(k) Other Material Information

Except as set out in this Scheme Booklet, there is no information material to the making of a decision in relation to the Schemes, being information that is within the knowledge of any PacMag Director at the time of the lodging of this Scheme Booklet with ASIC, which has not been previously disclosed to PacMag Shareholders (in respect of the Share Scheme) or PacMag Optionholders (in respect of the Option Scheme).

SECTION 6 - PROFILE OF ENTRÉE

Entrée is a “reporting issuer” for the purposes of the applicable provincial securities laws of Canada and as such is subject to regular reporting and disclosure obligations. Further information on Entrée is available under Entrée’s profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.shtml.

6.1 INTRODUCTION

(a) Overview

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

Entrée’s flagship 179,590 hectare Lookout Hill property in Mongolia includes two mining licences (Shivee Tolgoi and Javhlant) and one exploration licence (Togoot). The Lookout Hill property completely surrounds Ivanhoe Mines’ 8,496 hectare Oyu Tolgoi Project, and hosts the Hugo North Extension of the Hugo Dummett 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 Oyu Tolgoi LLC, a subsidiary of Ivanhoe Mines, formerly known as Ivanhoe Mines Mongolia Inc. (“**Entrée-Ivanhoe Joint Venture**”). In this Section 6, Ivanhoe Mines Ltd. and Oyu Tolgoi LLC are collectively referred to as “Ivanhoe Mines”.

Entrée continues to explore the large portions of the Lookout Hill property which are outside of the Entrée-Ivanhoe Joint Venture area (“**Lookout Hill West**”), including the western portion of Shivee Tolgoi (“**Shivee West**”) and the coal discovery at Nomkhon Bohr on the Togoot licence.

Aside from its activities in Mongolia, Entrée is exploring the Huaixi copper project in southeastern Zhejiang Province in China, under an agreement to acquire up to a 78% interest in the property. In North America, Entrée holds options to acquire the Blackjack and Roulette properties in Nevada which are contiguous with the southern and western boundaries of PacMag’s Ann Mason copper project. Entrée is also exploring for porphyry copper systems in Arizona, New Mexico, Nevada and British Columbia through agreements with various third parties.

Entrée has seven wholly-owned principal subsidiary companies:

- (i) Entrée LLC, a Mongolian limited liability company formed 25 July 2002, which currently holds the Shivee Tolgoi and Javhlant mining licenses;
- (ii) Entrée Resources LLC, a Mongolian limited liability company which holds the Togoot exploration licence;
- (iii) Entrée US Holdings Inc., a British Columbia corporation organised on 11 December 2006, for the purpose of holding Entrée Gold (US) Inc.;
- (iv) Entrée Gold (US) Inc., an Arizona corporation formed on 22 December 2006, for the purpose of conducting Entrée’s United States operations;
- (v) Beijing Entrée Minerals Technology Company Limited, a wholly foreign owned enterprise in China formed on 27 May 2008 for the purpose of conducting Entrée’s China operations;
- (vi) Entrée Resources International Limited, a British Columbia corporation; and
- (vii) Entrée Australia, formed for the purpose of acquiring all of the PacMag Shares pursuant to the Share Scheme.

(b) History

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

The Entrée Shares traded on the TSX Venture Exchange until 24 April 2006. On 24 April 2006, Entrée began trading on the TSX under the symbol “ETG”. The Entrée Shares also trade on the NYSE Amex, formerly the American Stock Exchange, under the symbol “EGI” and on the Frankfurt Stock Exchange under the symbol “EKA”.

6.2 PROJECTS AND EXPLORATION

(a) Introduction

Entrée announced 2010 exploration budgets for initial work programs in Mongolia, the USA and Canada totaling approximately US\$7 million. The following exploration programs have been approved:

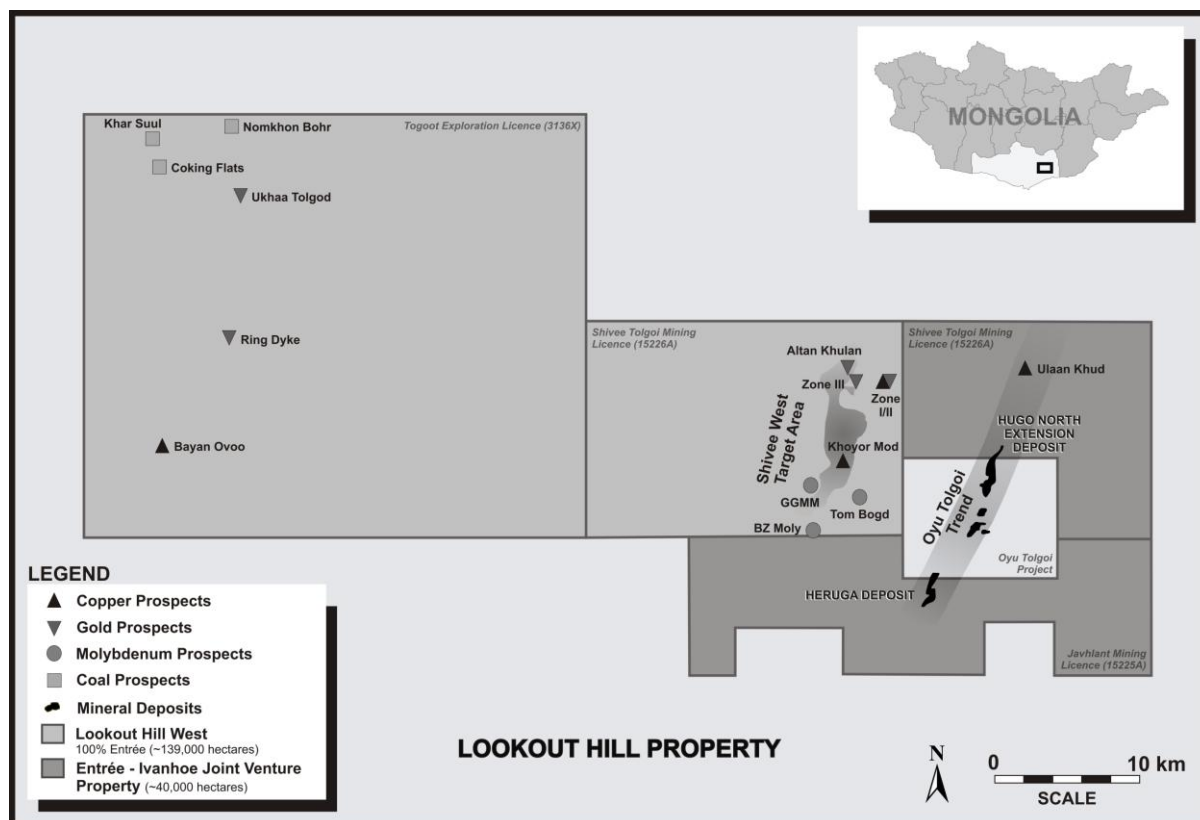
- drill testing for deep porphyry copper-gold-molybdenum targets on Shivee West;
- drill testing of geological and geochemical copper-molybdenum targets on the Blackjack property, Nevada, optioned from HoneyBadger;
- drill testing of geophysical and geological targets on the Roulette property, Nevada, optioned from Bronco Creek;
- drill testing of porphyry copper targets on an area of interest near Bisbee, Arizona, under agreement with Empirical Discovery LLC; and
- further surface exploration of copper-molybdenum geochemical targets on the Crystal project, central British Columbia, under agreement with Taiga Consultants Ltd.

(b) Lookout Hill Property, Mongolia: Entrée-Ivanhoe Joint Venture and Lookout Hill West

The Lookout Hill property is comprised of two mining licences (Shivee Tolgoi and Javhlant) and one exploration licence (Togoot), which cover a total area of approximately 179,590 hectares. The beneficial ownership in these licences is divided between Entrée and the Entrée-Ivanhoe Joint Venture as described below:

- the Entrée-Ivanhoe Joint Venture beneficially holds 39,864 hectares consisting of the eastern portion of Shivee Tolgoi and all of Javhlant (“**Joint Venture Property**”) and is governed by a joint venture agreement between Entrée and Oyu Tolgoi LLC. The Joint Venture Property is contiguous with, and on three sides (to the north, east and south) surrounds, Ivanhoe Mines’ Oyu Tolgoi Project. The Joint Venture Property hosts the Hugo North Extension Deposit and the Heruga Deposit. Ivanhoe Mines is the project manager; and
- Lookout Hill West covers an area of 139,726 hectares and includes the western portion of Shivee Tolgoi which is not subject to the Entrée-Ivanhoe Joint Venture (Shivee West) and all of Togoot.

The illustration below depicts the different areas of Lookout Hill.



Entrée-Ivanhoe Joint Venture

By expending over US\$35 million in exploration and development, Ivanhoe Mines has earned an 80% interest in minerals deeper than 560 metres extracted from below the surface on the Joint Venture Property and a 70% interest in minerals above that elevation. Entrée can elect to be carried to production by Ivanhoe Mines through debt financing at prime +2% (set by the Royal Bank of Canada) with its share of development costs repaid from 90% of future production cash flow. This stipulation limits dilution of Entrée's interest as the project progresses.

On 6 October 2009, Ivanhoe Mines, Oyu Tolgoi LLC and Rio Tinto International Holdings Ltd. signed an investment agreement with the Mongolian government ("**Investment Agreement**"). 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 Project. 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-Ivanhoe Joint Venture.

The conditions precedent to the Investment Agreement were satisfied within six months of the signing of the Investment Agreement, as was required, and the achievement of this milestone was announced on 31 March 2010 by Rio Tinto and Ivanhoe Mines.

The Investment Agreement specifies that Ivanhoe Mine's Oyu Tolgoi licences and Ivanhoe's interest in the Entrée-Ivanhoe Joint Venture Property, as specified in the contract area, will be held by Oyu Tolgoi LLC, a Mongolian subsidiary company that will be owned 34% by the Mongolian government and 66% by Ivanhoe Mines. Entrée is not presently a party to the Investment Agreement, however, under the terms of an Equity Participation and Earn-in Agreement dated 15 October 2004 between Ivanhoe Mines

and Entrée, Ivanhoe Mines has agreed 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.

Ivanhoe Mines is preparing an updated Integrated Development Plan that is expected to provide a projected timeline and work program related to the construction and completion of the Oyu Tolgoi mine and workings.

Entrée retains 100% of the mineral rights on Shivee West and all of Togoot, subject to a right of first refusal in favour of Ivanhoe Mines. The grant of the Shivee Tolgoi mining licence allows Entrée to continue to investigate the potential of Shivee West without facing imminent licence expiry. The expiry date of the Togoot exploration licence was 30 March 2010. Entrée submitted the mining licence application to MRAM prior to the licence expiry date, as required by law. The Minerals Resource Council (which reports to MRAM) has approved the resource estimate, but a mining licence has not yet been granted.

An exploration program to investigate the potential for discovery of new mineralised systems on Shivee West was approved in January 2010. The program includes 5,000 metres of drilling to test geophysical and soil geochemical targets within prospective Devonian rocks identified in earlier programs. Exploration was temporarily suspended in 2009, while the applications for conversion to mining licences were under consideration. Areas of Shivee West are geologically similar to the Devonian-aged setting of the Oyu Tolgoi deposits. In several very large porphyry copper-gold systems, such as those found in South America, mineralisation occurs along parallel structural trends and is comprised of numerous separate ore bodies. Strong geophysical signatures, in combination with copper-gold-molybdenum geochemical evidence, make Shivee West highly prospective.

Hugo North Extension Deposit

The Hugo North Extension Deposit contains copper–gold porphyry-style mineralisation associated with quartz monzodiorite intrusions, concealed beneath a deformed sequence of Upper Devonian and Lower Carboniferous sedimentary and volcanic rocks. The deposit is highly elongate to the north–northeast. It is the continuation northwards of the Hugo North Deposit on the adjacent, wholly-owned Ivanhoe Mines Oyu Tolgoi Project. Within the Lookout Hill Project the top of the mineralisation occurs between 900 metres and 1,200 metres below surface.

High grade mineralisation at the Hugo North Extension Deposit is associated with intense quartz veining of intrusive and volcanic host rocks. Copper minerals include chalcopyrite and bornite with higher bornite content being generally associated with higher gold grades.

The mineralisation within the Hugo North Extension Deposit as of 20 February 2007 is classified as Indicated Mineral Resource (CIM Definition) and Inferred Mineral Resource (CIM Definition). The total project Mineral Resources (CIM Definition) are shown in Table 6-1, and are reported at copper equivalent (“**CuEq**”) cut-off grades of above 0.6%. The CuEq grade was calculated using assumed metal prices of US\$1.35/lb for copper and US\$650/oz for gold and assuming gold recovery is 91% of copper recovery. Mineral Resources (CIM Definition) are not Mineral Reserves (CIM Definition) until they have demonstrated economic viability based on a feasibility study or pre-feasibility study.

Table 6-1: Hugo North Extension Mineral Resources (CIM Definition), Based on Drilling Completed to 01 November 2006 (0.6% CuEq Cut-off); Effective Date 20 February 2007

Category	Tonnage (t)	Cu (%)	Au (g/t)	CuEq (%)	Contained Metal		
					Cu ('000 lb)	Au (oz)	CuEq ('000 lb)
Indicated	117,000,000	1.80	0.61	2.19	4,643,000	2,290,000	5,649,000
Inferred	95,500,000	1.15	0.31	1.35	2,421,000	950,000	2,842,000

Notes: * Copper Equivalent (CuEq) grades have been calculated using assumed metal prices (US\$1.35/pound for copper and US\$650/ounce for gold). $CuEq = \%Cu + g/t Au * (18.98) / 29.76$. The equivalence formula was calculated assuming that gold was 91% of copper recovery. The contained gold and copper represent estimated contained metal in the ground and have not been adjusted for the metallurgical recoveries of gold and copper.

Subsequent to November 2006 one diamond drill hole was also completed by Ivanhoe Mines on the Ulaan Khud zone on Shivee Tolgoi without significant results.

Heruga Deposit

The Heruga Deposit within the Javhlant licence contains porphyry style copper–gold–molybdenum mineralisation 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 volcanoclastic sequences. The stratified rocks are intruded by quartz monzodiorite stocks and dykes that are probably broadly contemporaneous with mineralisation. The deposit is shallowest at the south end (approximately 500 metres below surface) and plunges gently to the north.

The alteration at Heruga is typical of porphyry deposits, with notably stronger potassic alteration at deeper levels. Locally intense quartz-sericite alteration with disseminated and vein pyrite is characteristic of mineralised quartz monzodiorite. Molybdenite mineralisation seems to spatially correlate with stronger quartz-sericite alteration. Copper sulphides occur at Heruga in both disseminations and veins/fractures. Mineralised veins have a much lower density at Heruga than in the more northerly Southern Oyu and Hugo Dummett deposits.

The Mineral Resources (CIM Definition) estimated within the Heruga Deposit as of 30 March 2010 are classified as Inferred Mineral Resources (CIM Definition), shown in Table 6-2, and are reported at copper equivalent cut-off grades of above 0.6%. The equivalent grade was calculated using assumed metal prices of US\$1.35/pound copper, US\$650/ounce gold and US\$10/lb molybdenum. The equivalence formula was calculated assuming that gold and molybdenum recovery was 91% and 72% of copper recovery respectively.

Table 6-2: Heruga Inferred Mineral Resources (CIM Definition), based on Drilling Completed to 21 June 2009; Effective Date 30 March 2010

Cut-off (CuEq%)	Tonnage ('000 t)	Cu (%)	Au (g/t)	Mo (ppm)	CuEq (%)	Contained Metal		
						Cu ('000 lb)	Au ('000 oz)	CuEq ('000 lb)
>1.50	30 000	0.57	1.86	124	1.83	360 000	2 000	1 150 000
>1.25	70 000	0.56	1.45	118	1.55	840 000	3 000	2 340 000
>1.00	190 000	0.57	0.96	155	1.26	2 370 000	6 000	5 260 000
>0.90	290 000	0.56	0.80	160	1.15	3 610 000	8 000	7 450 000

Cut-off (CuEq%)	Tonnage (‘000 t)	Cu (%)	Au (g/t)	Mo (ppm)	CuEq (%)	Contained Metal		
						Cu (‘000 lb)	Au (‘000 oz)	CuEq (‘000 lb)
>0.80	450 000	0.54	0.66	160	1.05	5 310 000	10 000	10 320 000
>0.70	660 000	0.51	0.56	151	0.95	7 390 000	12 000	13 780 000
>0.60	910 000	0.48	0.49	141	0.87	9 570 000	14 000	17 390 000
>0.50	1 210 000	0.44	0.44	130	0.79	11 780 000	17 000	21 060 000
>0.40	1 670 000	0.39	0.38	115	0.69	14 430 000	20 000	25 540 000
>0.30	2 180 000	0.35	0.33	102	0.61	16 730 000	23 000	29 470 000

Notes:

- Based on drilling completed as of 21 June 2009.
- CuEq was calculated using the formula $CuEq = \%Cu + ((g/t Au * 18.98) + (Mo * 0.01586)) / 29.76$.
- The contained gold, copper and molybdenum in the tables has not been adjusted for recovery.
- The 0.6% CuEq cut-off is highlighted as the base case resource for underground bulk mining.

In 2008, the project manager, Ivanhoe Mines, continued drilling the Heruga Deposit to better define mineralisation. To July 2008, Ivanhoe completed eight additional holes. Results from this drilling will be incorporated into an updated Mineral Resources (CIM Definition) estimate.

Lookout Hill West

The area contained within Lookout Hill West is underlain by Devonian and Carboniferous volcanic, volcanoclastic and sedimentary rocks, which in turn are overlain by a minor amount of Permian sedimentary rocks and Cretaceous sedimentary rocks mainly in the northwestern corner of Togoot. The Devonian sequence is intruded by weakly cupriferous diorite dykes of probable Devonian age; both Devonian and Carboniferous rocks are intruded by a number of granitoid plutons and related felsic dykes of Carboniferous age.

On Shivee West, the Devonian sequence defines a corridor between two granitoid plutons, and has similarities with the stratigraphic succession to the east at Oyu Tolgoi. To date, the stratigraphy underlying Togoot appears to be of dominantly Carboniferous age, although a small area of Upper Devonian volcanics may be present along the southern margin.

Exploration of Lookout Hill West since 2003 has consisted of geophysics, mapping, soil geochemistry, and both reverse circulation and diamond drilling. The work was aimed primarily at testing deep induced-polarisation geophysical anomalies believed to be associated with porphyry copper mineralisation in the Devonian corridor and at epithermal precious metals mineralisation in Devonian and Carboniferous rocks of Shivee West, and at outcropping copper mineralisation (Bayan-ovoo) and an area of intense epithermal style hydrothermal alteration (Ring Dyke) on Togoot.

In 2008, several new coal targets were discovered in the northwest portion of Togoot. These targets lie within stratigraphy believed to be of Permian age and similar to that hosting the large Tavaan Tolgoi coal deposit located 70 kilometres northwest. The prospective area comprises some 38.5 square kilometres. During 2008, a total of 40 holes totaling 4,979 metres were completed on three separate targets. Twelve of the forty holes were abandoned due to difficult drilling conditions.

The main target, Nomkhon Bohr, is a near-surface discovery in a complex geological environment. Although the zone does not crop out on surface, it has been traced by

drilling and trenching over a strike length of 1,300 metres. Analyses to date indicate that the Nomkhon Bohr coal is predominantly low-to medium-volatile bituminous in rank with some analyses indicating anthracite coal rank as determined by applying PARR formula. The coal is high in ash with variable sulphur. Coal-bearing horizons in drill holes can be up to 57 metres in apparent thickness; within these, multiple high-ash coal seams are usually present, ranging in apparent thickness from 0.2 metres to 4.45 metres. True thicknesses are uncertain due to possible repetition of the host stratigraphy.

The other two coal targets, Coking Flats and Khar Suul, are blind discoveries underlying Cretaceous conglomerates and sandstones which are up to 130 metres thick. Coal intercepts are narrower when compared to Nomkhon Bohr.

In-fill drilling continued at the Nomkhon Bohr coal deposit in 2009. Drill testing of other coal targets in the northwest corner of Togoot was also conducted. A resource report is being prepared by Mongolian consultants in collaboration with Entrée's technical team in preparation for submission of an application to convert all or part of Togoot to a mining licence.

(c) Lordsburg Project, Arizona, USA

In July 2007, Entrée entered into an agreement with Empirical Discovery LLC ("**Empirical**") to explore for and develop porphyry copper targets in south-eastern Arizona and adjoining south-western New Mexico. Under the terms of the agreement, Entrée has the option to acquire an 80% interest in any of the properties by incurring exploration expenditures totalling a minimum of US\$1.9 million and issuing 300,000 Entrée Shares within five years of the anniversary of TSX acceptance of the agreement on 9 August 2007. If Entrée exercises its option, Empirical may elect within 90 days to retain a 20% participating interest or convert to a 2% net smelter return ("**NSR**") royalty, half of which may be purchased for US\$2 million.

The principals of Empirical have extensive experience in exploration for copper porphyries in the Americas, as well as access to proprietary geophysical interpretation techniques of particular application to large regional datasets. These techniques have been modelled using a number of known deposits, and the criteria developed have been used to identify buried targets from the regional database. Initial targeting resulted in applications for eleven mineral exploration permits in south-eastern Arizona and New Mexico totalling approximately 8.5 square miles (22 square kilometres).

In 2008, geophysical (IP and AMT), geological and geochemical surveys were completed on the Gold Hill, Duncan and Ash Peak porphyry copper targets in Arizona and New Mexico. Drill testing two of the three targets was undertaken in 2009 but no significant mineralisation was found and all three projects were dropped.

Entrée completed geophysical (IP and AMT), geological and geochemical surveys over the Lordsburg target in the first half of 2008 to test for buried porphyry-style mineralisation. Based on results from these surveys, four widely spaced diamond drill holes totalling 2,563 metres (8,405 feet) were completed to test the principal targets. Hole EGL-08-002 intersected 310 metres of 0.14% copper and 0.08 g/t gold with intervals of higher grade mineralisation up to 0.33% copper and 0.26 g/t gold. Complete results for EG-L-08-002 are listed in a news release dated 15 January 2009. No significant assays were returned for holes EG-L-001, EG-L-003 and EG-L-004.

Six additional drill holes were completed in 2009 and continued to successfully expand the mineralised zone. Significant copper and gold intervals were intersected in four of the six drill holes. One hole in particular, EG-L-09-012, returned potentially economic grades of 0.25% copper and 0.15 g/t gold (0.35% copper equivalent) over 94 metres. Furthermore, this same interval hosts a higher grade zone of 60 metres averaging 0.31% copper and 0.21 g/t gold (0.44% copper equivalent).

The Lordsburg project lies in an area of known copper porphyry deposits, several of which are past or current producers. Freeport-MacMoRan's Safford, Tyrone and Morenci open-pit copper deposits are producing through SX/EW extraction methods from ore averaging 0.35%, 0.29% and 0.28% copper respectively.

Entrée is currently applying for additional drill permits for the 2010 field season. Any additional drilling will be directed towards expanding the existing drill defined copper and gold zone.

In January 2008, Entrée entered into a second agreement with Empirical to explore for and test porphyry copper targets in a specified area near Bisbee, Arizona. Bisbee is located within a copper district that produced over 8 billion pounds of copper and 3 million ounces of gold in the last century. Entrée intends to use the proprietary geophysical interpretation techniques developed by the principals of Empirical to locate buried porphyry targets. The area of interest covers over 10,800 acres (4,370 hectares). Under the terms of the agreement, Entrée has the option to acquire an 80% interest in any of the properties by incurring exploration expenditures totalling a minimum of US\$1.9 million and issuing 150,000 Entrée Shares within five years of the anniversary of TSX acceptance of the agreement. If Entrée exercises its option, 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 for US\$2 million. An approximately nine line-kilometres test AMT survey budgeted at US\$43,000 was completed in February 2009. The results of the survey will help to define possible drill targets.

(d) Huaixi Project, Zhejiang Province, People's Republic of China

In November 2007, Entrée entered into an agreement with the Zhejiang No. 11 Geological Brigade to explore for copper within three prospective contiguous exploration licences, totaling approximately 61 square kilometres in Pingyang County, Zhejiang Province, People's Republic of China. Entrée has agreed to spend US\$3 million to fund exploration activities on the licences (collectively known as "Huaixi") over a four year period. After Entrée has expended US\$3 million, Entrée will have earned a 78% interest and Zhejiang No. 11 Geological Brigade will hold a 22% interest in the project. The licences cover a large area of silicification and advanced argillic alteration with peripheral, small scale, past-producing copper and pyrite mines. As the area has not been extensively drill-tested to depth or explored using deep-penetrating geophysical techniques, it is believed to offer excellent potential for buried copper deposits. In addition, the geology of the Huaixi area shows similarities to that of high-level systems associated with a number of porphyry copper deposits elsewhere in the world.

In late 2008, Entrée completed a property-wide stream sediment survey and a grid-controlled soil geochemical survey over selected areas of the Huaixi property. The surveys highlighted a seven kilometre long, northwest-trending structural corridor with a strong, multi-element porphyry signature. A six hole, 2,660 metre drill program to test geochemical and geophysical anomalies commenced early in November 2009 and was completed in January 2010.

Base metal mineralization was intersected in two of the six holes and defines a broad 200 metre wide, probable northwest-trending zone, with variable Cu-Pb-Zn±Ag±Au mineralisation within altered felsic volcanic rocks. Best results in HX-09-005 include: 7 m averaging 0.15% Cu and 5.6 g/t Ag including 1 m of 0.12% Cu, 33.9 g/t Ag and 0.42 g/t Au and best results in HX-09-003 include: 1 m of 0.40% Cu, 19 g/t Ag and 0.05 g/t Au, and 2.9 m of 0.01% Cu, 3.5 g/t Ag, 0.01 g/t Au and 0.21% Pb+Zn. Other drill holes intersected scattered porphyry-style copper mineralization with weak metal values.

(e) Roulette and Blackjack Properties, Nevada, USA

In August 2009 and September 2009, Entrée signed option agreements in respect of the Blackjack and Roulette properties: two large contiguous properties in the historic Yerington porphyry copper district. Entrée's strategy was to begin the acquisition of and eventual consolidation of key porphyry copper targets in this under-explored area. Exploration and drill programs for these properties have been planned for 2010.

Under the terms of an option agreement with HoneyBadger, Entrée may acquire up to an 80% interest in the Blackjack Property and certain other non-contiguous properties. The Blackjack Property consists of 484 claims covering almost 10,000 acres (4,000 hectares) of prospective ground centered about eight miles (13 kilometres) west of the town of Yerington, Nevada. Entrée may exercise its first option to acquire 51% after incurring minimum expenditures of US\$900,000 in the first year of exploration and issuing 37,500 Entrée Shares and reimbursing HoneyBadger for up to \$206,250 of expenditures previously incurred on the property. If results from the initial exploration program are encouraging, Entrée may increase its interest by a further 29% (to 80% in total) by making payments of US\$375,000 and issuing 375,000 Entrée Shares within three years. Entrée has committed to carry HoneyBadger through the completion of 10,000 metres of drilling, including any done within the first year.

In September 2009, Entrée entered into an option agreement with Bronco Creek, a private exploration company subsequently purchased by Eurasian Minerals Inc., to acquire the Roulette Property. The Roulette Property adjoins and is directly south of the Blackjack Property and consists of 214 claims covering over 1,760 hectares (4,350 acres). Under the terms of the agreement with Bronco Creek, Entrée may acquire an 80% interest in the Roulette Property by incurring expenditures of US\$1,000,000, making cash payments of US\$140,000 and issuing 85,000 Entrée Shares within three years. The minimum expenditure required in the first year is US\$300,000, along with cash payments totaling US\$90,000 and issuance of 72,500 Entrée Shares.

(f) Crystal Property, British Columbia, Canada

Entrée reached an agreement with Taiga Consultants Ltd. in September 2009 to acquire the Crystal Property, located approximately 120 kilometres west-southwest of Prince George, British Columbia. The Crystal Property comprises fourteen contiguous claims covering almost 6,450 hectares. Entrée may acquire a 100% interest, subject to a 1% NSR royalty, in the Crystal Property after completing US\$500,000 in exploration expenditures by 31 December 2010. The Crystal Property is an early stage molybdenum-copper property that covers a sizeable, strong copper and molybdenum lake sediment geochemical anomaly. The anomaly lies in a region of known molybdenum deposits, including Thompson Creek's Endako Mine. A short prospecting and sampling program was completed in October 2009 however, work was restricted due to very limited outcrop.

6.3 FINANCIAL PERFORMANCE

(a) Introduction

Entrée is a resident of Canada for tax purposes and prepares its annual report in accordance with US GAAP, and presents its financial information in US\$. The Canadian dollar is the functional currency of all entities within Entrée and its subsidiaries, however for Canadian statutory reporting the financial information is presented in US\$. For the purposes of inclusion in this Scheme Booklet, pro forma historical financial information has been prepared which:

- restates Entrée's statutory financial information into A\$;

- reclassifies it in a format consistent with the presentation used by PacMag; and
- makes accounting policy adjustments to Entrée’s statutory financial information to conform to the policies adopted by PacMag where the impact of any differences was identified as potentially material and could be reasonably estimated.

Section 6 contains the following Entrée pro forma historical financial information:

- A\$ pro forma consolidated balance sheet at 30 September 2009 (Table 6A);
- A\$ pro forma consolidated balance sheet at 31 December 2008 (Table 6B);
- US\$ pro forma consolidated balance sheets at 30 September 2009 and 31 December 2008 (Table 6C);
- A\$ pro forma consolidated statement of operations and comprehensive income for the nine months ended 30 September 2009 (Table 6D);
- A\$ pro forma consolidated statement of operations and comprehensive income for the year ended 31 December 2008 (Table 6E);
- A\$ pro forma consolidated statement of operations and comprehensive income for the year ended 31 December 2007 (Table 6F);
- US\$ pro forma consolidated statements of operations and comprehensive income for the nine months ended 30 September 2009 and for the years ended 31 December 2008 and 2007 (Table 6G); and
- A\$ and US\$ pro forma consolidated statements of cash flows for the nine months ended 30 September 2009 and for the years ended 31 December 2008 and 2007 (Table 6H),

(“Entrée Pro Forma Historical Financial Information”).

(b) Basis of preparation

The Entrée Pro Forma Historical Financial Information has been extracted from the financial statements contained in the audited annual reports of Entrée for the two years ended 31 December 2007 and 31 December 2008 and the unaudited interim financial statements of Entrée for the nine month period ended 30 September 2009. Entrée’s annual reports for the two years ended 31 December 2007 and 2008, and the interim report for the nine months ended 30 September 2009 were audited and reviewed respectively in accordance with Public Company Accounting Oversight Board (i.e. PCAOB) auditing requirements.

The Entrée Pro Forma Historical Financial Information is set out in abbreviated form and does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of Entrée as the full consolidated financial statements. Copies of Entrée’s 2007 and 2008 annual reports, including the consolidated financial statements and independent auditor’s reports, are available on Entrée’s website www.entreegold.com. A copy of Entrée’s Interim Report for the period ended 30 September 2009, including the consolidated interim financial statements is also available on Entrée’s website. Information on Entrée’s website does not constitute a part of this Scheme Booklet and should not be considered in deciding how to vote on a Scheme.

Entrée Pro Forma Adjustments (Note 1)

The following pro forma adjustments (“**Entrée Pro Forma Adjustments**”) have been made to the balance sheets, statements of operations and deficit and statements of cash flow of Entrée.

Conversion to an A\$ presentation currency

Conversion to an A\$ presentation currency has been made on the following basis:

- items of income and expense and cash inflows and cash outflows have been converted based on the average exchange rate for the relevant period;
- assets and liabilities have been converted based on the closing exchange rates at 31 December 2008 and 30 September 2009; and
- equity cumulatively in Australian dollars with each equity transaction converted at the prevailing average rate for the period in which the transaction occurred.

The exchange differences arising on the translation were taken directly to a foreign currency translation reserve, included within shareholders’ equity.

Reclassifications to conform to the financial statement presentation used by PacMag

Reclassifications to conform to the financial statement presentation used by PacMag including reclassification of:

- separate equity reserve accounts to a single equity reserve account;
- share based compensation expense from functional allocations to a single line item being share based compensation;
- employee benefit expenses from functional allocations to a single line item being employee benefits expenses; and
- interest income reclassified to revenue.

Accounting policy adjustment

PacMag’s historical information was prepared in accordance with AIFRS, which differs in certain material respects from Entree’s US GAAP accounting policies. In preparing the Entree Pro Forma Historical Financial Information, a review was undertaken to identify Entrée and PacMag accounting policy differences where the impact was potentially material and could be reasonably estimated. These differences form the basis for the accounting policy adjustments explained below. Further accounting policy differences may be identified after the implementation of the Schemes.

The only significant accounting policy difference noted was that relating to exploration expenditure.

Under its US GAAP accounting policy Entrée expenses all exploration costs as incurred. In contrast, PacMag capitalises all exploration costs related to a specific area of interest as incurred when either;

- such costs are expected to be recouped through successful development and exploitation or sale of the area; or
- exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in or relating to, the area are continuing.

On application of PacMag's accounting policy to Entrée's financial statements exploration costs previously expensed by Entrée are required to be capitalised where they meet the previously outlined criteria. Accordingly, A\$57.5 million and A\$53.9 million previously expensed exploration costs by Entree has been recognised in the balance sheets at 30 September 2009 and 31 December 2008 respectively with a corresponding net decrease to accumulated losses and reserves. Exploration charges of A\$9.7 million, A\$12.4 million and A\$7.3 million were reversed from expenditures and capitalised for the nine months ended 30 September 2009 and for the years ended 31 December 2008 and 2007 respectively. Further exploration charges of A\$0.08 million and A\$0.4 million incurred by the entity in which Entrée holds an equity accounted investment were also reversed from expenditures and capitalised for the nine months ended 30 September 2009 and for the year ended 31 December 2008 respectively.

On application of PacMag's exploration accounting policy to the exploration costs previously expensed by Entrée, consideration was also given to whether any of the costs should have been written off in the income periods presented or at a previous date on application of PacMag's de-recognition criteria for capitalised exploration costs. PacMag's policy is to de-recognise previously capitalised exploration costs when the area of interest to which the capitalised costs were associated is abandoned. Costs are written off in the period the decision to abandon is made. On application of this policy by Entrée A\$0.3 million, A\$1.6 million, and A\$5.7 million of previously capitalised exploration costs were written off for the nine months ended 30 September 2009 and for the years ended 31 December 2008 and 2007 respectively. The adjustments to the 30 September 2009 balance sheet and accumulated losses of Entrée were recorded net of exploration costs written off on application of this policy.

Entree Subsequent Event (Note 2)

The Togoot exploration license was issued on 30 March 2001 and expired on 30 March 2010 unless converted to a mining license. Subsequent to 30 September 2009, the Company submitted an application to convert the Togoot exploration licence to a mining licence and is awaiting approval of the resource registration by the Minerals Council. In the event no mining license is granted, Entree would record an impairment charge of approximately A\$19.4 million being the carrying value of this project.

ENTRÉE GOLD INC.
PRO FORMA BALANCE SHEET
SEPTEMBER 30 2009

TABLE 6A

	US GAAP (US\$ thousand) (Unaudited)	US GAAP (A\$ thousand) (Unaudited)	Reclassifications (A\$ thousand) (Unaudited)	Accounting Policy Adjustments (A\$ thousand) (Unaudited)	Note	AIFRS (A\$ thousand) (Unaudited)
ASSETS						
Current						
Cash and cash equivalents	41,671	47,227	-	-		47,227
Receivables	230	260	-	-		260
Prepaid expenses	434	492	-	-		492
Total current assets	42,335	47,979	-	-		47,979
Investments	2,028	2,298	-	-		2,298
Mineral property interest	130	147	-	57,493	1	57,640
Equipment	748	849	-	-		849
Total assets	45,241	51,273	-	57,493		108,766
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current						
Accounts payable and accrued liabilities	605	686	-	-		686
Loans payable to Ivanhoe Mines	457	519	-	-		519
Total liabilities	1,062	1,205	-	-		1,205
Stockholders' equity						
Common stock	113,126	139,720	-	-		139,720
Additional paid-in capital	14,670	18,670	(18,670)	-		-
Accumulated other comprehensive income:						
Unrealised gain on available for sale securities	476	611	(611)	-		-
Foreign currency cumulative translation adjustment	(1,512)	(1,196)	1,196	-		-
Reserves	-	-	18,085	(2,618)	1	15,467
Accumulated deficit during the exploration stage	(82,581)	(107,737)	-	60,111	1	(47,626)
Total stockholders' equity	44,179	50,068	-	57,493		107,561
Total liabilities and stockholders' equity	45,241	51,273	-	-		108,766

ENTRÉE GOLD INC.
PRO FORMA BALANCE SHEET
DECEMBER 31 2008

TABLE 6B

	US GAAP (US\$ thousand) (Unaudited)	US GAAP (A\$ thousand) (Unaudited)	Reclassifications (A\$ thousand) (Unaudited)	Accounting Policy Adjustments (A\$ thousand) (Unaudited)	Note	AIFRS (A\$ thousand) (Unaudited)
ASSETS						
Current						
Cash and cash equivalents	45,213	64,759	-	-		64,759
Receivables	622	891	-	-		891
Prepaid expenses	269	385	-	-		385
Total current assets	46,104	66,035	-	-		66,035
Investments	1,330	1,905	-	-		1,905
Mineral property interest	-	-	-	53,899	1	53,899
Equipment	672	963	-	-		963
Total assets	48,106	68,903	-	53,899		122,802
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current						
Accounts payable and accrued liabilities	943	1,351	-	-		1,351
Loans payable to Ivanhoe Mines	326	467	-	-		467
Total liabilities	1,269	1,818	-	-		1,818
Stockholders' equity						
Common stock	111,994	138,295	-	-		138,295
Additional paid-in capital	13,773	17,240	(17,240)	-		-
Accumulated other comprehensive income:						
Unrealised gain on available for sale securities	-	-	-	-		-
Foreign currency cumulative translation adjustment	(7,411)	4,414	(4,414)	-		-
Reserves	-	-	21,654	3,287	1	24,941
Accumulated deficit during the exploration stage	(71,519)	(92,864)	-	50,612	1	(42,252)
Total stockholders' equity	46,837	67,085	-	53,899		120,984
Total liabilities and stockholders' equity	48,106	68,903	-	53,899		122,802

ENTRÉE GOLD INC.
PRO FORMA BALANCE SHEETS

TABLE 6C

	September 30 2009 AIFRS (US\$ thousand) (Unaudited)	December 31 2008 AIFRS (US\$ thousand) (Unaudited)
ASSETS		
Current		
Cash and cash equivalents	41,671	45,213
Receivables	230	622
Prepaid expenses	434	269
Total current assets	42,335	46,104
Investments	2,028	1,330
Mineral property interest	50,209	37,688
Equipment	748	672
Total assets	95,320	85,794
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	605	943
Loans payable to Ivanhoe Mines	457	326
Total liabilities	1,062	1,269
Stockholders' equity		
Common stock	113,126	111,994
Reserves	18,721	6,154
Accumulated deficit during the exploration stage	(37,589)	(33,623)
Total stockholders' equity	94,258	84,525
Total liabilities and stockholders' equity	95,320	85,794

ENTRÉE GOLD INC.
PRO FORMA STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

TABLE 6D

	9 Months Ended September 30 2009				
	US GAAP (US\$ thousand) (Unaudited)	US GAAP (A\$ thousand) (Unaudited)	Reclassifications (A\$ thousand) (Unaudited)	Accounting Policy Adjustments (A\$ thousand) Note	AIFRS (A\$ thousand) (Unaudited)
Revenue					
Revenue from continuing operations	-	-	481	-	481
	-	-	481	-	481
Expenses					
Administration Expenses	(1,909)	(2,559)	984	-	(1,575)
Legal	(247)	(330)	-	-	(330)
Management fees	(1,101)	(1,660)	1,660	-	-
Investor relations	(496)	(666)	189	-	(477)
Employee benefit expenses	-	-	(1,212)	-	(1,212)
Stock based compensation	-	-	(1,621)	-	(1,621)
Exploration expenditure incurred	(7,579)	(10,057)	-	9,719	1 (338)
Impairment on exploration expenditures	-	-	-	(301)	1 (301)
Interest income	335	481	(481)	-	-
Loss from equity investee	(65)	(81)	-	81	1 -
	(11,062)	(14,872)	(481)	9,499	(5,854)
Net profit/(loss) for the period	(11,062)	(14,872)	-	9,499	(5,373)
Comprehensive income (loss)					
Net profit/(loss) for the period	(11,062)	(14,872)	-	9,499	(5,373)
Unrealised gain on available for sale securities	476	611	-	-	611
Foreign currency translation adjustment	5,899	(5,611)	-	(5,902)	(11,513)
Comprehensive income (loss)	(4,687)	(19,872)	-	3,597	(16,275)

ENTRÉE GOLD INC.
PRO FORMA STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

TABLE 6E

	Year Ended December 31 2008				
	US GAAP (US\$ thousand) (Unaudited)	US GAAP (A\$ thousand) (Unaudited)	Reclassifications (A\$ thousand) (Unaudited)	Accounting Policy Adjustments (A\$ thousand) Note	AIFRS (A\$ thousand) (Unaudited)
Revenue					
Revenue from continuing operations	-	-	2,290	-	2,290
	-	-	2,290	-	2,290
Expenses					
Administration Expenses	(2,884)	(3,349)	1,922	-	(1,427)
Impairment loss on Available for sale assets	(1,334)	(1,490)	-	-	(1,490)
Legal	(458)	(529)	-	-	(529)
Management fees	(2,693)	(2,947)	2,947	-	-
Investor relations	(734)	(868)	194	-	(674)
Employee benefit expenses	-	-	(1,710)	-	(1,710)
Stock based compensation	-	-	(3,353)	-	(3,353)
Exploration expenditure incurred	(10,241)	(12,839)	-	12,431	1 (408)
Impairment on exploration expenditures	-	-	-	(1,634)	1 (1,634)
Interest income	1,981	2,290	(2,290)	-	-
Loss from equity investee	(367)	(428)	-	428	1 -
	(16,730)	(20,160)	(2,290)	11,225	(11,225)
Net profit/(loss) for the period	(16,730)	(20,160)	-	11,225	(8,935)
Comprehensive income (loss)					
Net profit/(loss) for the period	(16,730)	(20,160)	-	11,225	(8,935)
Foreign currency translation adjustment	(12,483)	776	-	999	1,775
Comprehensive income (loss)	(29,213)	(19,384)	-	12,224	(7,160)

PRO FORMA STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

	Year Ended December 31 2007					
	US GAAP	US GAAP	Reclassifications	Accounting Policy		
	(US\$ thousand)	(A\$ thousand)		Adjustments	AIFRS	
	(Unaudited)	(Unaudited)	(A\$ thousand)	(A\$ thousand)	(A\$ thousand)	
		(Unaudited)		Note	(Unaudited)	
Revenue						
Revenue from continuing operations	-	-	1,276	-	1,276	
	-	-	1,276	-	1,276	
Expenses						
Administration Expenses	(3,604)	(4,266)	1,511	-	(2,755)	
Impairment loss on Available for sale assets	(998)	(1,157)	-	-	(1,157)	
Legal	(260)	(308)	-	-	(308)	
Management fees	(740)	(872)	872	-	-	
Investor relations	(803)	(961)	137	-	(824)	
Employee benefit expenses	-	-	(1,229)	-	(1,229)	
Stock based compensation	-	-	(1,291)	-	(1,291)	
Exploration expenditure incurred	(6,519)	(7,739)	-	7,325	1	(414)
Impairment on exploration expenditures	-	-	-	(5,664)	1	(5,664)
Interest income	1,091	1,276	(1,276)	-	-	
	(11,833)	(14,027)	(1,276)	1,661	(13,642)	
Net profit/(loss) for the period	(11,833)	(14,027)	-	1,661	(12,366)	
Comprehensive income (loss)						
Net profit/(loss) for the period	(11,833)	(14,027)	-	1,661	(12,366)	
Foreign currency translation adjustment	3,540	2,334	-	2,482	4,816	
Comprehensive income (loss)	(8,293)	(11,693)	-	4,143	(7,550)	

PRO FORMA STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	September 30,	December 31,	December 31,
	2009	2008	2007
	AIFRS	AIFRS	AIFRS
	(US\$ thousand)	(US\$ thousand)	(US\$ thousand)
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue			
Revenue from continuing operations	335	1,981	1,091
	335	1,981	1,091
Expenses			
Administration Expenses	(1,245)	(1,124)	(2,240)
Legal	(247)	(1,334)	(998)
Management fees	-	(458)	(260)
Investor relations	(377)	-	-
Employee benefit expenses	(958)	(531)	(670)
Stock based compensation	(1,281)	(1,347)	(999)
Exploration expenditure incurred	(267)	(2,641)	(1,049)
Impairment on exploration expenditures	(238)	(321)	(337)
Interest income	-	(1,288)	(4,604)
	(4,613)	(9,044)	(11,157)
Net profit/(loss) for the period	(4,278)	(7,063)	(10,066)
Comprehensive income (loss)			
Net profit/(loss) for the period	(4,278)	(7,063)	(10,066)
Unrealised gain on available for sale securities	476	-	-
Foreign currency translation adjustment	10,551	(21,199)	10,459
Comprehensive income (loss)	6,749	(21,199)	393

PRO FORMA STATEMENTS OF CASH FLOWS

	Nine Months Ended	Nine Months Ended	Year Ended	Year Ended	Year Ended	Year Ended
	September 30, 2009	September 30, 2009	December 31, 2008	December 31, 2008	December 31, 2007	December 31, 2007
	AIFRS	AIFRS	AIFRS	AIFRS	AIFRS	AIFRS
	(A\$ thousand)	(US\$ thousand)	(A\$ thousand)	(US\$ thousand)	(A\$ thousand)	(US\$ thousand)
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments to suppliers and employees	(3,676)	(2,888)	(3,861)	(3,039)	(5,045)	(3,972)
Interest received	686	539	2,149	1,691	1,440	1,134
Net cash used in operating activities	(2,990)	(2,349)	(1,712)	(1,348)	(3,605)	(2,838)
CASH FLOWS FROM INVESTING ACTIVITIES						
Exploration cost capitalised	(9,456)	(7,429)	(11,681)	(9,195)	(7,852)	(6,181)
Acquisition of plant and equipment	(129)	(101)	(315)	(248)	(88)	(69)
Purchase of commercial paper	-	-	-	-	(4,665)	(3,672)
Net cash provided (used in) investing activities	(9,585)	(7,530)	(11,996)	(9,443)	(12,605)	(9,922)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issues of equity securities	677	532	1,009	795	74,610	64,760
Cost of issues of equity securities	-	-	(8)	(6)	(2,274)	(1,790)
	677	532	1,001	789	72,336	62,970
Effect of foreign currency translation on cash and cash equivalents	(5,634)	5,805	987	(11,891)	2,267	2,651
Change in cash and cash equivalents during the period	(17,532)	(3,542)	(11,720)	(21,893)	58,393	52,861
Cash and cash equivalents, beginning of period	64,759	45,213	76,479	67,106	18,086	14,245
Cash and cash equivalents, end of period	47,227	41,671	64,759	45,213	76,479	67,106

6.4 ENTRÉE BOARD

Non-Executive Chairman: James L. Harris

Mr. Harris has been a director of Entrée since 29 January 2003 and was appointed non-executive Chairman on 15 March 2006. Mr. Harris is a corporate, securities and business lawyer with over 25 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 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.

Executive Directors: Gregory G. Crowe

Mr. Crowe has been a director and President of Entrée since 3 July 2002 and has been Chief Executive Officer of Entrée since 16 July 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 Entrée Mr. Crowe held various positions with Acrex Ventures Ltd., Azimuth Geological Inc. and Yuma Copper Corp. Mr. Crowe obtained a Bachelor of Science degree from Carlton University and a Master of Science degree from the University of Calgary. Mr. Crowe is a member of the Association of Professional Engineers and Geoscientists of British Columbia.

Lindsay R. Bottomer

Mr. Bottomer has been a director of Entrée since 28 June 2002 and became Vice-President, Corporate Development on 16 October 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 20 years based in Vancouver, BC. He was formerly President and Chief Executive Officer of Silver Quest Resources Ltd. Mr. Bottomer has also held various positions with IMA Exploration Inc., Echo Bay Mines Ltd., and Prime Equities International. 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.

Independent Non-Executive Directors:

Mark H. Bailey

Mr. Bailey has been a director of Entrée since 28 June 2002. Mr. Bailey is an exploration geologist with more than 27 years of industry experience. Since 1995, he has been the President and Chief Executive Officer of Minefinders Corporation Ltd., a precious metals mining company whose shares are listed for trading on the TSX and the NYSE Amex. Before joining Minefinders, Mr. Bailey held senior positions with Equinox Resources Inc. and Exxon Minerals.

Rt. Hon. Michael Howard

Mr. Howard has been a director of Entrée since 16 May 2007 and was appointed non-executive Deputy Chairman on the same day. Mr. Howard, the former leader of the Conservative Party in Britain and a distinguished lawyer, has filled many government posts, including Home Secretary, Secretary of State for Employment and Secretary of State for the Environment. Since leaving office he was Shadow Foreign Secretary and then Shadow Chancellor. He retires as a Member of the British Parliament at the next election.

Peter G. Meredith

Mr. Meredith has been a director of Entrée since 24 November 2004. He was nominated by Ivanhoe Mines Ltd. as its representative on Entrée's Board, as per the terms of an Equity Participation and Earn-in Agreement effective 9 November 2004, between Entrée and Ivanhoe Mines Ltd. Mr. Meredith is Ivanhoe Mines' deputy chairman, overseeing its business development and corporate relations. Prior to joining Ivanhoe Mines, Mr. Meredith, a Chartered Accountant and a Certified Management Accountant, was a partner and director of Deloitte & Touche. Mr. Meredith has over 35 years of experience as a business advisor, specialising in regulatory compliance and corporate finance. He is also a member of the Canadian Institute of Chartered Accountants.

6.5 ENTRÉE OFFICERS

Chief Executive Officer: Gregory G. Crowe

Please see Mr. Crowe's biography under section 6.4, above.

Chief Financial Officer: Hamish Malkin

Mr. Malkin has been Chief Financial Officer of Entrée since 16 July 2003. Mr. Malkin is a Chartered Accountant and a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of British Columbia. Prior to joining Entrée, Mr. Malkin held senior financial positions in the mining, entertainment and commercial real estate industries.

Vice President, Business Development:	Lindsay R. Bottomer Please see Mr. Bottomer's biography under section 6.4, above.
Vice President, Exploration:	Robert Cann Mr. Cann has been Entrée's Exploration Manager since July 2002 and was appointed to the position of Vice-President, Exploration on 11 August 2005. He has extensive experience in project management, geological consulting and office management. Prior to joining Entrée, Mr. Cann was Exploration Manager for Spokane/Sand River Resources in Chihuahua, Mexico, from 1999 to 2000 and from 1995 through 1999, Mr. Cann worked as an independent consulting geologist for various companies. 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 – P. Geo., the Canadian Institute of Mining and Metallurgy and the Society of Economic Geologists.
Vice President, Corporate Affairs:	Mona Forster Ms. Forster joined Entrée as Business Manager in October 2003, was appointed Corporate Secretary in May 2006 and appointed Vice President on 28 November 2007. 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 Vice-Chair of the Association for Mineral Exploration British Columbia and 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 British Columbia.

6.6 ENTRÉE CAPITAL STRUCTURE

(a) Capital Structure

As at the date of this Scheme Booklet, Entrée has only one class of shares on issue, being common shares without par value (i.e. Entrée Shares). Entrée is authorised to issue an unlimited number of Entrée Shares.

As at the date of this Scheme Booklet, Entrée has on issue:

- (i) 97,778,114 Entrée Shares; and
- (ii) 10,219,032 Entrée Options.

(b) Substantial Shareholders

To the best of Entrée's knowledge as at the date of this Scheme Booklet, based on filings on the System for Electronic Disclosure by Insiders ("SEDI") at www.sedi.com and Schedule 13G filings on EDGAR in the United States, the following persons hold at least 5% of the total number of issued Entrée Shares.

Shareholder	Number of Entrée Shares	Percentage Held (%)
Ivanhoe Mines Ltd.	13,799,333	14.1
Kennecott Canada Exploration Inc. (a subsidiary of Rio Tinto)	14,914,125	15.2
Caisse de depot de placement du Quebec	9,382,900	9.6

(c) Substantial Optionholders

As at the date of this Scheme Booklet and based on the Register of Entrée Optionholders, the following persons hold at least 5% of the total number of issued Entrée Options.

Optionholder	Number of Entrée Options	Percentage Held (%)
Gregory Crowe	1,110,000	10.86
James Harris	1,010,000	9.88
Michael Howard	1,010,000	9.88
Mark Bailey	980,000	9.59
Lindsay Bottomer	890,000	8.71
Peter Meredith	855,000	8.37
Robert Cann	715,000	7.0
Hamish Malkin	640,000	6.26
Mona Forster	603,700	5.91

(d) Market Information about Entrée Shares

The latest recorded sale price of Entrée Shares on the TSX before the public announcement of the proposed Merger at close of trading on 27 November 2009 was C\$2.60.

The latest recorded sale price of Entrée Shares on the TSX before the date on which this Scheme Booklet was lodged with ASIC was C\$2.94 on 12 March 2010].

During the three month period immediately preceding the date on which this Scheme Booklet was lodged with ASIC, the highest and lowest recorded sale prices of Entrée Shares on TSX were, respectively, C\$3.59 on 11 January 2010 and C\$2.35 on 11 December 2009.

(e) Rights Attaching to Entrée Shares

Each Entrée Share is entitled to one vote. All Entrée Shares rank equally as to dividends, voting power and participation in assets. No Entrée Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for

exchange, exercise, redemption and retraction, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to modification, amendments or variations of such rights or such provisions are contained in the British Columbia Business Corporations Act and Entrée's Articles.

(f) Rights Attaching to Entrée Options

Each Entrée Option is governed by Entrée's Stock Option Plan dated 17 April 2006, as amended ("**Entrée Option Plan**") and is exercisable in accordance with the terms of its issue and the Entrée Option Plan.

There are a maximum of 12,200,000 Entrée Shares reserved for issuance under the Entrée Option Plan, representing 12.50% of the issued and outstanding Entrée Shares as at the date of this Scheme Booklet. Options exercised pursuant to the Entrée Option Plan will become available again for future grant. Accordingly, the Entrée Option Plan constitutes an "evergreen" plan and must be reconfirmed by Entrée's Directors and disinterested Entrée Shareholders on or before 21 May 2011 and every three years thereafter in accordance with the policies of the TSX.

The Entrée Option Plan provides that Entrée Options may be granted to directors, officers, employees and consultants (as defined in National Instrument 45-106 – Prospectus and Registration Exemptions) of Entrée and any of its affiliates, and to consultant companies. The Entrée Option Plan provides that it is solely within the discretion of the Entrée Board to determine who should receive Entrée Options and in what amounts. The Entrée Board may issue a majority of the Entrée Options to insiders of Entrée.

The exercise price of an Entrée Option will be as set forth in the option certificate issued in respect of such option and in any event will not be less than the market value of the Entrée Shares as of the date of the award of the Entrée Option ("**Award Date**"). The market value of the Entrée Shares for a particular Award Date would typically be the closing trading price of the Entrée Shares on the last trading day immediately preceding the Award Date. Notwithstanding the foregoing, in no case will the market value be less than the minimum prescribed by the TSX as would apply to the Award Date in question.

The expiry date of each Entrée Option is fixed by the Entrée Board at the time it is awarded, provided that no Entrée Option may have a term of greater than ten years. Typically, the Entrée Board awards Entrée Options with five-year terms. Unless otherwise provided in the option certificate, in the event an Entrée Optionholder ceases to be a director, officer, employee or consultant of Entrée other than by reason of death, or other than as a result of an employee or consultant delivering insufficient notice of resignation, any vested Entrée Options will expire on the earlier of the expiry date fixed by the Entrée Board ("**Fixed Expiry Date**") and the 90th day following termination of his or her relationship with Entrée.

In the case of an employee or consultant that has delivered insufficient notice of resignation, the employee's or consultant's vested Entrée Options will expire on the earlier of the Fixed Expiry Date and the 7th day following termination of his or her relationship with Entrée. Vested Entrée Options will expire immediately in the event a relationship with a director, officer, employee or agent is terminated for cause. In the event of the death of an Entrée Optionholder, any vested Entrée Options will expire six months after the date of death, or on the Fixed Expiry Date, whichever is earlier. Unvested Entrée Options will expire immediately upon the termination of the Entrée Optionholder's relationship with Entrée.

Rather than exercise an Entrée Option in the normal course, an Entrée Optionholder may elect to terminate an Entrée Option, in whole or in part and, in lieu of receiving Entrée Shares to which the terminated Entrée Option relates ("**Designated Shares**"),

receive the number of Entrée Shares, disregarding fractions, which, when multiplied by the weighted average trading price of the Entrée Shares on the TSX during the five trading days immediately preceding the day of termination (“Fair Value” per share) of the Designated Shares, has a total dollar value equal to the number of Designated Shares multiplied by the difference between the Fair Value and the exercise price per share of the Designated Shares.

The Entrée Board may attach other terms and conditions to the award of a particular Entrée Option, including a provision that a portion or portions of the option will vest after certain periods of time or upon the occurrence of certain events.

An Entrée Option may not be assigned or transferred, except that it will be exercisable by the personal representative of the Entrée Optionholder in the event of the Entrée Optionholder’s death or incapacity. Entrée will not provide financial assistance to Entrée Optionholders to assist them in exercising their Entrée Option.

The Entrée Board may from time to time, by the approval of a majority of the directors, make any amendments or changes to the Entrée Option Plan, fundamental or otherwise, that the Entrée Board sees fit in its sole discretion including, the following fundamental changes:

- (i) any change to the eligible persons which would have the potential of broadening or increasing insider participation;
- (ii) the addition of any form of financial assistance;
- (iii) any amendment to a financial assistance provision which is more favourable to eligible persons;
- (iv) the addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Entrée Option Plan reserve; and
- (v) the addition of a deferred or restricted share unit or any other provision which results in eligible persons receiving securities while no cash consideration is received by Entrée.

No Entrée Shareholder approval is required to make any amendments or changes to the Entrée Option Plan, fundamental or otherwise, other than an increase in the Entrée Option Plan ceiling, unless required by the TSX. The Entrée Board may also from time to time retrospectively amend the Entrée Option Plan and the terms and conditions of any Entrée Option awarded thereunder, subject to the approval of the TSX, the Entrée Optionholder and, to the extent required by the TSX, the Entrée Shareholders.

(g) Additional Information

Interests of Entrée Directors in Entrée Securities

As at 22 April 2010, the Entrée Directors held a relevant interest in the following Entrée Shares and Entrée Options:

Director	Entrée Shares	Entrée Options
Gregory Crowe	1,312,106	1,110,000
James Harris	330,000	1,010,000
Michael Howard	103,000	1,010,000
Mark Bailey	417,922	980,000

Director	Entrée Shares	Entrée Options
Lindsay Bottomer	450,957	890,000
Peter Meredith	Nil	855,000
Total	2,612,985	5,915,000

Note: Entrée Shares and Entrée Options may be held either directly or indirectly by an Entrée Director.

As at the date of this Scheme Booklet, no Entrée Director held a relevant interest in any securities of PacMag.

(h) Reporting Issuer

Entrée is a “reporting issuer” for the purposes of the applicable provincial securities laws of Canada and as such is subject to regular reporting and disclosure obligations. Specifically, Entrée is subject to National Instrument 51-102 – Continuous Disclosure Obligations, which requires certain disclosure documents to be provided on a continuous basis (e.g. financial statements, management’s discussion and analysis and annual information forms) and timely disclosure regarding material changes, where such change is one that would reasonably be expected to have a significant effect on the price or value of its securities.

On request to Entrée and free of charge, Entrée will provide to any PacMag Securityholder who requests it before the Scheme Meetings, a copy of:

- the annual information form dated 26 March 2009 of Entrée for the year ended 31 December 2008 (being the annual information form most recently filed on SEDAR before this Scheme Booklet was lodged with ASIC);
- the most recent interim financial statements of Entrée for the period ended 30 September 2009 filed on SEDAR by Entrée after the filing of the annual information form referred to above; and
- any continuous disclosure document filed on SEDAR by Entrée after the filing on SEDAR of the annual information of Entrée referred to above and before lodgement of this Scheme Booklet by ASIC.

A substantial amount of information on Entrée (including the above mentioned documents) is available in electronic form under Entrée’s profile on SEDAR at www.sedar.com or on EDGAR at www.sec.gov/edgar.shtml. Certain continuous disclosure documents of Entrée can also be viewed on-line or downloaded from the Entrée website www.entreegold.com. Information on Entrée’s website and on SEDAR and EDGAR does not constitute a part of this Scheme Booklet.

Copies of any of the documents referred to above can be obtained by writing to:

Company Secretary
Entrée Gold Inc.
Suite 1201 – 1166 Alberni Street
Vancouver, BC
Canada V6E 3Z3

(i) Litigation

Entrée is not party to any material legal proceedings as at the date of this Scheme Booklet.

(j) Dividends

Entrée has not declared any dividends on its common stock since its inception on 16 July 1995. There is no restriction in Entrée's Articles that limits its ability to pay dividends on its common stock. However, Entrée does not anticipate declaring and paying dividends to the Entrée Shareholders in the near future.

(k) Other Material Information

Except as set out in this Scheme Booklet, there is no information material to the making of a decision in relation to the Schemes, being information that is within the knowledge of any Entrée Director at the time of the lodging of this Scheme Booklet with ASIC, which has not been previously disclosed.

SECTION 7 - PROFILE OF THE MERGED GROUP

7.1 OVERVIEW OF POST-MERGER ENTRÉE

(a) Overview of the Merged Group

The Merged Group will be based in Vancouver, British Columbia, and will focus on the worldwide exploration of gold and copper prospects and deposits. If the Schemes become Effective, the Merged Group will hold interests or rights to acquire interests in the following:

- (i) the Entrée-Ivanhoe Joint Venture in Mongolia, which includes a portion of the Lookout Hill property which surrounds Ivanhoe Mines' Oyu Tolgoi project;
- (ii) the Lookout Hill West project in Mongolia, being that portion of the Lookout Hill property which is outside the Entrée-Ivanhoe Joint Venture area, and which includes Shivee West and the coal discovery at Nomkhon Bohr on Togoot;
- (iii) the Ann Mason copper project in Nevada and the contiguous Blackjack and Roulette properties under option from HoneyBadger and Bronco Creek;
- (iv) the Lordsburg copper project in Arizona and New Mexico;
- (v) the Huiaxi copper project in southeastern Zhejiang Province in China;
- (vi) the Sentinel Hill uranium project in North Dakota; and
- (vii) other projects in Arizona, Nevada, British Columbia, Western Australia and South Australia.

Please refer to Sections 5 and 6 of this Scheme Booklet for details regarding the above projects.

(b) Ownership of the Merged Group

Following implementation of the Schemes, based on the current capital structure of Entrée and PacMag, former PacMag Shareholders and PacMag Optionholders will hold approximately 13.3% of the total number of issued Entrée Shares and existing Entrée Shareholders will hold approximately 86.7% of the total number of issued Entrée Shares on a non-diluted basis.¹

(c) Board and Management of the Merged Group

The Entrée Board currently consists of six directors and it is not anticipated that this will change if the Schemes are implemented. Each of the existing Entrée Directors will continue as directors of Entrée following implementation of the Schemes. Profiles of the current Entrée Directors are set out in Section 6.4

Entrée Directors are subject to nomination and re-election each year at Entrée's annual general meeting.

¹ Assumes **112,798,986** Entrée Shares on issuance immediately following the implementation of the Scheme based on **97,778,114** Entrée Shares outstanding as at the date of this Scheme Booklet and the issuance of **15,020,872** Entrée Shares to PacMag Shareholders and PacMag Optionholders pursuant to the Schemes. The actual number of Entrée Shares to be issued under the Schemes may vary due to the rounding of fractional share entitlements.

Gregory G. Crowe will continue to serve as the President and Chief Executive Officer of the Merged Group. Michael Clifford, the current Chief Executive Officer of PacMag, will provide consultancy services to Entrée following implementation of the Schemes.

(d) Corporate Governance of the Merged Group

The Merged Group will not be listed on ASX and will therefore not be subject to the ASX rules and policies on corporate governance. However, as a reporting issuer in certain of the provinces of Canada and a registrant in the United States, Entrée is subject to the corporate governance regime that exists under applicable Canadian and United States securities laws and stock exchange rules.

The corporate governance regime which exists in Canada is a combination of certain mandatory rules on disclosure and compliance as well as guidelines and recommendations as to best practices. Entrée is required to disclose its corporate governance practices in a prescribed manner and is expected to comply with corporate governance guidelines to the fullest extent possible. Similarly, Entrée is subject to certain corporate governance requirements under applicable US securities laws and as set out in the NYSE Amex Company Guide. These guidelines include recommendations or requirements with regard to the following:

- (i) Board of Directors: regarding independent directors and ensuring the a majority of the board qualifies as independent, adoption of a board mandate acknowledging responsibility for the stewardship of Entrée, development of clear position descriptions for the Chair of the Board and each Committee of the Board as well as for the CEO, orientation and continued education of new directors, adoption of a code of business conduct and ethics, adoption of the process for directors nominations, creation of audit, compensation and corporate governance and nominating committees and assessment of the Board on a regular basis; and
- (ii) Audit Committee: regarding its charter, composition, independence, relevant education and experience, financial expert on the committee, disclosure of exemptions where they have been relied upon, disclosure of instances where the Board does not adhere to recommendations of the committee, review of related party transactions, description of pre-approval of policies and procedures and disclosure of external auditor service fees.

Entrée's corporate governance disclosure and filings are available on SEDAR at www.sedar.com and on Edgar at www.sec.gov/edgar.shtml. In particular, Entrée provides annual disclosure with respect to its corporate governance practices in its management proxy circular prepared in connection with its annual general meeting each year. This description includes disclosure of any differences between Entrée's corporate governance practices under Canadian law and the rules of NYSE Amex. Descriptions of the responsibilities of Entrée's committees, including the Corporate Governance and Nominating Committee, the Compensation Committee, the Audit Committee and the Technical Committee, are included in the management proxy circular and a copy of Entrée's Mandate of the Board of Directors can be found attached as an appendix thereto. A copy of Entrée's Code of Business Conduct and Ethics and, attached as an appendix to Entrée's most recent Annual Information Form, a copy of Entrée's Audit Committee Charter are also filed on SEDAR under Entrée's profile and on EDGAR.

Following the implementation of the Schemes, Entrée intends that the Merged Group will continue to comply with all mandatory corporate governance rules and endeavour to follow best practices in Canada and the United States.

Also see Section 10.2 for a comparison of some of the material provisions of Australian company law and the laws governing Entrée.

7.2 INTENTIONS

(a) Introduction

Entrée Australia has been established by Entrée for the purpose of acquiring the PacMag Shares pursuant to the Share Scheme. Accordingly, the intentions of Entrée Australia are the same as the intentions of Entrée, and in this Section a reference to Entrée includes Entrée Australia.

The current intentions of Entrée in relation to PacMag are set out in this Section. These intentions have been formed on the basis of facts and information concerning PacMag, and the general business environment, which are known to Entrée at the time of preparing this Scheme Booklet. Final decisions will only be reached by Entrée and the Entrée Directors in light of material information and circumstances known at the relevant time. Accordingly, the statements set out in this Section are statements of current intention only and may vary as new information becomes available or circumstances change.

The articulation and formulation of Entrée's intentions with respect to PacMag are necessarily limited by virtue of the fact that Entrée has only had access to publicly available information and certain non-public information about PacMag and its affairs which was reviewed during the due diligence process for the Schemes.

On the assumption that the Merger proceeds, Entrée will propose (subject to a detailed strategic review) the following 2010-11 exploration programs for the PacMag core copper projects:

- (i) Ann Mason copper deposit – a further evaluation of the deposit, including preliminary economic modeling. Drilling of potential extensions to the deposit with the aim of expanding the current resource and examining potential for higher grade portions to the deposit;
- (ii) Blue Hills oxide copper prospect – continued drilling of the copper oxide potential. This will complement the US\$1.0 million program on HoneyBadger's contiguous ground to the west;
- (iii) Blue Hills porphyry copper prospect – geophysics and deep drilling of potential sulphide porphyry copper mineralisation below the known zones of copper oxide mineralisation; and
- (iv) Meadow Valley copper prospect, Arizona – further geophysical surveying to evaluate the IP anomaly outlined by PacMag.

(b) Intentions for PacMag as part of the Merged Group

Entrée currently intends that the business of PacMag will be continued substantially in the same manner as it is presently being conducted. However, PacMag currently only has one employee, Michael Clifford, and most of the administrative and operational functions of PacMag are carried out under a service agreement by Giralia Resources NL ("Giralia"). It is anticipated that, following the implementation of the Schemes the administrative functions currently carried out by Giralia and the operational functions undertaken by or coordinated by Michael Clifford, will be carried out by Entrée. The head office of the Merged Group will be located at Entrée's head office in Vancouver, British Columbia. Entrée intends to conduct a detailed strategic and operational review of the businesses of Entrée and PacMag in order to evaluate the combined business of the Merged Group. Subject to this detailed review, Entrée currently expects that it will

continue to proceed with PacMag's existing planned exploration and development programs.

Corporate Matters

Once the Schemes become Effective, Entrée intends:

- (i) to arrange for PacMag to be removed from the official list of ASX;
- (ii) to nominate two members of the Entrée Board to be appointed to the PacMag Board, and nominate two members of the current PacMag Board to resign from the PacMag Board; and
- (iii) to carry out all administrative and operational functions for the Merged Group.

Employees

PacMag currently only has one employee, Michael Clifford, and he will provide consultancy services to Entrée following implementation of the Schemes.

Dividends

As noted in Section 6, Entrée has not paid any dividends in respect of Entrée Shares since its incorporation and does not anticipate doing so in the foreseeable future.

7.3 PRO FORMA HISTORICAL FINANCIAL INFORMATION

(a) Introduction

This Section 7.3 contains the Merged Group pro forma historical financial information which consists of:

- the unaudited Merged Group pro forma consolidated balance sheet at 30 September 2009, illustrating the effect of the acquisition of PacMag under the scheme on Entrée's consolidated balance sheet at 30 September 2009 as if the transaction had completed on that date (Table 7A);
- the unaudited Merged Group pro forma consolidated income statement for the nine months ended 30 September 2009, illustrating the effect of the acquisition of the 100% interest of PacMag under the Scheme on Entrée's financial performance as if it had it completed by 1 January 2008 (Table 7B); and
- the unaudited Merged Group pro forma consolidated income statement for the year ended 31 December 2008 illustrating the effect of the acquisition of the 100% interest of PacMag under the Scheme on Entrée's financial performance as if it had it completed by 1 January 2008 (Table 7C),

("Merged Group Pro Forma Historical Financial Information").

The Merged Group Pro Forma Historical Financial Information has been presented in A\$, in accordance with PacMag's presentation currency.

Subject to the basis of preparation outlined in this Section 7, and Sections 5 and 6, it is Entrée's opinion that the Merged Group Pro Forma Historical Financial Information presents, in all material respects, the impact of the Scheme, in accordance with AIFRS. The significant accounting policies used in the preparation of the Merged Group Pro Forma Historical Financial Information are consistent with PacMag's accounting policies for the year ended 30 June 2009.

The Merged Group Pro Forma Historical Financial Information should be read in conjunction with the rest of this Scheme Booklet including the consolidated financial statements and related notes of Entrée and PacMag identified above and other

information that Entrée has filed with Canadian Provincial Securities Regulators and TSX through SEDAR and with the SEC and NYSE, and that PacMag has filed with ASIC and ASX, respectively.

KPMG Transaction Services has prepared the Investigating Accountant's Report in relation to the Merged Group Pro Forma Historical Financial Information. A copy of the report is included in Appendix 2.

For the purposes of this section, the "Statement of Operations and Deficits" has been referred to as the "Income Statement" to be consistent with PacMag's presentation (Entrée's historical and future statutory reporting under US GAAP will refer to this statement as the "Statement of Operations and Deficits").

(b) Basis of Preparation

The Merged Group Pro Forma Historical Financial Information has been prepared by making adjustments to the Entrée Pro Forma Historical Financial Information set out in Section 6 of this Scheme Booklet to show the impact of acquiring PacMag on Entrée's pro forma consolidated balance sheet at 30 September 2009 as if the transaction had occurred at that date, and on Entrée's Pro Forma Consolidated Income Statements for the year ended 31 December 2008 and for the nine months ended 30 September 2009 as if the transaction had occurred by 1 January 2008.

Other than to aggregate the financial performance of Entrée and PacMag, no other adjustments have been made in respect to the Merged Group pro forma income statements to reflect what the financial performance might have been if the two businesses had been combined by 1 January 2008. As such these statements do not reflect the impact of the purchase price allocation adjustments pursuant to completion of the Scheme. Therefore, depreciation, amortisation and income tax line items in the Merged Group pro forma income statements equate to the aggregate of the historical results for Entrée and PacMag and are not representative of these expenses as if the Schemes had completed by 1 January 2008.

The Merged Group Pro Forma Historical Financial Information has been prepared by Entrée in accordance with AIFRS and presented in A\$. It is presented in an abbreviated form insofar as it does not include all the disclosures required by AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act.

The Merged Group Pro Forma Historical Financial Information is not intended to reflect the financial performance or the financial position that would have actually resulted had the Schemes been completed on the dates indicated, or the results that may be obtained in the future. If the transaction had occurred in the past, the Merged Group's financial position and financial performance would likely have been different from that presented in the Merged Group Pro Forma Historical Financial Information. Due to the nature of pro forma information, it may not give a true picture of the Merged Group's financial position and financial performance. The Merged Group Pro Forma Historical Financial Information is not represented as being indicative of Entrée's views on its future financial position or future financial performance.

Merged Group Pro Forma Adjustments (Note 1)

The acquisition of PacMag has been accounted for as an acquisition of assets rather than a business combination in accordance with AIFRS. The acquisition cost of A\$55.7 million was allocated to the assets and liabilities acquired based on their relative fair values.

The acquisition cost included in the Merged Group pro forma balance sheet is A\$55.7 million. The acquisition cost assumes Entrée will issue approximately 15,020,872 ordinary shares under the scheme to the share and option holders of PacMag and pay an aggregate of A\$6.8 million in cash. The Entrée Shares to be issued have been valued

at A\$47.2 million based upon the share price as at 11 March 2010. The acquisition cost also includes transaction costs of A\$1.8 million.

	A\$ (thousand)
Acquisition Cost	
Shares issued	47,183
Cash	6,758
Transaction costs	<u>1,788</u>
Total acquisition cost	<u><u>55,729</u></u>
Allocation of acquisition cost to assets acquired	
Net assets acquired other than exploration expenditure asset	4,214
Exploration expenditure asset	<u>51,515</u>
Total	<u><u>55,729</u></u>

The following acquisition adjustments have been made:

- (i) Issue of additional share capital by Entrée – An increase in Entrée’s share capital of A\$47.2 million to reflect shares issued as consideration for the acquisition of the outstanding shares and options of PacMag under the Scheme.
- (ii) Elimination of PacMag’s Shareholders’ equity - The PacMag Shareholders’ equity, comprised of share capital, retained earnings and reserves, have been eliminated to reflect the effect of the Schemes. The following acquisition adjustments have been made:
 - (A) Share capital – PacMag’s share capital of A\$14.8 million as at 30 September 2009 has been eliminated;
 - (B) Accumulated Losses – PacMag’s accumulated losses of A\$3.7 million as at 30 September 2009 has been eliminated; and
 - (C) Reserves – PacMag’s reserves of A\$2.6 million as at 30 September 2009 has been eliminated.
- (iii) Cash consideration and transaction costs - A decrease in cash of A\$8.5 million was recorded to reflect the payment of the cash consideration under the scheme and to reflect payment of the estimated transaction costs.
- (iv) Allocation of the acquisition cost to the assets acquired – Exploration and evaluation expenditure has been increased by A\$42.0 million to reflect the fair values of the assets acquired by Entrée under the Scheme.

MERGED GROUP
PRO FORMA BALANCE SHEET
SEPTEMBER 30, 2009

TABLE 7A

	Pacmag AIFRS (A\$ thousand)	Entrée AIFRS (A\$ thousand)	Acquisition Adjustments AIFRS (A\$ thousand)	Note	Merged Group Pro forma AIFRS (A\$ thousand)
ASSETS					
Current assets					
Cash and cash equivalents	2,229	47,227	(8,546)	1	40,910
Trade and other receivables	213	260	-		473
Prepaid expenses	-	492	-		492
Total current assets	2,442	47,979	(8,546)		41,875
Non-current assets					
Available for sale financial assets	2,160	2,298	-		4,458
Property Plant & Equipment	1	849	-		850
Exploration and evaluation expenditure	9,549	57,640	41,966	1	109,155
Total non-current assets	11,710	60,787	41,966	1	144,463
Total assets	14,152	108,766	33,420		156,338
LIABILITIES					
Current Liabilities					
Trade and other payables	237	686	-		923
Current tax liabilities	-	-	-		-
Total current liabilities	237	686	-		923
Non-current liabilities					
Due to Ivanhoe Mines	-	519	-		519
Provisions	3	-	-		3
Deferred tax liabilities	170	-	-		170
Total non-current liabilities	173	519	-		692
Total liabilities	410	1,205	-		1,615
Net Assets	13,742	107,561	33,420		154,723
EQUITY					
Issued Capital	14,794	139,720	33,420	1	186,903
Additional paid in capital	-	-	-		-
Unrealised gain on available for sale securities	-	-	-		-
Foreign currency translation adjustment	-	-	-		-
Reserves	2,614	15,467	(2,614)	1	15,467
Accumulated Losses	(3,645)	(47,626)	3,645	1	(47,626)
Total equity attributable to equity holders of the Company	13,763	107,561	33,420		154,744
Minority Interest	(21)	-	-		(21)
Total equity	13,742	107,561	33,420		154,723

MERGED GROUP
PRO FORMA INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

TABLE 7B

	Pacmag AIFRS (A\$ thousand)	Entrée (A\$ thousand) reclassified	Merged Group Pro Forma AIFRS (A\$ thousand)
Revenue			
Revenue from continuing operations	253	481	734
	<u>253</u>	<u>481</u>	<u>734</u>
Expenses			
Administration Expenses	(196)	(1,575)	(1,771)
Legal	-	(330)	(330)
Investor relations	-	(477)	(477)
Employee benefit expenses	(68)	(1,212)	(1,280)
Stock based compensation	-	(1,621)	(1,621)
Exploration expenditure incurred	(115)	(338)	(453)
Impairment on exploration expenditures	-	(301)	(301)
Other expenses	(9)	-	(9)
	<u>(388)</u>	<u>(5,854)</u>	<u>(6,242)</u>
Profit/(loss) before income tax	(135)	(5,373)	(5,508)
Income tax benefit	323	-	323
Net profit/(loss) for the period	<u>188</u>	<u>(5,373)</u>	<u>(5,185)</u>
Attributable to:			
Equity holders of the company	209	(5,373)	(5,164)
Minority Interest	(21)	-	(21)
Net profit/(loss) for the period	<u>188</u>	<u>(5,373)</u>	<u>(5,185)</u>

MERGED GROUP
PRO FORMA INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

TABLE 7C

	Pacmag AIFRS (A\$ thousand)	Entrée (A\$ thousand) reclassified	Group Pro Forma AIFRS (A\$ thousand)
Revenue			
Revenue from continuing operations	354	2,290	2,644
	<u>354</u>	<u>2,290</u>	<u>2,644</u>
Expenses			
Administration Expenses	(300)	(1,427)	(1,727)
Impairment loss on available for sale assets	(2,910)	(1,490)	(4,400)
Legal	-	(529)	(529)
Investor relations	-	(674)	(674)
Employee benefit expenses	(118)	(1,710)	(1,828)
Stock based compensation	-	(3,353)	(3,353)
Exploration expenditure incurred	(35)	(408)	(443)
Impairment on exploration expenditures	(947)	(1,634)	(2,581)
Other expenses	(20)	-	(20)
	<u>(4,330)</u>	<u>(11,225)</u>	<u>(15,555)</u>
Profit/(loss) before income tax	(3,976)	(8,935)	(12,911)
Income tax benefit	478	-	478
Net profit/(loss) for the period	<u>(3,498)</u>	<u>(8,935)</u>	<u>(12,433)</u>
Attributable to:			
Equity holders of the company	(3,498)	(8,935)	(12,433)
Minority Interest	-	-	-
Net profit/(loss) for the period	<u>(3,498)</u>	<u>(8,935)</u>	<u>(12,433)</u>

SECTION 8 - IMPLEMENTATION OF THE SCHEMES

8.1 THE SCHEMES

The Share Scheme is a members' scheme of arrangement under Part 5.1 of the Corporations Act between PacMag and PacMag Shareholders pursuant to which Entrée Australia (a wholly owned subsidiary of Entrée) will acquire all of the PacMag Shares.

The Option Scheme is a creditors' scheme of arrangement under Part 5.1 of the Corporations Act between PacMag and PacMag Optionholders pursuant to which all of the PacMag Options will be cancelled.

This Scheme Booklet has been prepared to comply with, inter alia, section 412(1) of the Corporations Act in order to explain the effects of the:

- (a) Share Scheme – to be voted on at the Share Scheme Meeting; and
- (b) Option Scheme – to be voted on at the Option Scheme Meeting.

A copy of each of the Share Scheme and the Option Scheme is contained in Appendix 4 and Appendix 5 respectively.

PacMag has obtained pro forma relief from the requirement to:

- (a) include in this Scheme Booklet the creditor scheme information required under Part 2 of Schedule 8 of the Corporations Regulations 2001 (Cth) ("**Corporations Regulations**") on the basis that the Scheme Booklet contains information suitable for a members' scheme (i.e. the Share Scheme); and
- (b) list the names of all known scheme creditors together with the debts owed to the creditors as required by Part 2 of Schedule 8, paragraph 8201(c) of the Corporations Regulations on the basis that the Scheme Booklet clearly sets out the rights of PacMag Optionholders under sections 170 and 173 (see Section 13.3).

Under the Share Scheme, each Scheme Shareholder will be deemed to have warranted to Entrée Australia and Entrée that all of their Scheme Shares transferred to Entrée Australia under the Share Scheme will be fully paid and, to the extent permitted by law, free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind.

The Schemes must also be approved by the Court before they can be implemented. It is expected that the Schemes will become Effective upon lodging the Court orders approving the Schemes with ASIC, which is expected to be 16 June 2010.

If the Schemes do not become Effective before 30 June 2010 (i.e. the End Date), PacMag and Entrée will consult together in good faith to determine whether the End Date (or other relevant date relating to satisfaction of Conditions or a Court application) can be extended. If not, then either party may terminate the Scheme Implementation Agreement. Please refer to Section 13.9 for further information regarding termination of the Scheme Implementation Agreement.

8.2 ELIGIBILITY TO RECEIVE ENTRÉE SHARES

Each person, other than an Ineligible Foreign Shareholder or a Retail Shareholder that elects to use the Sale Facility, who is recorded in the Register as the holder of PacMag Shares as at the Record Date, is entitled to receive the Entrée Shares under the Share Scheme.

Each person, other than an Ineligible Foreign Optionholder, who is recorded in the Register as the holder of PacMag Options as at the Record Date, is entitled to receive Entrée Shares under the Option Scheme.

Ineligible Foreign Shareholders, Ineligible Foreign Optionholders and Retail Shareholders who elect to use the Sale Facility will not (subject to Entrée's discretion in the case of Ineligible Foreign Holders) be entitled to receive Entrée Shares under the Share Scheme or the Option Scheme, respectively. Section 9.5 details how Ineligible Foreign Shareholders, Ineligible Foreign Optionholders and Retail Shareholders who elect to use the Sale Facility will be treated under the Share Scheme and the Option Scheme.

PacMag Employee Optionholders will not be entitled to receive Entrée Shares under the Share Scheme or the Option Scheme. Section 13.1 details how PacMag Employee Optionholders will be treated to effect the Merger.

In addition, any PacMag Shares or PacMag Options that are already held by any person on behalf of or for the benefit of Entrée or any of its related entities will not form part of the Share Scheme or the Option Scheme.

Retail Shareholders may elect to have the Entrée Shares that they are entitled to under the Schemes issued to the Sale Agent as their nominee in trust for sale through the Sale Facility.

8.3 CONDITIONS TO THE SCHEMES

Each of the Share Scheme and the Option Scheme are subject to a number of Conditions Precedent which are contained in clause 2.1 of the Scheme Implementation Agreement. The Conditions Precedent to each of the Share Scheme and the Option Scheme are summarised below. Certain Conditions may be waived by PacMag only or Entrée only and other Conditions may only be waived jointly by PacMag and Entrée. Conditions that are required by law, such as approval of the Share Scheme by PacMag Shareholders and by the Court, cannot be waived.

The obligations of PacMag and Entrée to implement the Schemes are subject to each of the following conditions:

- (a) ASIC, ASX, TSX and NYSE Amex issuing or providing all necessary consents or approvals;
- (b) all necessary regulatory approvals having been obtained by PacMag or Entrée (as the case may be) and having not been withdrawn or revoked before 8:00am on the Second Court Date;
- (c) no Entrée Prescribed Occurrence having occurred between the date of the Scheme Implementation Agreement and 8:00am on the Second Court Date;
- (d) no PacMag Prescribed Occurrence having occurred between the date of the Scheme Implementation Agreement and 8:00am on the Second Court Date;
- (e) no temporary restraining order, preliminary or permanent injunction or other court order or legal restraint preventing the Schemes being in effect at 8:00am on the Second Court Date;
- (f) the Court approving the Share Scheme and the Option Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (g) the Entrée Shares to be issued to Scheme Shareholders under the Share Scheme being conditionally approved for listing on the TSX before 8:00am on the Second Court Date;
- (h) no PacMag Material Adverse Change occurring between the date of the Scheme Implementation Agreement and until 8:00am on the Second Court Date;
- (i) no Entrée Material Adverse Change occurring between the date of the Scheme Implementation Agreement and until 8:00am on the Second Court Date;

- (j) PacMag and Entrée's representations and warranties under the Scheme Implementation Agreement being true and correct in all material respects by 8:00am on the Second Court Date;
- (k) the requisite PacMag Shareholder and PacMag Optionholder approval being obtained;
- (l) the PacMag Employee Options being exercised or agreed to be acquired or cancelled and PacMag acquiring the necessary waivers from ASX under Listing Rule 6.23;
- (m) the Independent Expert's Report concluding that the Share Scheme and Option Scheme is in the best interests of Scheme Shareholders and Scheme Optionholders respectively before the Scheme Booklet is lodged with ASIC;
- (n) office copies of the Court orders approving the Share Scheme and the Option Scheme being lodged with ASIC under section 411(10) of the Corporations Act;
- (o) no Alternative Proposal for PacMag being made or announced on or before 8:00am on the Second Court Date; and
- (p) no person exercising or stating an intention to exercise any rights under any agreement or instrument of which PacMag is a party, or to which any of PacMag's assets may be bound, which is material and could result in termination of any such agreement or the business of PacMag being adversely affected, as a result of the acquisition of the PacMag Shares by Entrée Australia.

8.4 STATUS OF CONDITIONS PRECEDENT

As at the date of this Scheme Booklet, PacMag does not have any reason to believe that the Conditions Precedent will not be satisfied or waived. PacMag will advise the Court at the Second Court Date of any Conditions Precedent that have not been satisfied or waived that may have material implications as to whether the Share Scheme or the Option Scheme should be approved by the Court.

8.5 STEPS TO IMPLEMENT THE SCHEMES AND TIMETABLE

The key dates for the Schemes are listed at the beginning of this Scheme Booklet.

Prior to despatch of this Scheme Booklet, Entrée executed the Share Scheme Deed Poll and the Option Scheme Deed Poll, copies of which are contained in Appendices 6 and 7, under which Entrée has covenanted in favour of Scheme Shareholders and Scheme Optionholders (respectively) to perform its obligations under the Schemes and do all things necessary on its part and on the part of Entrée Australia to implement the Schemes.

In summary, if the Schemes are approved by the requisite majorities at the Scheme Meetings, the following will occur:

- (a) PacMag will seek orders from the Court approving the Schemes pursuant to section 411(4)(b) of the Corporations Act. The date of this Court hearing is expected to be 11 June 2010;
- (b) if the Court approves the Schemes an office copy of the Court's orders will be lodged with ASIC. It is expected that when the order approving the Schemes is lodged with ASIC, the Schemes will become Effective;
- (c) PacMag will notify ASX that the Court has approved the Schemes and that the Schemes have become Effective;
- (d) PacMag Shares will be suspended from trading on ASX (with effect from close of trading) on the day that the Schemes become Effective, which is expected to be 16 June 2010;
- (e) PacMag will determine the entitlements to the Scheme Consideration by reference to the Register at the Record Date, which is expected to be 7:00pm on 23 June 2010;

- (f) on the Implementation Date, expected to be 30 June 2010:
- (i) all Scheme Shares will be transferred to Entrée Australia and Scheme Shareholders will be issued:
- 0.1018 Entrée Shares; and
 - C\$0.0415,
- for every PacMag Share held as at the Record Date; and
- (ii) all Scheme Options will be cancelled and Scheme Optionholders will receive the Entrée Shares and cash consideration set out in Section 9.3(a) for each PacMag Option held as at the Record Date;
- except in the case of Ineligible Foreign Holders or Retail Shareholders who elect to use the Sale Facility (see Section 9.5 for further information);
- (g) on the Implementation Date all of the PacMag Employee Options will be cancelled and Entrée will provide consideration to the PacMag Employee Optionholders for their PacMag Employee Options pursuant to the terms of cancellation referred to in Section 13.1;
- (h) Entrée will apply to ASX for delisting of PacMag after completion of implementation of the Schemes;
- (i) as soon as reasonably practicable, the Sale Agent will sell all Entrée Shares that would otherwise have been issued to Ineligible Foreign Holders and Retail Shareholders who elect to use the Sale Facility. The Sale Agent will convert the net sale proceeds to A\$ and will remit the proceeds to Computershare which will then pay the proceeds to the relevant Ineligible Foreign Shareholders and Retail Shareholders in Australian dollars;
- (j) the new Entrée Shares issued as Scheme Consideration are expected to begin trading on the TSX, NYSE Amex and the Frankfurt Stock Exchange on 30 June 2010 at local times; and
- (k) as soon as practicable after the Second Court Date PacMag will take all actions necessary to:
- (i) cause the appointment of two members of the Entrée Board, nominated by Entrée, to the PacMag Board;
- (ii) ensure that two members of the PacMag Board, nominated by Entrée, resign from the PacMag Board; and
- (i) on the Implementation Date, Entrée will mail DRS Statements or share certificates to new Entrée Shareholders (see Section 9.4(a) for further information in this regard).

SECTION 9 - SCHEME CONSIDERATION

9.1 INTRODUCTION

This Section provides additional information regarding the Scheme Consideration, including:

- (a) for PacMag Shareholders, information about the calculation of the Share Scheme Consideration (see Section 9.2);
- (b) for PacMag Optionholders, information about the calculation of the Option Scheme Consideration (see Section 9.3);
- (c) information with respect to the rights attaching to an Entrée Share (see Section 9.4); and
- (d) for Ineligible Foreign Holders and Retail Shareholders who elect to use the Sale Facility, information about how the Sale Facility operates (see Section 9.5).

9.2 SHARE SCHEME CONSIDERATION

(a) Calculation

The Share Scheme Consideration comprises 0.1018 Entrée Shares and C\$0.0415 for each PacMag Share held on the Record Date.

Where the calculation of the Entrée Shares to be issued to a PacMag Shareholder would result in the issue of a fraction of an Entrée Share, the fractional entitlement of a PacMag Share will be rounded up to the nearest whole number of Entrée Shares if the fractional entitlement is 0.5 or more, or down to the nearest whole number of Entrée Shares if the fractional entitlement is less than 0.5.

(b) Payment

If the Share Scheme becomes Effective and your name appears in the Register on the Record Date for the Share Scheme:

- (i) subject to (ii) and (iii) below, you will be paid the Share Scheme Consideration for the PacMag Shares you are recorded as holding on the Record Date on the Implementation Date;
- (ii) if you are an Ineligible Foreign Shareholder or a Retail Shareholder that elects to use the Sale Facility you will be paid the cash portion of the Share Scheme Consideration and the Entrée Shares that you would otherwise have been issued as part of the Share Scheme Consideration will be issued to the Sale Agent as your nominee in trust, for sale through the Sale Facility and you will be paid a pro-rata share of the net proceeds converted into Australian dollars from the sale of all Entrée Shares sold through the Sale Facility (see Section 9.5 for information on when you can expect to receive this payment);
- (iii) to the extent that the Share Scheme Consideration comprises Canadian dollars, then Entrée will:
 - pay the relevant amount in Australian dollars; and
 - determine the Australian dollar equivalent of the relevant amount by reference to the “latest nominal noon rate” as published by the Bank of Canada at 12:30pm (Canadian Eastern Standard Time) on the Effective Date; and
- (iv) the proceeds received from the sale of the Entrée Shares under the Sale Facility must, within 5 TSX Trading Days of the last sale of the Sale Facility Shares, convert the proceeds received from such sales (less applicable taxes

and currency conversion costs) into A\$ and pay the converted A\$ amount to Computershare in a further 1 TSX Trading Day. Following this, Computershare will despatch payment of each Sale Facility Participants' pro-rata share of the converted A\$ amount (rounded down to the nearest cent) within 7 Business Days in full satisfaction of the Sale Facility Participant's rights under the Share Scheme or the Option Scheme (as the case may be)

(c) Trading Entrée Shares

Please see Section 9.4(a) for information on trading Entrée Shares.

9.3 OPTION SCHEME CONSIDERATION

(a) Calculation

The Option Scheme Consideration comprises a fixed number of Entrée Shares and a cash payment for every PacMag Option held on the Record Date.

Where the calculation of the Entrée Shares to be issued to a PacMag Optionholder would result in the issue of a fraction of an Entrée Share, the fractional entitlement of a PacMag Optionholder will be rounded up to the nearest whole number of Entrée Shares if the fractional entitlement is 0.5 or more, or down to the nearest whole number of Entrée Shares if the fractional entitlement is less than 0.5.

The following table sets out the value and the number of Entrée Shares to be issued and cash to be paid for an option in each series of PacMag Options.

Number	Series	Exercise Price	Expiry Date	Option Scheme Consideration to be provided to Option Scheme Participants for each PacMag Option held
1,291,585	PMHAM	\$1.102 each	29 February 2012	0.0107 Entrée Shares and C\$0.0125
1,000,000	PMHAP	\$0.152 each	17 November 2010	0.0481 Entrée Shares and C\$0.0562
1,000,000	PMHAQ	\$0.202 each	17 November 2010	0.0392 Entrée Shares and C\$0.0458
2,083,336	PMHAI	\$0.30 each	30 June 2011	0.0325 Entrée Shares and C\$0.0379
3,000,000	PMHAK	\$0.252 each	16 June 2011	0.0367 Entrée Shares and C\$0.0429

(b) Valuation Methodology

The value of each PacMag Option has been calculated using the Black-Scholes option valuation model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the options. The assumptions used in this evaluation were:

- (i) annualised volatility of PacMag Shares of 70%;
- (ii) price of PacMag Shares of A\$0.33 (consideration offered);

- (iii) time to maturity calculated as the difference between the expiry date of each option and the valuation date of 27 November 2009; and
- (iv) the risk-free rate for each option was interpolated from Australian Government rates on the valuation date (the risk-free rate used was 5.75%).

The Black-Scholes option valuation model recognises that the value of an option may vary up to its expiry date based on movements and the future price of the underlying share and seeks to find a theoretical value of the option based on a number of inputs (including the underlying price of the underlying share and length of time until the option expires) and assumptions (including the estimated volatility of the future price of the underlying share during that time). (See Section 11 of the Option Scheme IER for an evaluation of the Option Scheme Consideration).

(c) Payment

If the Option Scheme becomes Effective and your name appears in the Register on the Record Date for the Option Scheme:

- (i) subject to (ii) and (iii) below, you will be paid the Option Scheme Consideration for the PacMag Options you are recorded as holding on the Record Date on the Implementation Date;
- (ii) if you are an Ineligible Foreign Optionholder you will be paid the cash portion of the Option Scheme Consideration and the Entrée Shares that you would otherwise have been issued as part of the Option Scheme Consideration will be issued to the Sale Agent as your nominee in trust, for sale through the Sale Facility and you will be paid a pro-rata share of the net proceeds converted into Australian dollars from the sale of all Entrée Shares sold through the Sale Facility (see Section 9.5 for information on when you can expect to receive this payment); and
- (iii) to the extent that the Option Scheme Consideration comprises Canadian dollars, then Entrée will:
 - pay the relevant amount in Australian dollars; and
 - determine the Australian dollar equivalent of the relevant amount by reference to the “latest nominal noon rate” as published by the Bank of Canada at 12:30pm (Canadian Eastern Standard Time) on the Effective Date.

(d) Trading Entrée Shares

Please see Section 9.4(a) for information on trading Entrée Shares.

9.4 ENTRÉE SHARES

(a) Entrée Shares

The Scheme Consideration includes Entrée Shares.

Entrée Shares are common shares without par value in the capital of Entrée (common shares are the equivalent of “ordinary shares” in Australian companies). Share certificates are evidence of the legal title to Entrée Shares and should be kept in safe custody. Loss, defacement or destruction will necessitate a process of issuance of a replacement certificate which may entail costs, time and appropriate identification and/or insurance.

Entrée Shares are listed on the TSX, NYSE Amex and the Frankfurt Stock Exchange. Accordingly, investors that wish to trade Entrée Shares on the open market can do so on

either the TSX, NYSE Amex or the Frankfurt Stock Exchange (Entrée Shares cannot be traded on ASX).

PacMag has set out below summary information on the trading of Entrée Shares on the TSX. This information is general only in nature and intended to provide a guide to Australian PacMag Shareholders and PacMag Optionholders who are entitled to receive Entrée Shares in consideration for their PacMag Shares (i.e. those PacMag Shareholders and PacMag Optionholders other than those in New Zealand or Ineligible Foreign Holders and Retail Shareholders who elect to take part in the Sale Facility). PacMag Shareholders and PacMag Optionholders should seek their own professional advice about their own circumstances and the trading (or otherwise) of Entrée Shares.

Those PacMag Shareholders who are Ineligible Foreign Shareholders or Retail Shareholders who elect to use the Sale Facility should refer to Section 9.5 below. New Zealand PacMag Shareholders should seek their own professional advice regarding trading Entrée Shares.

The information set out below relates to trading Entrée Shares on TSX. Entrée Shares also trade on the NYSE Amex and the Frankfurt Stock Exchange. PacMag Shareholders and PacMag Optionholders that want to trade their Entrée Shares on those exchanges should seek their own professional advice.

If the Schemes are implemented, Computershare (Entrée's share registry) will issue a Direct Registration Transaction Advice (known as a "DRS Statement") to PacMag Shareholders and PacMag Optionholders as of the Record Date which states the number of Entrée Shares they hold in book entry form.

DRS Statements are evidence of security ownership without paper certificates, similar to the manner that Australia operates the CHESS system that has replaced paper certificates to a large extent.

In order for a PacMag Shareholder or PacMag Optionholder to trade their Entrée Shares, it will be necessary for them to contact an Australian broker that has a relationship with a broker that is able to trade on the TSX ("**Correspondent Broker**") and instruct that Australian broker to transfer their Entrée Shares into a brokerage account with the Correspondent Broker. Once the Entrée Shares have been transferred into the Correspondent Broker's brokerage account, then the PacMag Shareholder or PacMagOptionholder may instruct the Australian broker to sell those Entrée Shares (if they have not already done so) who will in turn instruct the Correspondent Broker to effect the sale on TSX.

PacMag Shareholders and PacMag Optionholders should discuss the process with respect to transfer of sale proceeds with their broker.

Not all Australian brokers have a relationship with a Correspondent Broker. PacMag Shareholders and PacMag Optionholders should contact their broker and ascertain if they have a relationship with a Canadian broker who can and is prepared to act as a Correspondent Broker.

PacMag has confirmed that the following Australian brokers have advised of their ability to facilitate in the trading of Entrée Shares for Australian clients:

DJ Carmichael Pty Ltd
Contact: Paul Covich
Tel: +61 8 9263 5257
Email: pcovich@djcarmichael.com.au

Patersons Securities
Contact: Jason Macdonald
Tel: +61 8 9263 1665
Email: jmacdonald@psl.com.au

Inclusion in the above list does not in any way constitute a recommendation that PacMag Shareholders or PacMag Optionholders should utilise the services of any of the above Australian brokers. PacMag Shareholders and PacMag Optionholders should seek their own professional advice and form their own views on the use (or otherwise) of an Australian broker.

Trading of shares on the TSX usually occurs on a T + 3 basis (1 trading day plus 3 settlement days). The need to utilise a Correspondent Broker may lengthen the period of time required to trade the Entrée Shares and PacMag Shareholders and PacMag Optionholders should take this into account when considering trading their Entrée Shares.

A PacMag Shareholder or PacMag Optionholder may request delivery of a physical share certificate for his or her Entrée Shares. Doing so will potentially complicate and delay trading in Entrée Shares. PacMag Shareholders and PacMag Optionholders who wish to receive a share certificate should seek their own professional advice.

PacMag Shareholders and PacMag Optionholders should note that trading on TSX occurs in C\$ and that PacMag Shareholders and PacMag Optionholders will receive the proceeds of the sale of their Entrée Shares in C\$ and therefore will be subject to fluctuations in foreign exchange rates when converting sale proceeds to A\$. PacMag Shareholders and PacMag Optionholders should also note costs associated with the sale of Entrée Shares will be to their account.

(b) Rights attaching to Entrée Shares

Please refer to Section 10.1 for a summary of the principal rights attaching to Entrée Shares.

(c) Differences between holding shares in an Australian and Canadian company

Please refer to Section 10.2 for a summary of the key differences between holding shares in an Australian and Canadian company.

9.5 SALE FACILITY

If you are an Ineligible Foreign Holder you will receive the cash portion of the Scheme Consideration and the Entrée Shares that would otherwise have been issued to you will be issued to the Sale Agent as your nominee in trust, for sale through the Sale Facility and you will be paid a pro-rata share of the net proceeds converted into Australian Dollars from the sale of all Entrée Shares sold through the Sale Facility.

If you are a Retail Shareholder (i.e. a PacMag Shareholder holding a parcel of less than 5,600 PacMag Shares on the Record Date), you may elect to use the same Sale Facility by completing and returning the blue Sale Election Form that accompanies this Scheme Booklet in accordance with the instructions on that form.

The deadline for receipt of Sale Election Forms by the Registry is 7:00pm EST on the Record Date (expected to be 23 June 2010).

Entrée will establish the Sale Facility, and Entrée will appoint TD Securities Inc., as Sale Agent, to sell the Entrée Shares held by the Sale Agent on behalf of Ineligible Foreign Holders, or Retail Shareholders who elect to use the Sale Facility ("**Sale Facility Shares**") under the Sale Facility.

If the Schemes become Effective, the Sale Facility Shares will be issued by Entrée to the Sale Agent as nominee, in trust for the Sale Facility Participants on the Implementation Date and the Sale

Agent must sell the Sale Facility Shares under the Sale Facility within 20 TSX Trading Days after the Implementation Date.

The Sale Agent may sell the Sale Facility Shares under the Sale Facility in such manner, at such price or prices and on such other terms that the Sale Agent determines in good faith. Sales will occur on the TSX with proceeds received by the Sale Agent in C\$.

Following the last sale of the Sale Facility Shares under the Sale Facility, the Sale Agent must convert the proceeds received from such sales (less applicable taxes and currency conversion costs) into A\$ within 5 TSX Trading Days and pay the converted A\$ amount to Computershare in a further 1 TSX Trading Day. Following this, Computershare will despatch payment of each Sale Facility Participants' pro-rata share of the converted A\$ amount (rounded down to the nearest cent) within 7 Business Days in full satisfaction of the Sale Facility Participant's rights under the Share Scheme or the Option Scheme (as the case may be).

Entrée will pay all brokerage and other fees associated with the sale of Entrée Shares under the Sale Facility except for applicable taxes and currency conversion costs.

The cash amount received by Sale Facility Participants from the sale of the Sale Facility Shares will depend on the price at which the Sale Facility Shares can be sold under the Sale Facility by the Sale Agent at the relevant time, applicable exchange rates and the amount of any applicable taxes and currency conversion costs incurred by the Sale Agent in connection with the sales under the Sale Facility.

A Sale Facility Participant's pro-rata share of the Sale Facility proceeds may be more or less than the value of the Share Scheme Consideration or the Option Scheme Consideration (as the case may be) which that Sale Facility Participant would have received had they not been a Sale Facility Participant. None of PacMag, Entrée or the Sale Agent gives any assurance as to the price that will be achieved for the sale of the Sale Facility Shares by the Sale Agent under the Sale Facility.

Participation by an Ineligible Foreign Holder or a Retail Shareholder in the Sale Facility does not affect the rights of such persons to receive the cash component of the Share Scheme Consideration or the Option Scheme Consideration (as the case may be).

Details regarding payment of the cash component of the Scheme Consideration are set out in Section 9.2 (Share Scheme Consideration) and Section 9.3 (Option Scheme Consideration).

SECTION 10 - RIGHTS ATTACHING TO SCHEME CONSIDERATION

10.1 TERMS OF ENTRÉE SHARES

The following is a summary of the principal rights attaching to Entrée Shares. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of Entrée, which can involve complex questions of law arising from the interaction of Entrée's Articles and Canadian statutory and common law requirements under the rules of the TSX, NYSE Amex and the Frankfurt Stock Exchange.

Each Entrée Share is entitled to one vote. All Entrée Shares rank equally as to dividends, voting power and participation in assets. No Entrée Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for exchange, exercise, redemption and retraction, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to modification, amendments or variations of such rights or such provisions are contained in the British Columbia Business Corporations Act and Entrée's Articles.

The full terms of the Entrée Shares are contained in Entrée's constating documents, consisting of its Certificate of Continuation, Notice of Articles and Articles. A copy of the constitution may be viewed at Entrée's registered office at 2900-550 Burrard Street, Vancouver, British Columbia, Canada, V6C 0A3 during business hours (8:00am to 5:00pm).

10.2 COMPARISON OF THE RULES GOVERNING PACMAG AND ENTRÉE

(a) Introduction

PacMag is a public company registered in Western Australia under the Corporations Act. Entrée exists under and is governed by the Business Corporations Act (British Columbia) ("BCBCA"). If the Schemes become Effective, the rights of PacMag Securityholders who receive Entrée Shares will be governed principally by the BCBCA, the TSX Company Manual, the NYSE Amex Company Guide and Entrée's Articles and Notice of Articles.

A comparison of some of the material provisions governing PacMag and Entrée respectively is set out below.

References to 'Australian law' where they appear in this section are references to the Corporations Act, ASX Listing Rules, ASTC Settlement Rules and Australian common law, as applicable. References to 'Canadian law' are references to the BCBCA, TSX Company Manual, applicable Canadian securities laws and Canadian common law, as applicable.

The comparison below is not an exhaustive statement of all relevant laws, rules and regulations and is intended as a general guide only. PacMag Securityholders should consult with their own legal advisers if they require further information.

(b) Comparative table

Requirement	PacMag	Entrée
Meetings of shareholders	PacMag's annual general meeting (“AGM”) must be held at least once in each calendar year and within five months after the end of its financial year. A general meeting of PacMag Shareholders may be called from time to time by the PacMag Board, individual PacMag Directors or PacMag Shareholders with at least 5% of the votes that may be cast at a general meeting may call a meeting or request PacMag’s Directors to call a meeting. Directors must also call a meeting at the request of at least 100 members who are entitled to vote at the general meeting.	Entrée must hold an AGM at least once in each calendar year and not more than fifteen months after the annual reference date for the preceding calendar year. The Entrée Board may call a meeting of Entrée Shareholders at any time. Holders with at least 5% of the issued shares of Entrée that carry the right to vote at an AGM may requisition the Entrée Directors to call a meeting.
Notice of meetings	Notice of a general meeting must be given at least 28 days before the date of the meeting to PacMag Shareholders entitled to vote at the meeting, as well as to the PacMag Directors and auditors.	Entrée must provide at least 21 days and not more than two months notice of the date, time and location of all Entrée Shareholder meetings to registered Entrée Shareholders entitled to vote at the meeting and to each Entrée Director. As a “reporting issuer” under Canadian securities law, Entrée must also give notice to certain beneficial Entrée Shareholders. Management proxy circulars, in a required form must be provided in connection with any solicitation of proxies by management.
Quorum	Quorum under the PacMag Constitution is three PacMag Shareholders. If a quorum is not present within 15 minutes, the meeting may be dissolved (if the meeting was convened by members) or be adjourned to the same day in the next week or to such other day, time and place as the PacMag Directors may appoint. If a quorum is not present at the	Quorum for a meeting of Entrée Shareholders is two or more persons present in person or represented by proxy who hold at least 5% of the Shares entitled to be voted at the meeting. If a quorum is not present within half an hour, the meeting shall be adjourned to the same day in the next week. If, at the adjourned meeting, a quorum is not present within half an hour, a person or

Requirement	PacMag	Entrée
	adjourned meeting within 30 minutes, the members present (being not less than two) are a quorum.	persons present and being or representing by proxy an Entrée Shareholder or Entrée Shareholders entitled to attend and vote at the meeting shall be a quorum.
Ordinary and special resolutions	Unless the Corporations Act or the PacMag Constitution requires a special resolution, resolutions are passed by a simple majority of votes cast on the resolution. A special resolution may be passed if not less than 28 days notice of a general meeting is given, the notice specifies the intention to propose the special resolution and states the resolution to be proposed. A special resolution must be passed by at least 75% of the votes cast by shareholders entitled to vote. The Corporations Act requires certain matters to be resolved by a company by special resolution, including the change of name of the company, a selective reduction of capital or selective share buy-back, the conversion of the company from one type or form to another and a decision to wind up the company voluntarily. Under the Corporations Act, a special resolution is also required to modify or repeal the PacMag Constitution.	Unless the BCBCA requires a special resolution, ordinary resolutions are required and are passed by a simple majority of votes cast on the resolution. A special resolution must be passed by a majority of not less than two-thirds of the votes cast by Entrée Shareholders entitled to vote after proper notice is given. Under the BCBCA, certain matters must be approved by special resolution, including amalgamations, arrangements, continuance into another jurisdiction, a sale, lease or disposition of all or substantially all of a company's undertaking and voluntary liquidation. If a special resolution is to be considered at a meeting of Entrée Shareholders, the notice must specify the intention to propose a special resolution. The notice must state the general nature of any special business to be considered and include a copy of any document to be considered or a statement regarding where and when a copy is available for inspection.
Voting	Each PacMag Share confers a right to vote at all general meetings. On a show of hands, each PacMag Shareholder present in person, or by proxy, attorney or body corporate representative, has one vote. If a poll is held, PacMag Shareholders present in person or by their proxy, attorney or body corporate representative will have one vote for every PacMag Share held at the record date for the meeting. A signed proxy	Unless a ballot is called for by the chairman or an Entrée Shareholder entitled to vote at the meeting, votes are held on a show of hands and each holder of Entrée Shares entitled to vote has one vote. If a ballot is called for, each Entrée Shareholder entitled to vote will have one vote for each Entrée Share held.

Requirement	PacMag	Entrée
	<p>must be received at least 48 hours before a meeting.</p> <p>A poll may be demanded by the chairman of the general meeting, at least five PacMag Shareholders entitled to vote on the resolution, PacMag Shareholders present at the meeting holding at least 5% of the votes that may be cast on the resolution on a poll. The percentage of votes that shareholders have is to be worked out as at the midnight before the poll is demanded.</p>	
Shareholder's rights to call meetings	<p>PacMag Shareholders holding at least 5% of the votes that may be cast at a general meeting or at least 100 shareholders who are entitled to vote at the meeting may, in writing, request the PacMag Directors to call a general meeting. The meeting is to be held not later than two months after the date of the notice.</p> <p>PacMag Shareholders holding at least 5% of the votes that may be cast at a general meeting may also call a general meeting at their own expense.</p>	<p>A holder or holders of at least 5% of Entrée Shares eligible to be voted at an AGM and with a value of over \$2000 may submit a proposal to Entrée at least three months prior to the anniversary of the previous year's annual reference date. The proposing shareholders must have held the required shares for at least two years before the date of the proposal. Entrée is required to put the proposal before the next AGM, subject to certain exceptions.</p>
Power of directors	<p>Under the PacMag Constitution, subject to the Corporations Act and to any other provisions in PacMag's Constitution, the management and control of the business of PacMag is vested in the Directors who may exercise all powers of the Company that are not required by the Corporations Act, the ASX Listing Rules or the PacMag Constitution to be exercised in general meeting.</p>	<p>Under the BCBCA, the Entrée Directors must manage or supervise the business and affairs of the company and may appoint and remove officers and specify their duties, subject to the BCBCA and its Articles.</p>
Appointment of directors	<p>PacMag must have three to seven directors. At each AGM, one third of the PacMag Board (or the number nearest to but</p>	<p>Entrée must have a minimum of three directors. Election of directors takes place at each AGM. All directors retire prior to the AGM</p>

Requirement	PacMag	Entrée
	<p>not exceeding one third) (except the managing director) must retire from office but no director may retain office for more than three years or until the third annual general meeting. The director or directors to retire is the one-third or other number nearest to, but not exceeding, one-third of the number of the Directors who have been longest in office since their election. A retiring director is eligible for re-election. The PacMag Directors may, at any time, appoint any person as a Director subject to some restrictions set out in PacMag's Constitution.</p>	<p>but, if qualified, are eligible for re-election. The number of directors to be elected is the number then in office, unless the Entrée Shareholders determine otherwise. Casual vacancies may be filled by the Entrée Directors, who can also to appoint additional directors numbering up to one third of the directors elected at the previous AGM.</p>
Removal of directors	<p>PacMag may remove a PacMag Director before their period of office ends by passing a resolution at a general meeting. PacMag Directors cannot themselves remove a director from his office or require a director to vacate his office.</p>	<p>Entrée's Articles provide that the Entrée Shareholders may remove a director from office by ordinary resolution. Entrée's directors can remove a director if he is convicted of certain crimes or ceases to be qualified as a director under the BCBCA.</p>
Amendments to constituent documents	<p>Any amendment to the PacMag Constitution must be approved by special resolution.</p>	<p>Unless otherwise specified in the BCBCA or the Articles, amendments to Entrée's Articles and Notice of Articles must be approved by a special resolution.</p>
Issue of new shares	<p>Subject to specified exceptions (for pro rata issues etc), the ASX Listing Rules apply to restrict PacMag from issuing, or agreeing to issue, more ordinary shares than 15% of the total of the number calculated according to a prescribed equation in any 12 month period unless PacMag has Shareholder approval.</p> <p>Subject to certain exceptions, ASX Listing Rules 10.11 and 10.14 require the approval of PacMag Shareholders by ordinary resolution in order for the company to issue PacMag Shares or PacMag Options to PacMag</p>	<p>Entrée is authorised to issue an unlimited number of common shares without par value for such consideration determined by the directors. Entrée Shares are non-assessable and may only be issued if consideration for such shares is fully paid.</p> <p>As a TSX-listed company, issuances of securities by Entrée require TSX approval. The TSX may impose conditions or grant exemptions from its own requirements, and will generally require securityholder approval of any transaction that materially affects control of the issuer or provides consideration to</p>

Requirement	PacMag	Entrée
	<p>Directors or other related parties.</p> <p>Under the PacMag Constitution, the PacMag Directors may issue PacMag Shares on the terms and when they think fit. This power is subject to the Corporations Act, ASX Listing Rules, and any special rights previously conferred on the holders of any existing PacMag Shares or class of PacMag Shares.</p>	<p>insiders that represents 10% or more of the issuer's market capitalisation. For private placements, the TSX may require securityholder approval depending on the price and number of securities being issued and whether insiders are involved.</p> <p>Where securities are issued in connection with an acquisition, securityholder approval is required when the number of securities issued exceeds 25% of the number of outstanding securities of the issuer (on a non-diluted basis), whether the target acquired is a private company or a reporting issuer.</p> <p>The TSX requires securityholder approval of securities-based compensation plans, including any mechanism involving the potential issuance of securities, and prescribes specific disclosure requirements for the purposes of such approval. Any such plan must comply with certain substantive requirements such as restrictions on exercise prices, maximum number or percentage of securities issuable and securityholder approval of most amendments.</p> <p>The TSX requires securityholder approval of securities-based compensation plans, including any mechanism involving the potential issuance of securities, and prescribes specific disclosure requirements for the purposes of such approval. Any such plan must comply with certain substantive requirements such as restrictions on exercise prices, maximum number or percentage of securities issuable and securityholder approval of most amendments.</p>
Variation of class rights	Under the PacMag Constitution, rights attaching to a class of shares may only be varied or	The BCBCA provides that rights attaching to a class of shares may only be varied by an amendment to

Requirement	PacMag	Entrée
	cancelled by special resolution or with the consent in writing of the holders of three quarters of the issued securities in PacMag.	the Articles approved by special resolution and if there are more than one class, by a special separate resolution of such class.
Protection of minority shareholders / oppression remedy	<p>Under the Corporations Act, any PacMag Shareholder can bring an action in cases of conduct which is contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any PacMag Shareholder(s), whether in their capacity as a shareholder or in any other capacity. Former shareholders can also bring an action if it relates to the circumstances in which they ceased to be a shareholder.</p> <p>A statutory derivative action may also be instituted by a PacMag Shareholder, former PacMag Shareholder or person entitled to be registered as a PacMag Shareholder. In all cases, leave of the court is required. Such leave will be granted if the court is satisfied that it is probable that PacMag will not itself bring the proceedings or properly take responsibility for them or for the steps in them, the applicant is acting in good faith, it is in the best interests of PacMag that the applicant be granted leave, if the applicant is applying for leave to bring proceedings, there is a serious question to be tried and the applicant gives proper written notice to PacMag specifying its intention to and reasons for applying or it is otherwise appropriate to give leave.</p>	<p>Under the BCBCA, on the application of a complainant (shareholder or director), the court may grant leave to prosecute or defend a legal proceeding in the name and on behalf of the company to enforce a right, duty or obligation owed to the company or to obtain damages for a breach of such a right, duty or obligation. In certain circumstances, the BCBCA allows for a shareholder to apply to court to have an investigator appointed to investigate the company's affairs. Certain substantive and procedural requirements must be met, including the court being satisfied that the complainant is acting in good faith and that the derivative action appears to be in the interests of the company or its subsidiary.</p> <p>In addition, a shareholder or other person whom the court considers appropriate may apply to the court for an order on the grounds that the affairs of the company are being or have been conducted or the powers of the directors are being or have been exercised in a manner that is oppressive to one or more shareholders or that some act or proposed act of the company or resolution of the shareholders is unfairly prejudicial to one or more shareholders. The court has the power to make any order it thinks fit to remedy the oppressive behaviour, including prohibiting or directing any act, appointing or removing directors or directing that the company be liquidated and dissolved.</p> <p>The BCBCA provides shareholders with dissent rights in connection</p>

Requirement	PacMag	Entrée
		with certain corporate matters, generally including amalgamations, arrangements, the sale, lease or disposition of all or substantially all of the company's undertaking and continuance into another jurisdiction, which dissent rights entitle dissenting shareholders to receive payment of fair value for their shares from the company, provided they comply with the strict requirements set out under the BCBCA.
Source and payment of dividends	Under Australian law, the PacMag Directors may determine that a dividend is payable. Dividends may only be paid out of the company's distributable profits and not out of share capital. Before declaring a dividend, the PacMag Directors must be satisfied that the proposed dividend can be paid without causing the company to be unable to pay its debts as they fall due.	Under the BCBCA, Entrée may declare and pay a dividend, whether out of profits, capital or otherwise, by issuing shares or property, including money, unless there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due.
Remuneration of directors and officers	Under the ASX Listing Rules, the maximum amount to be paid to PacMag Directors for their services as directors (other than the salary of an executive director) is not to exceed the amount approved by shareholders in general meeting. Australian law gives shareholders of listed companies (such as PacMag Shareholders) the right to participate in a non-binding vote, to be held at the AGM, on the adoption of the remuneration report of the company. The remuneration report is included in the directors' report and is required to contain a discussion of the board's policy in relation to remuneration of key management personnel of the company.	Entrée's Compensation Committee sets the remuneration of the directors, and senior officers. Under applicable Canadian law, a report on compensation is required to be included in the management proxy circular sent in connection with the AGM each year. Entrée is not subject to any restrictions on the quantum of retirement benefits that it may pay to its directors and officers.

Requirement	PacMag	Entrée
Fiduciary duties of directors and officers	<p>Under Australian law, the directors and officers of PacMag are subject to duties to act in good faith in the interests of the company, act for a proper purpose, not fetter their discretion (in the case of directors only), exercise care, skill and diligence, avoid conflicts of interest, not use their position to their advantage, and not misappropriate company property.</p>	<p>Under Canadian law, every director and officer of Entrée, in exercising their powers and performing their functions must act honestly and in good faith with a view to the best interests of Entrée, exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, act for a proper purpose in accordance with the BCBCA and the Articles of the company, not fetter their discretion, avoid conflicts of interest, not use their position to their advantage and not misappropriate company property.</p>
Release from liability and indemnification of directors and officers	<p>Under Australian law, PacMag cannot exempt an officer from liability to the company incurred in his capacity as an officer, indemnify an officer against a liability owed to the company or a related body corporate, or indemnify an officer against the cost of legal proceedings including where such proceedings result in them being found to have a liability to the company or a related body corporate.</p> <p>However, under Australian law, a company may indemnify an officer against a liability owed to someone other than the company or a related body corporate (and also the cost of any related legal proceedings), provided the liability does not arise out of conduct involving a lack of good faith or the liability is not a penalty or compensation order made under the Corporations Act. For the purposes of these provisions, an 'officer' includes a director, secretary or senior manager of PacMag.</p> <p>The PacMag Constitution</p>	<p>Entrée's Articles provide that, subject to limitations contained in the BCBCA, the company shall indemnify a director, officer, former director or person who, at the request of the company, is or was a director or officer of another corporation or who holds or held an equivalent position with Entrée or another entity, and the heirs and personal representatives of such persons, against all judgments, penalties or fines awarded or imposed in or an amount paid in settlement of a legal proceeding or investigative action (whether current, threatened, pending or completed) in which such eligible party was involved by reason of their having been a director, officer or having held an equivalent position.</p> <p>Entrée may not indemnify an individual if such person did not act honestly and in good faith with a view to the best interests of the company or the associated corporation or did not have reasonable grounds for believing that his or her conduct was lawful in a proceeding other than a civil proceeding. The BCBCA and Entrée's Articles allow for the</p>

Requirement	PacMag	Entrée
	<p>contains provisions indemnifying several parties who fit within the meaning of 'officer' including the company's past and existing directors, secretaries, executive officers and members of local boards or agencies, to the maximum extent permitted by law, against any liability incurred by that person in his capacity as an officer of PacMag or of a related body corporate of PacMag.</p>	<p>purchase and maintenance liability insurance in support of such indemnities.</p>
<p>Related party transactions</p>	<p>The Corporations Act prohibits a public company such as PacMag from giving a related party a financial benefit unless it obtains the approval of shareholders and gives the benefit within 15 months after approval or the financial benefit is exempt. A related party is defined to include any entity which controls the public company, directors of the public company, directors of any entity which controls the public company and, in each case, spouses and certain relatives of such persons. Exempt financial benefits include indemnities, insurance premiums and payments for legal costs which are reasonable in the circumstances.</p> <p>The ASX Listing Rules prohibit a listed entity such as PacMag from acquiring a substantial asset (an asset the value or consideration for which is 5% or more of the entity's equity interests) from, or disposing of a substantial asset to certain parties including related parties, unless it obtains the approval of shareholders. The related parties include (but are not limited to) directors of the entity and an entity that controls the entity; a subsidiary of the entity; a person who has or has had in the prior six month</p>	<p>Entrée is subject to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions, which imposes independent valuation, minority approval and disclosure requirements on entities involved in certain related party transactions. A related party transaction includes transactions between an issuer and a person that is a related party to the issuer at the time of the relevant agreement, whether or not there are also other parties to the transaction, as a consequence of which, either in a single transaction or multiple transactions, the issuer directly or indirectly, among other things, purchases or acquires an asset from or sells or transfers an asset to a related party for valuable consideration; leases property to or from a related party; acquires or combines with a related party through an arrangement or otherwise; issues a security to or subscribes for a security of a related party; becomes subject to a liability of a related party or provides or materially amends the terms of a guarantee or collateral security for a debt or liability of a related party; or borrows money from, lends money to, releases, cancels, forgives or materially amends the terms of an outstanding debt or liability owed</p>

Requirement	PacMag	Entrée
	<p>period a relevant interest in 10% or more of the shares in the entity and, in each case, any of their associates. The provisions apply even where the transaction may be on arm's-length terms.</p> <p>The ASX Listing Rules also prohibit PacMag from issuing or agreeing to issue shares to related parties unless it obtains the approval of shareholders or the share issue is exempt. Exempt share issues include issues made pro rata to all shareholders, under an underwriting agreement, under a dividend or distribution plan or under an approved employee incentive plan.</p>	<p>by a related party.</p>
Director's declarations of interest	<p>The Corporations Act generally requires a PacMag director who has a material personal interest in a matter that relates to the affairs of PacMag to give the other directors notice of that interest. That director must not be present at a meeting where the matter is being considered or vote on the matter unless the other directors or ASIC approve, or the matter is not one which requires disclosure under the Corporations Act. Under the Corporations Act, failure of a director to disclose a material personal interest, or voting despite a material personal interest, does not affect the validity of a contract in which the director has an interest. PacMag directors, when entering into transactions with PacMag, are subject to the common law and statutory duties to avoid conflicts of interest.</p>	<p>Under the BCBCA, a director or officer will hold a disclosable interest in a contract or transaction that Entrée has entered into or proposes to enter into if that contract or transaction is material to Entrée, and the director or officer has or is a director or officer of or has a material interest in a person who has a material interest in the contract or transaction. Directors and officers must disclose to Entrée the nature and extent of any disclosable interest that they may have and must not participate in any discussion of the relevant contract or transaction. No director having a disclosable interest may vote on any resolution to approve the contract or transaction.</p>
Takeover bids	<p>Australian law places restrictions on a person acquiring interests in the voting shares of PacMag where, as a result of the</p>	<p>In Canada, takeover bids are regulated primarily by securities legislation. Persons making an offer to acquire securities that,</p>

Requirement	PacMag	Entrée
	<p>acquisition, that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. This prohibition is subject to a number of exceptions including the acquisition of not more than 3% of the voting shares in the company in the six month period before the acquisition, the acquisition is made with shareholder approval or the acquisition is made under a takeover bid made in accordance with Australian law. Various restrictions about conditional offers exist and there are also substantial restrictions concerning the withdrawal and suspension of offers.</p> <p>Takeover bids must treat all securityholders alike, must not involve any collateral benefits and must remain open for certain period, after which time all securities deposited under the offer may be taken up. The takeover bid rules contain various additional requirements, such as restrictions on conditional offers and withdrawal, amendment or suspension of offers.</p>	<p>together with the offeror's securities (and those held by joint actors), constitute in aggregate 20% or more of the outstanding securities of the company at the time of the offer are required to extend the offer to all securityholders whose registered address is in Canada. The takeover bid rules require, among other things, the mailing of a takeover bid circular to shareholders of the target company and extensive disclosure requirements, beginning with 'early warning' disclosure required when an acquirer crosses a 10% ownership threshold with further disclosure required for additional purchases of 2% or more.</p> <p>The BCBCA contains compulsory acquisition provisions, which allow a person who holds 90% of a company's shares to acquire the remaining shares.</p>
Takeover bid defences	<p>Under Australian takeovers legislation and policy, boards of target companies are limited in the defensive mechanisms that they can put in place to discourage or defeat a takeover bid. For example, it is likely that the adoption of a shareholders' rights plan (or so-called 'poison pill') would give rise to a declaration of unacceptable circumstances by the Australian Takeovers Panel if it had that effect.</p>	<p>In Canada, defensive tactics may be taken by a board of directors in a genuine attempt to obtain a better bid, however, the Canadian securities regulatory authorities have recognised the possibility that the interests of management of the target company will differ from those of its shareholders. The securities regulators may take action in certain cases where target company defensive tactics may be abusive of shareholder rights, deny shareholders the ability to make a fully formed decision or frustrate</p>

Requirement	PacMag	Entrée
		<p>an open takeover bid process.</p> <p>Defensive tactics that may come under scrutiny during or immediately before a bid (if there is reason to believe that a bid might be imminent) include granting an option on securities representing a significant percentage of the target company's outstanding securities, including introduction of a shareholders' rights plan, a sale, acquisition, optioning, or agreement to sell or acquire material assets or other corporate action other than in the normal course of business. Shareholder approval of defensive tactics may be a factor in the regulatory authorities' decision as to whether the tactics are appropriate.</p>
<p>Winding up</p>	<p>Under Australian law, an insolvent company may be wound up by a liquidator appointed either by creditors or the court. Directors cannot use their powers after a liquidator has been appointed. If there are funds left over after payment of the costs of the liquidation, and payments to other priority creditors, including employees, the liquidator will pay these to unsecured creditors as a dividend. The shareholders rank behind the creditors and are, therefore, unlikely to receive any dividend in an insolvent liquidation.</p> <p>Under Australian law, shareholders of a solvent company may decide to wind up the company if the directors are able to form the view that the company will be able to pay its debts in full within 12 months after the commencement of the winding-up. A meeting at which a decision is made to wind up a solvent company requires at least 75% of votes cast by the</p>	<p>Under the BCBCA, a company may liquidate if it is authorised to do so by a special resolution. A company may apply for a voluntary dissolution if (following authorisation to liquidate) it is authorised to do so by an ordinary resolution and it has no assets and liabilities. On application by the company, a shareholder, director or any other person whom the court considers to be appropriate, including a creditor of a corporation, the court may order that the company be liquidated and dissolved if the court considers it just and equitable.</p> <p>Liquidation of the corporation may also take place completely outside the framework of the BCBCA, such as under the Bankruptcy and Insolvency Act (Canada) or the Companies' Creditors Arrangement Act (Canada). Finally, a corporation may be liquidated informally under contractual arrangement, usually by way of the private appointment of a receiver and manager.</p>

Requirement	PacMag	Entrée
	<p>shareholders present and voting.</p> <p>The PacMag Constitution provides that on winding-up, the liquidator may, with sanction of a special resolution, divide among PacMag Shareholders in specie or kind the whole or any part of PacMag's property and may for that purpose set the value as the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.</p>	

SECTION 11 - RISK FACTORS

11.1 INTRODUCTION

If the Schemes are implemented, PacMag Shareholders and PacMag Optionholders will, subject to the terms of each Scheme, be entitled to receive the Scheme Consideration in the form of Entrée Shares and cash. The value of the Entrée Shares will be influenced by a number of factors, many of which will be beyond the control of the Merged Group. These risk factors are divided into risks associated with:

- (a) the Entrée-Ivanhoe Joint Venture;
- (b) mining;
- (c) Entrée's business and operations;
- (d) the Entrée Shares; and
- (e) the Merged Group.

Some of these risks are either related to exploration and mining companies generally or already relate to PacMag's business which will form part of the Merged Group and are therefore the risks to which the PacMag Securityholders already have some exposure. However, a number of these risks will be new or have potentially greater impact than is currently the case in relation to PacMag alone.

These risk factors do not take into account the investment objectives, financial situation, position or particular needs of PacMag Securityholders.

11.2 RISK RELATED TO THE ENTRÉE-IVANHOE JOINT VENTURE

As a result of the close connection between Ivanhoe Mines' Oyu Tolgoi Project and the Entrée-Ivanhoe Joint Venture, certain risk factors associated with Ivanhoe Mines are also applicable to Entrée and may adversely affect Entrée, including the following.

The Hugo Dummett Deposit Mineral Resources (CIM Definition) do not have demonstrated economic viability and the feasibility of mining has not been established.

A substantial portion of the Mineral Resources (CIM Definition) identified to date on the Oyu Tolgoi Project are not Mineral Reserves (CIM Definition) and do not yet have demonstrated economic viability. There can be no assurance that some or all of these Mineral Resources (CIM Definition) will be upgraded to Mineral Reserves (CIM Definition). With the exception of the Southern Oyu Deposits, the feasibility of mining from the Oyu Tolgoi Project has not been, and may never be, established. There is a degree of uncertainty attributable to the estimation of Mineral Reserves (CIM Definition), Mineral Resources (CIM Definition) and corresponding grades being mined or dedicated to future production. Until Mineral Reserves (CIM Definition) or Mineral Resources (CIM Definition) are actually mined and processed, the quantity of Mineral Reserves (CIM Definition) or Mineral Resources (CIM Definition) and grades must be considered as estimates only. In addition, the quantity of Mineral Reserves (CIM Definition) or Mineral Resources (CIM Definition) may vary depending on the prevailing metals market. Any material change in the quantity of its Mineral Reserves (CIM Definition), Mineral Resources (CIM Definition), grades or stripping ratio may affect the economic viability of a particular property. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

The actual cost of developing the Oyu Tolgoi Project may differ significantly from Ivanhoe Mines' estimates and involve unexpected problems or delays.

The estimates regarding the development and operation of the Oyu Tolgoi Project are summarised in Ivanhoe Mines' Integrated Development Plan ("IDP05"). This plan is expected to be updated in the near future, but the release date is unknown. IDP05 establishes estimates of reserves and resources and operating costs and projects economic returns. These estimates are based, in part, on assumptions about future metal prices. The IDP05 derives estimates of average cash operating costs based upon, among other things: anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; anticipated recovery rates of copper and gold from the ore; cash operating costs of comparable facilities and equipment; and anticipated climatic conditions. Actual operating costs, production and economic returns may differ significantly from those anticipated by the IDP and future development reports. There are also a number of uncertainties inherent in the development and construction of any new mine including the Oyu Tolgoi Project. 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, water and transportation; 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 a property such as the Oyu Tolgoi Project. 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 Ivanhoe Mines' future development activities will result in profitable mining operations.

Lack of infrastructure in proximity to the material properties could adversely affect mining feasibility.

The Oyu Tolgoi Project is located in an extremely remote area, which currently lacks basic infrastructure, including sources of electric power, water, housing, food and transport, necessary to develop and operate a major mining project. While Ivanhoe Mines has established the limited infrastructure necessary to conduct its current exploration and development activities, substantially greater sources of power, water, physical plant and transport infrastructure in the area will need to be established before Ivanhoe Mines can conduct mining operations. 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 necessary approvals from national and regional governments, none of which can be assured.

11.3 RISK RELATED TO MINING

All of Entrée's properties are in the exploration stage. There is no assurance that Entrée can establish the existence of any Mineral Reserve (CIM Definition) on any of its properties in commercially exploitable quantities

Despite exploration work on Entrée's mineral properties, Entrée has not established that any of them contain any Mineral Reserve (CIM Definition), nor can there be any assurance that Entrée will be able to do so. Until Entrée can do so, it cannot earn any revenues from operations and if it does not do so it will lose all of the funds that it has expended on exploration. If it does not discover any Mineral Reserve (CIM Definition) in a commercially exploitable quantity, Entrée's business may fail.

The probability of an individual prospect ever having a Mineral Reserve (CIM Definition) that meets the requirements of the definition is extremely remote. In all probability its mineral resource property does not contain any Mineral Reserve (CIM Definition) and any funds that Entrée spend on exploration will probably be lost.

Even if Entrée does eventually discover a Mineral Reserve (CIM Definition) on one or more of its properties, there can be no assurance that Entrée will be able to develop its properties into producing mines and extract those Mineral Reserves (CIM Definition). Both mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines.

The commercial viability of an established mineral deposit will depend on a number of factors including, for example, the size, grade and other attributes of the mineral deposit, the proximity of the resource to infrastructure such as a smelter, roads and a point for shipping, government regulation and market prices. Most of these factors will be beyond Entrée's control, and any of them could increase costs and make extraction of any identified Mineral Resource (CIM Definition) unprofitable.

The expiry date of the Togoot Exploration Licence was 30 March 2010.

The expiry date of the Togoot exploration licence was 30 March 2010. In order to be granted a mining licence, the holder must demonstrate, among other things, that the subject property contains reserves and resources. Entrée worked with a Mongolian consulting team to prepare a resource estimate for the Nomkhon Bohr deposit in support of making a mining licence application. Entrée submitted the mining licence application to MRAM prior to the licence expiry date, as required by law. The Minerals Resource Council (which reports to MRAM) has approved the resource estimate, but a mining licence has not yet been granted. There is no guarantee that the licence will be converted to a mining licence.

Mineral operations are subject to applicable law and government regulation. Even if Entrée discovers a Mineral Resource (CIM Definition) in a commercially exploitable quantity, these laws and regulations could restrict or prohibit the exploitation of that Mineral Resource (CIM Definition). If Entrée cannot exploit any Mineral Resource (CIM Definition) that it might discover on its properties, Entrée's business may fail

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 will be able to obtain or maintain any of the permits required for the continued exploration of its mineral properties or for the construction and operation of a mine on its properties at economically viable costs. If Entrée cannot accomplish these objectives, its business could fail.

Entrée believes that it is in compliance with all material laws and regulations that currently apply to its activities but there can be no assurance that Entrée can continue to do so. Current laws and regulations could be amended and Entrée might not be able to comply with them, as amended. Further, there can be no assurance that Entrée will be able to obtain or maintain all permits necessary for its future operations, or that it will be able to obtain them on reasonable terms. To the extent such approvals are required and are not obtained, Entrée may be delayed or prohibited from proceeding with planned exploration or development of its mineral properties.

Environmental hazards unknown to Entrée which have been caused by previous or existing owners or operators of the properties may exist on the properties in which Entrée holds an interest. More specifically, 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 US, 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.

If Entrée establishes the existence of a Mineral Reserve (CIM Definition) on any of its properties in a commercially exploitable quantity, 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 Entrée does discover Mineral Reserves (CIM Definition) in commercially exploitable quantities on any of its properties, 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. In the event of a cave-in or similar occurrence, its liability may exceed its resources, which would have an adverse impact on Entrée

Mineral exploration, development and production 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 the hazards and risks inherent in the exploration, development and production of resources, including liability for pollution, cave-ins or similar 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.

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 gold, silver, molybdenum, and copper. 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, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. 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 its exploration projects, cannot accurately be predicted.

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 (CIM Definition), 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. While Entrée competes with other exploration companies in the effort to locate and license mineral resource properties, Entrée does not compete with them for the removal or sale of mineral products from its properties if Entrée should eventually discover the presence of them in quantities sufficient to make production economically feasible. Readily available markets exist worldwide for the sale of gold and other mineral products. Therefore, Entrée will likely be able to sell any gold or mineral products that Entrée identifies and produces.

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.

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 the status of its title to the Shivee Tolgoi and Javhlant mining licences and the Togoot exploration licence and Entrée is satisfied that the title to these licences is properly registered in the name of Entrée LLC, in the case of Shivee Tolgoi and Javhlant, and Entrée Resources LLC in the case of Togoot, and that these licences are currently in good standing.

Entrée cannot guarantee that the rights to explore its properties will not be revoked or altered to its detriment. The ownership and validity of mining claims and concessions are often uncertain and may be contested. Should such a 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 challenges to the location or area of any of the mining concessions and mining claims. There is, however, no guarantee that title to the claims and concessions will not be challenged or impugned in the future. The total estimated annual fees in order to maintain the licences in good standing are approximately C\$2.7 million if all of Togoot is converted to a mining licence in 2010. Approximately C\$478,000 of the total is recoverable from the Entrée-Ivanhoe Joint Venture. 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.

Development of the property that is subject to the Entrée-Ivanhoe Joint Venture may be delayed by Ivanhoe Mines in favour of development of the Oyu Tolgoi Project

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

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

Entrée holds its interest in its Mongolian exploration properties through mining and exploration licences that enable it to conduct mining operations or development and exploration activities. Notwithstanding these arrangements, Entrée's ability to conduct mining operations or exploration and development activities is subject to changes in legislation or government regulations or shifts

in political attitudes beyond Entrée's 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. There can be no assurance that Entrée's assets will not be subject to nationalisation, 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 value of Entrée's original investment. Similarly, Entrée's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, environmental legislation, mine safety and annual fees to maintain mining and exploration 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.

Entrée's business in Mongolia may be subject to legal risk

Mongolia recently transitioned from state socialism and a planned economy to parliamentary democracy and a free market economy. Much progress has been made in this transition, but much remains to be done, particularly with respect to the rule of law. 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. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements, licences and title documents through which Entrée holds its interests in Mongolia, or the underlying legislation upon which those interests are based. Many laws have been enacted, but in many instances they are neither understood nor enforced and may be applied in an inconsistent, arbitrary or 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. While Entrée believes that it has taken the legal steps necessary to obtain and hold its property and other interests in Mongolia, there can be no guarantee that such steps will be sufficient to preserve those interests.

Recent and future amendments to Mongolian laws could adversely affect Entrée's mining rights or make it more difficult or expensive to develop the project and carry out mining

In 2009, the Mongolian parliament implemented revisions to four key laws to facilitate completion of negotiations regarding the Investment Agreement. These revisions continue to preserve the substance of the original Minerals Law, which was drafted in 1997 with the assistance of Western legal experts and is widely regarded as progressive, internally consistent and effective legislation. Some of the revisions made since 1997 have increased the potential for political interference and weakened the rights of mineral holders in Mongolia but changes made in 2009 have eased some of these concerns. A number of the provisions will require further clarification from the Government about the manner in which the government intends to interpret and apply the relevant law, which could have a significant effect on Entrée's Mongolian properties. The Mongolian government has, in the past, expressed its strong desire to foster, and has to date protected the development of, an enabling environment for foreign investment. However, there are political constituencies within Mongolia that have espoused ideas that would not be regarded by the international mining industry as conducive to foreign investment if they become law or official government policy. The Oyu Tolgoi Project (and with it the Hugo North Extension and the Heruga deposit on the Entrée-Ivanhoe Joint Venture) has a high profile among the citizens of Mongolia and, as a burgeoning democracy, Mongolia has demonstrated a degree of political volatility in the past. Accordingly, until these issues are addressed and clarified, 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 the interest of Ivanhoe Mines or

Entrée or that impair Ivanhoe Mines' ability to develop and operate the Oyu Tolgoi Project on the basis presently contemplated.

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 may experience difficulties with its joint venture partners

Ivanhoe Mines has earned an interest in the Joint Venture Property from Entrée. Ivanhoe Mines and Entrée have formed a joint venture and Ivanhoe Mines has effective control of the development of the Joint Venture Property.

Entrée is not presently a party to the Investment Agreement. Although Ivanhoe Mines has agreed under the terms of an equity participation and earn-in agreement dated 15 October 2004, between Ivanhoe Mines and Entrée, 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. In order to become a party to the Investment Agreement, the Government of Mongolia may require Entrée or the Entrée-Ivanhoe Joint Venture to agree to certain concessions, including with respect to the ownership of the Entrée-Ivanhoe Joint Venture or the scope of the lands to be covered by the Investment Agreement.

Entrée may in the future enter into additional joint ventures in respect of other properties with third parties. Entrée is 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.

11.4 RISK RELATED TO ENTRÉE' S BUSINESS AND OPERATIONS

Entrée has a limited operating history on which to base an evaluation of its business and prospects

Although Entrée has been in the business of exploring mineral resource properties since 1995, Entrée has not yet located any Mineral Reserves (CIM Definition). 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 and this does not provide a meaningful basis for an evaluation of its prospects if Entrée ever determines that it has a Mineral Reserve (CIM Definition) and commences the construction and operation of a mine. Entrée has limited ability to evaluate the likelihood of whether its mineral properties contain any Mineral Reserve (CIM Definition) or, if they do that Entrée will be able to build or operate a mine successfully. Entrée anticipates that it will continue to incur operating costs without realising any revenues during the period when Entrée is exploring its properties. During the twelve months ending 31 December 2010, Entrée expect to spend approximately C\$12 million on the maintenance and exploration of its mineral properties and the operation of Entrée. Entrée therefore 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 properties, Entrée will not be able to earn profits or continue operations. At this early stage of its operation, Entrée also expects to face the risks, uncertainties, expenses and difficulties frequently encountered by

companies at the start-up stage of their business development. Entrée cannot be sure that it will be successful in addressing these risks and uncertainties and its failure to do so could have a materially adverse effect on its financial condition. There is no history upon which to base any assumption as to the likelihood that Entrée will prove successful and 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 raises substantial doubt about its ability to continue to explore its mineral properties as a going concern

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 it is able to identify a Mineral Reserve (CIM Definition) in a commercially exploitable quantity on one or more of its mineral properties and it builds and operates a mine. As at 30 September 2009, Entrée had working capital of approximately C\$43 million. Entrée estimates its average monthly operating expenses to be approximately C\$1 million, including exploration, general and administrative expenses and investor relations 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. As Entrée cannot assure a lender that Entrée will be able to successfully explore and develop its mineral properties, Entrée will probably find it difficult to raise debt financing. Entrée 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, Entrée may be forced to delay, scale back, or eliminate its exploration activities. If any of these actions occurs, there is a substantial risk that Entrée's business could fail.

Current global financial conditions may adversely impact operations and the value and price of the Entrée Shares

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors 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 Entrée Shares could be adversely affected.

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

The shareholding of each of Ivanhoe Mines and Rio Tinto in Entrée together with the right of Rio Tinto to maintain its shareholding with its pre-emptive right, give each of Ivanhoe Mines and Rio Tinto the voting power to significantly 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, Ivanhoe Mines has operational control over the Entrée-Ivanhoe Joint Venture Property. Ivanhoe Mines also has a right of first refusal with respect to any proposed disposition by Entrée of an interest in Lookout Hill West which is not subject to the Entrée-Ivanhoe Joint Venture. The share position in Entrée 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 Entrée in favour of a third party that otherwise could result in a premium in the market price of the Entrée Shares in the future.

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

Entrée's Articles contain provisions limiting the liability of its officers and directors for all acts, receipts, neglects or defaults of themselves and all of Entrée's other officers or directors for any other loss, damage or expense incurred by Entrée which shall happen in the execution of the duties of such officers or directors, as do indemnity agreements between Entrée and some of its officers and directors. Such limitations on liability may reduce the likelihood of derivative litigation against Entrée's officers and directors and may discourage or deter Entrée 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 its shareholders.

Investors' interests in Entrée will be diluted and investors may suffer dilution in their net book value per Entrée Share if Entrée issues employee/director/consultant options or if Entrée issues additional Entrée Shares to finance its operations.

Entrée has not ever generated revenue from operations. Entrée is currently without a source of revenue and will most likely be required to issue additional Entrée Shares to finance its operations and, depending on the outcome of its exploration programs, may issue additional Entrée Shares to finance additional exploration programs of any or all of its projects or to acquire additional properties. Entrée may also in the future grant to some or all of its directors, officers, consultants, and employees options to purchase Entrée Shares as non-cash incentives to those persons. Such options may be granted at exercise prices equal to market prices, or at prices as allowable under the policies of the TSX and its stock option plan, when the public market is depressed. The issuance of any equity securities could, and the issuance of any additional Entrée Shares will, cause its existing shareholders to experience dilution of their ownership interests.

If Entrée issues additional Entrée Shares or decides to enter into joint ventures with other parties in order to raise financing through the sale of equity securities, investors' interests in Entrée will be diluted and investors may suffer dilution in their net book value per Entrée Share depending on the price at which such securities are sold. As at 31 December 2009 Entrée had outstanding options exercisable into 10,907,800 Entrée Shares which, if exercised and upon completion of the Schemes, would represent approximately 11.2% of its issued and outstanding shares. If all of these warrants and options are exercised and the underlying 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 Entrée Shares.

Earnings and Dividend Record

Entrée has no earnings or dividend record. Entrée has not paid dividends on the Entrée Shares since incorporation and do not anticipate doing so in the foreseeable future. Entrée does not generate any cash flow from operations and does not expect to do so in the foreseeable future.

Conflicts of Interest

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

The nature of its business, its 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, such as Gregory Crowe and Robert Cann. 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.

Limited Ability to Hedge or Engage in Forward Sales

While Mongolian law allows a company, by various applications and processes, to export and sell its own gold production, in practice, this is a difficult matter, with the result that Entrée will have limited ability to engage in forward sales of, or to hedge, any future gold production.

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, US, Chinese, Australian, and Mongolian currencies.

11.5 RISK RELATED TO ENTRÉE'S SHARES

Because Entrée does not intend to pay any dividends on the Entrée Shares, investors seeking dividend income or liquidity should not purchase Entrée Shares

Entrée does not currently anticipate declaring and paying dividends to its shareholders in the near future. Entrée's current intention is to apply net earnings, if any, in the foreseeable future to increase its working capital. Prospective investors seeking or needing dividend income or liquidity should, therefore, not purchase Entrée Shares. Entrée currently has no revenue and a history of losses, so there can be no assurance that Entrée will ever have sufficient earnings to declare and pay dividends to the holders of Entrée Shares, and in any event, a decision to declare and pay dividends is at the sole discretion of the Entrée Board, which currently does not intend to pay any dividends on Entrée Shares for the foreseeable future.

Entrée believes that it was a passive foreign investment company during 2009, which may have a material effect on US holders

Entrée believes it was a "passive foreign investment company" ("PFIC") during the year ended 31 December 2009 and may be a PFIC for subsequent tax years, which may have a material effect on US 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 US 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 Entrée 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. Upon written request by a US Holder, Entrée will make available the information necessary for such US Holder to make QEF Elections with respect to Entrée. Additional adverse rules would apply to US Holders for any year Entrée is a PFIC and Entrée owns or disposes of shares in another corporation which is a PFIC.

11.6 RISK RELATED TO THE MERGED GROUP

Issue of Entrée Shares and cash as consideration

The Scheme Consideration that is proposed to be issued to PacMag Shareholders and PacMag Optionholders consists of a specified number of Entrée Shares rather than a number of Entrée Shares with a specified market value. As a result, the value of the Scheme Consideration will fluctuate depending upon the market value of the Entrée Shares.

Integration risk

There are risks that the integration of PacMag's business with Entrée's business may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated.

The Merged Group may not realise benefits of growth projects

As part of its strategy, the Merged Group will continue existing efforts and initiate new efforts to develop new mineral projects and will have a larger number of such projects as a result of the Merger. There are a number of risks and uncertainties that are associated with the development of these types of projects as described above. The failure to develop one or more of these initiatives successfully could have an adverse effect on the Merged Group's financial position and results of operations.

The Merged Group will be subject to a broad range of laws and regulations in jurisdictions in which it operates

As noted above, Entrée is currently subject to a broad range of laws and regulations in each jurisdiction in which it operates, which laws and regulations will apply to the Merged Group after the Implementation Date. The costs of complying with these laws and regulations may be significant. In addition, these standards can create the risk of substantial liabilities, including liabilities associated with divested assets and past activities, and cannot be predicted with certainty.

All risks detailed in this section also apply to the Merged Group

Additional risks and uncertainties not currently known to Entrée may also have a material adverse effect on PacMag's business and that of the Merged Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Entrée or the Merged Group.

11.7 GENERAL MARKET RISKS

In addition to the specific business risks above, holding securities, including options in PacMag or the Merged Group, carry general risks including, but not limited to, risks associated with:

- (a) legislation and government regulations and policy;
- (b) taxation laws and policies;
- (c) accounting laws, policies, standards and practices;
- (d) aggregate investment and economic output;
- (e) investor sentiment and local and international stock market conditions;
- (f) Australian and overseas economies and growth;
- (g) fiscal, monetary and regulatory policies; and
- (h) inflation and interest rates.

SECTION 12 - TAX IMPLICATIONS

12.1 GENERAL

Section 12.2 summarises the Australian income tax implications of the Share Scheme for certain PacMag Shareholders. The summary only applies to PacMag Shareholders in whose hands the PacMag Shares are capital assets and thus subject to the capital gains tax (“CGT”) provisions of income tax law. It excludes persons and entities in whose hands the PacMag Shares are trading stock or are being treated on revenue account for income tax purposes. The summary does not apply to persons or entities that are not resident in Australia for tax purposes or persons who are classed as temporary residents under income tax law.

The summary is based on income tax law at the date of the Scheme Booklet. The relevant law may be amended in future including with retrospective effect. The summary is general in nature and only intended to provide a guide to PacMag Shareholders. Persons and entities who participate in the Share Scheme should seek professional advice about their own circumstances.

As the circumstances in which PacMag Optionholders acquired their PacMag Options differ it is not possible to make general comments about the tax consequences of the Option Scheme and PacMag Optionholders should seek individual advice.

Section 12.3 comments on the Australian income tax implications for PacMag Optionholders.

12.2 PACMAG SHAREHOLDERS

Implementation of the Share Scheme will result in a disposal of PacMag Shares for CGT purposes on the Implementation Date. Proceeds of the disposal will be the market value of the Share Scheme Consideration of 0.1018 Entrée Shares and C\$0.0415 cash for each PacMag Share.

Without reference to scrip for scrip rollover relief (please refer to the sub-section entitled ‘CGT - Partial Scrip for Scrip Rollover’ in Section 12.2) a PacMag Shareholder will derive either a capital gain or a capital loss according to the CGT cost base of their PacMag Shares. Individuals, trusts and complying superannuation funds that have held their PacMag Share for more than twelve months prior to the disposal occurring will be eligible for the general 50% discount in calculating the amount of any capital gain.

PacMag Shareholders who acquired their PacMag Shares before 21 September 1999 may choose to apply indexation to the cost base of their shares in calculating any capital gain. Indexation will only apply up to 21 September 1999 and a choice to use indexation will render a PacMag Shareholder ineligible for the general 50% CGT discount.

The cost base of the Entrée Shares for CGT purposes will be the sum of the market value of the Entrée Shares and the cash received as the Share Scheme Consideration.

The following example illustrates the way in which CGT would apply in the absence of scrip for scrip rollover (amounts are in Australian dollars unless denoted otherwise):

Sebastian holds 100,000 PacMag Shares for which he paid \$25,000.

Assume that at the Implementation Date the 10 day VWAP of Entrée Shares was \$C2.55 and the Canadian dollar – Australian dollar exchange rate was 1.03.

Sebastian would receive \$4,278 and 10,180 Entrée Shares with a market value of \$26,737, total proceeds of \$31,015.

Sebastian would have a capital gain of \$31,040 minus \$25,000 being \$6,015. If he had held his PacMag Shares for over 12 months prior to the Implementation Date he would discount the gain by 50% for inclusion in his

assessable income (assuming indexation of the cost base is either not available or not chosen.)

The CGT cost base of Sebastian's Entrée Shares would be \$31,015 or \$3.05 per share.

For CGT purposes, the Entrée Shares will be taken to have been acquired on the Implementation Date. A future sale of the Entrée Shares will be subject to CGT and an individual, trust or complying superannuation fund that holds the Entrée Shares for over twelve months will be eligible for the general 50% discount.

Income tax law provides for a CGT exemption for Australian resident companies that have held a greater than 10% interest in certain foreign companies for over twelve months. Any PacMag Shareholder that considers this exemption may apply to it in future should consult its professional adviser.

CGT – Partial Scrip for Scrip Rollover

- (a) Scrip for scrip rollover allows shareholders to ignore any capital gain on a disposal and assigns the cost base of the original shares to the replacement shares.
- (b) The inclusion of cash in the Share Scheme Consideration will mean that full scrip for scrip rollover will not be available. However, as described in further detail below, income tax law provides for partial scrip for scrip relief in these circumstances.
- (c) The main conditions for scrip for scrip rollover to apply are:
 - (i) the acquirer becomes the owner of 80% or more of the shares;
 - (ii) all owners of voting shares are able to participate; and
 - (iii) participation must be available on substantially the same terms for all owners of shares.

Those conditions will be satisfied. The Sale Facility arrangements in respect of Ineligible Foreign Shareholders and Retail Shareholders who elect to use the Sale Facility will not contravene the requirement that all owners of PacMag Shares must be able to participate as the Entrée Shares to which they are entitled will be issued to a nominee on their behalf and only subsequently be sold in a separate transaction.

- (d) Scrip for scrip rollover can only be applied where the PacMag Shareholder would otherwise make a capital gain on disposal of their PacMag Shares, not when a capital loss arises.
- (e) PacMag Shareholders wishing to apply scrip for scrip rollover must elect to do so; it is not automatic. The election to use scrip for scrip relief is evidenced by the manner in which the tax return for the year in which the Implementation Date occurs is prepared.
- (f) When partial scrip for scrip rollover is chosen the cost base of PacMag Shares must be apportioned between the amount that is eligible for the rollover (the market value of the Entrée Shares) and the amount that is not eligible (the cash consideration.) The income tax law does not specify how the apportionment is to be made but suggests that it would be done by reference to the value of the Entrée Shares and the cash received.
- (g) PacMag Shareholders who elect to apply scrip for scrip rollover will ignore any capital gain in respect of the Entrée Shares and will include in their assessable income the gain referable to the cash component of the Share Scheme Consideration.
- (h) Continuing the example in Section 12.2 above, Sebastian chooses to apply scrip for scrip rollover to the capital gain he would otherwise make:

The cash proceeds of the Share Scheme represent 13.78% of the total proceeds. When this proportion is applied to the cost of Sebastian's

PacMag Shares it results in a cost of \$3,445 referable to the cash component of the Share Scheme Consideration.

Sebastian therefore has a capital gain of \$4,278 minus \$3,445 or \$833 which is not subject to scrip for scrip rollover. If Sebastian had held his PacMag Shares for over 12 months he would discount the gain by 50% for inclusion in his assessable income.

- (i) The consequences for PacMag Shareholders who do not choose to apply scrip for scrip rollover relief are as set out in Section 12.2 above.
- (j) The cost base of the Entrée Shares for CGT purposes will be the portion of the cost base of the PacMag Shares that is eligible for scrip for scrip rollover. That is, the amount of the cost base that is attributable to the market value of the Entrée Shares becomes the cost base of those shares.

Continuing the previous example:

The portion of the cost base of the PacMag Shares that is attributable to the market value of the Entrée Shares is 86.22% or \$21,555. After electing scrip for scrip rollover Sebastian would be taken to have acquired his Entrée Shares for \$21,555 or \$2.12 per Entrée Share.

- (k) For CGT purposes, PacMag Shareholders will be taken to have acquired the Entrée Shares at the time they acquired the original PacMag Shares. A future sale of the Entrée Shares will be subject to CGT and an individual, trust or complying superannuation fund that holds or is taken to have held the Entrée Shares for over twelve months will be eligible for the general 50% discount.

Future Dividends From Entrée

- (a) In the event that Entrée pays a dividend in future, Australian resident shareholders will be subject to tax on the dividend. There is an exemption from tax on certain foreign dividends for an Australian resident company that holds a greater than 10% interest in the foreign company. Any PacMag Shareholder that considers this may apply to it in future should consult its professional adviser for details of the exemption.
- (b) If any withholding tax is imposed on the dividend in Canada or elsewhere, the amount to be included in assessable income is grossed up by the amount of the withholding tax. Under the Australia – Canada Double Tax Agreement the rate of Canadian withholding tax on dividends paid to Australian residents is limited to 15%.
- (c) An Australian resident shareholder would be entitled to a tax offset for foreign tax, subject to certain limitations. The amount of tax offset available for foreign withholding tax is limited to the amount of Australian tax that would be payable on the shareholder's foreign income (after specified deductions).

12.3 PACMAG OPTIONHOLDERS

PacMag Optionholders will exchange PacMag Options for cash and Entrée Shares. As a result, those PacMag Optionholders for whom the Scheme will give rise to a CGT event will not be eligible to elect scrip for scrip rollover and will derive a capital gain or incur a capital loss.

As the circumstances in which PacMag Optionholders acquired their PacMag Options differ it is not possible to make general comments about the tax consequences of the Option Scheme and PacMag Optionholders should seek individual advice.

SECTION 13 - ADDITIONAL INFORMATION

13.1 PACMAG EMPLOYEE OPTIONHOLDERS

There are 400,000 PacMag Employee Options on issue as at the date of this Scheme Booklet exercisable at \$0.252 and expiring on 16 June 2011.

Under the Scheme Implementation Agreement, subject to the Share Scheme and the Option Scheme becoming Effective, Entrée must within five Business Days after the Scheme Booklet is despatched to Scheme Shareholders and Scheme Optionholders, make an offer to each PacMag Employee Optionholder to cancel their PacMag Employee Options. In return for the cancellation of those PacMag Employee Options, PacMag Employee Optionholders will receive 0.0367 Entrée Shares and C\$0.0429 for each PacMag Employee Option held, payable by Entrée on the Implementation Date. The PacMag Employee Optionholders have until 8:00am on the Second Court Date to accept Entrée's offers.

The consideration payable by Entrée to PacMag Optionholders for the cancellation of their PacMag Employee Options has been calculated using the Black-Scholes option pricing model which PacMag considers fairly represents the value of the relevant PacMag Employee Option ("**Cancellation Payment**") based on the implied price of A\$0.33 for PacMag Shares on 27 November 2009, being the last day PacMag Shares were traded before the announcement of the Merger.

Please refer to Section 9.3(b) for additional disclosure regarding the Black-Scholes option pricing model.

The formula to calculate the Cancellation Payment also takes into account the period between the expiry date of each option and the valuation date of 27 November 2009.

The total consideration payable by Entrée to those PacMag Employee Optionholders who have agreed to cancellation of their PacMag Employee Options will be approximately 14,690 Entrée Shares and C\$17,760.

PacMag Employee Optionholders may exercise their PacMag Employee Options and their Cancellation Payment will be adjusted to reflect the final number of their PacMag Employee Options cancelled.

The final date for PacMag Employee Optionholders to exercise their PacMag Employee Options is 8:00am on the Second Court Date.

The consideration payable to PacMag Employee Optionholders for the cancellation of their PacMag Employee Options will be payable by Entrée on the Implementation Date. Cancellation of the PacMag Employee Options will occur without any further action required by a PacMag Employee Optionholder. PacMag Employee Optionholders will have responsibility for their tax liabilities and obligations in relation to the cancellation of their PacMag Employee Options and accepting the Cancellation Payment.

If the PacMag Employee Optionholders do not exercise their PacMag Employee Options by 8:00am on the Second Court Date, their options will expire on 14 June 2010.

PacMag has obtained waivers from ASX Listing Rules 6.23.2 and 6.23.3 in respect of the PacMag Employee Options.

Listing Rule 6.23.2 provides that a change that has the effect of cancelling an option for consideration (such as the proposed payment to the holders of the PacMag Employee Options) can only be made with the approval of PacMag Shareholders. The waiver of Listing Rule 6.23.2 will permit PacMag to cancel the PacMag Employee Options as described above, without approval

by PacMag Shareholders, but subject to approval of the Schemes by PacMag Shareholders, PacMag Optionholders and the Court.

Listing Rule 6.23.3 provides that a change which has the effect of reducing the exercise price, increasing the period for exercise or increasing the number of securities received on exercise cannot be made (even with shareholder approval).

Under PacMag's employee share option plan, a PacMag Employee Option will immediately lapse upon the day which is 10 days following the Company issuing a notice convening a meeting of shareholders in order to enter into a scheme of arrangement (pursuant to the provisions of the Corporations Act) which, if implemented would result in a person or corporation having a relevant interest in not less than 90% of the shares in PacMag.

ASX has granted a waiver from Listing Rule 6.23.3 to the extent necessary to permit PacMag to amend the terms of its employee share option plan such that the exercise period for the PacMag Employee Options may be increased until 10 days after the Option Scheme and Share Scheme are voted on by PacMag Optionholders and PacMag Shareholders (respectively) to ensure that the PacMag Employee Options do not lapse prior to their cancellation pursuant to the PacMag Employee Option Cancellation Deed.

The waiver of Listing Rule 6.23.3 is subject to approval of the Schemes by PacMag Shareholders, PacMag Optionholders and the Court.

13.2 ASIC PRO FORMA RELIEF

PacMag has obtained pro forma relief from the requirement to:

- (a) include in the Scheme Booklet the creditor scheme information required under the Corporations Regulations 2001 (Cth) ("**Corporations Regulations**") for the Option Scheme on the basis that the Scheme Booklet contains the information required for the Share Scheme; and
- (b) list the names of all known Option Scheme creditors together with the debts owed to those creditors required by the Corporations Regulations on the basis that the Scheme Booklet clearly sets out the rights of PacMag's optionholders under sections 170 and 173 of the Corporations Act (see Section 13.3).

13.3 RIGHT TO INSPECT AND OBTAIN COPIES OF THE PACMAG SHARE REGISTER AND THE PACMAG OPTION REGISTER

Under the Corporations Act PacMag Securityholders have the right to inspect the PacMag Share register or the PacMag Option register, which contain the name and address of each PacMag Shareholder or PacMag Optionholder and certain other prescribed details relating to PacMag Shares and PacMag Options, without charge.

A PacMag Securityholder also has the right to request a copy upon payment of a fee (if any) up to a prescribed amount.

13.4 INTERESTS OF PACMAG DIRECTORS

The interests of PacMag Directors in PacMag Shares and PacMag Options are set out in Section 5.

Other than as disclosed in Section 5, no marketable securities of PacMag are held by or on behalf of any PacMag Director, and no PacMag Director has a relevant interest in PacMag as a member or creditor of PacMag.

As at the date of this Scheme Booklet, no marketable securities of Entrée (including Entrée Shares and Entrée Options) are held by, or on behalf of, any PacMag Director.

In accordance with the Scheme Implementation Agreement, two PacMag directors will resign from the PacMag Board. PacMag will be required to make a retirement benefit payment to

Michael Clifford of three months' notice of termination (i.e. A\$67,500 (inclusive of 9% Superannuation)).

13.5 INTERESTS OF ENTRÉE IN PACMAG

There has been no dealing by Entrée or any Associate of Entrée in any PacMag Shares or PacMag Options in the four month period immediately preceding the date of this Scheme Booklet.

During the four month period before the date of this Scheme Booklet, neither Entrée nor any Associate of Entrée:

- (a) has provided, or agreed to provide, consideration for a PacMag Share or PacMag Option; or
- (b) has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:
 - (i) vote in favour of the Share Scheme or the Option Scheme; or
 - (ii) dispose of PacMag Shares or PacMag Options to Entrée or an Associate of Entrée,

other than in relation to the PacMag Employee Optionholders under the PacMag Employee Option Cancellation Deeds (see Section 13.1 for details regarding the PacMag Employee Optionholders), or as otherwise disclosed in this Scheme Booklet.

As at the date of this Scheme Booklet, neither Entrée nor any Associate of Entrée holds any PacMag Shares or PacMag Options.

13.6 MATERIAL CONTRACTS

- (a) Interests of Entrée officers

No officer of Entrée is entitled to any material payment or entitlement that is conditional upon approval and implementation of the Merger.

- (b) Agreement with TD Securities Inc.

Entrée has entered into an agreement to engage TD Securities Inc. to provide financial advisory services and to act as exclusive financial advisor and agent to Entrée in connection with the Merger.

The fees payable to TD Securities Inc. by Entrée in connection with the services performed under this agreement include a transaction fee of C\$350,000 which is payable if the Schemes are implemented.

13.7 NON-SOLICITATION ARRANGEMENTS

Under the Scheme Implementation Agreement, during the Exclusivity Period, PacMag must not, and must not authorise, permit or procure any of its associates (as defined in the Scheme Implementation Agreement) to directly or indirectly:

- (a) solicit, invite or initiate any enquiries, discussions, negotiations or proposals in relation to, or which may lead to, any Alternative Proposal for PacMag or its subsidiaries, or communicate any intention to do such things to any person other than Entrée; or
- (b) participate in or continue any discussions or negotiations, enter into any agreement, arrangement or understanding or communicate any intention to do such things, in relation to or which might reasonably be expected to lead to an Alternative Proposal for PacMag, or which might otherwise lead to the Merger not completing (whether or not directly or indirectly solicited, invited, encouraged or initiated by PacMag or its associates (as defined in the Scheme Implementation Agreement)).

Furthermore, PacMag must not permit another person to undertake due diligence investigations on it or any of its subsidiaries without Entrée's prior written consent.

However, if the PacMag Directors (in good faith and acting reasonably, after obtaining external legal advice) form the view that a bona fide Alternative Proposal, that was not solicited by PacMag or its subsidiaries and did not otherwise result from a breach of the exclusivity obligations outlined above, is or is likely to be a Superior Proposal, then PacMag may furnish information with respect to itself and its business and any of its subsidiaries to any person pursuant to a customary confidentiality agreement and enter into discussions, negotiations and other actions regarding that Superior Proposal provided that, prior to doing so, PacMag advises Entrée of the material terms and conditions of that Superior Proposal, including the party to the Superior Proposal, the proposed consideration and break fee. Further, PacMag must give Entrée at least two clear Business Days' notice of its intention to enter into any agreement, arrangement or understanding in relation to a Superior Proposal so that Entrée may propose an amendment to the Proposal. If the PacMag Board is of the view, acting reasonably, that Entrée's counter proposal would provide an equivalent or superior outcome for PacMag Securityholders to the Superior Proposal, the Proposal will be amended accordingly.

The full terms of PacMag's non-solicitation obligations are contained in clause 9 of the Scheme Implementation Agreement.

13.8 BREAK FEES

PacMag or Entrée may be required to pay the other a "break fee" of C\$350,000 if certain events occur. No Break Fees will be payable if the Schemes become Effective. The obligations of PacMag and Entrée to pay a Break Fee are contained in clauses 10.1 and 10.2 of the Scheme Implementation Agreement and are summarised below.

PacMag Break Fee

Provided that Entrée has not failed to perform any material obligation under the Scheme Implementation Agreement, no representation or warranty made by Entrée is untrue, and no Entrée Material Adverse Change has occurred, if:

- (a) any PacMag Director fails to recommend the Schemes or, withdraws or adversely modifies his or her favourable recommendation of the Schemes;
- (b) the Schemes do not proceed because a Superior Proposal is made or announced and Scheme Shareholders and Scheme Optionholders do not approve the Schemes;
- (c) PacMag is in breach of its non-solicitation obligations and has not ceased the conduct which has caused the breach within one Business Day following written notice from Entrée of the breach; or
- (d) Entrée validly terminates the Scheme Implementation Agreement due to a material breach by PacMag of the Scheme Implementation Agreement, a PacMag Material Adverse Change occurs or a PacMag Prescribed Occurrence occurs,

then PacMag must pay to Entrée C\$350,000.

Entrée Break Fee

Provided that PacMag has not failed to perform any material obligation under the Scheme Implementation Agreement, no representation or warranty made by PacMag is untrue, and no PacMag Material Adverse Change has occurred, if PacMag validly terminates the Scheme Implementation Agreement because:

- (a) Entrée is in material breach of the Scheme Implementation Agreement;
- (b) an Entrée Material Adverse Change occurs; or
- (c) an Entrée Prescribed Occurrence occurs,

then Entrée must pay PacMag C\$350,000.

Exceptions to payment of Break Fee

No Break Fee is payable if:

- (a) prior to the occurrence of any event listed above, the Scheme Implementation Agreement has been validly terminated (see Section 13.9 for details regarding termination rights); or
- (b) the Schemes become Effective notwithstanding the occurrence of any termination event.

13.9 TERMINATION OF THE SCHEME IMPLEMENTATION AGREEMENT

In certain cases, PacMag or Entrée may become entitled to terminate the Scheme Implementation Agreement in which case the Schemes will not proceed. The termination rights of the parties are set out in clause 8 of the Scheme Implementation Agreement and are summarised below:

(a) Termination by PacMag

PacMag may terminate the Scheme Implementation Agreement at any time before 8:00am on the Second Court Date if:

- (i) Entrée is in material breach of any of its obligations under the Scheme Implementation Agreement provided that PacMag has given written notice to Entrée setting out the relevant circumstances and stating an intention to terminate and the relevant circumstances have continued to exist for 10 Business Days (or any shorter period ending at 5:00pm WST on the Business Day before the Second Court Date) after the time such notice is given;
- (ii) a court (as defined under the Scheme Implementation Agreement) or other governmental agency has issued a final and non-appealable order or has taken other action which permanently restrains or prohibits the Merger;
- (iii) the PacMag Board withdraws or adversely modifies its recommendation of the Merger or makes a public statement indicating that it no longer supports the Merger;
- (iv) PacMag receives a Superior Proposal and the PacMag Board publicly recommends the Superior Proposal (having complied with the exclusivity and non-solicitation requirements of the Scheme Implementation Agreement);
- (v) any of the Conditions Precedent are not satisfied or validly waived or the Schemes do not become Effective before the End Date in accordance with clause 2.5 of the Scheme Implementation Agreement (as summarised in Section 13.9(c) below);
- (vi) an Insolvency Event occurs in relation to either PacMag or Entrée or their subsidiaries;
- (vii) an Entrée Material Adverse Change occurs; or
- (viii) an Entrée Prescribed Occurrence occurs.

(b) Termination by Entrée

Entrée may terminate the Scheme Implementation Agreement at any time before 8:00am on the Second Court Date if:

- (i) PacMag is in material breach of any of its obligations under the Scheme Implementation Agreement provided that Entrée has given written notice to PacMag setting out the relevant circumstances and stating an intention to

terminate and the relevant circumstances have continued to exist for 10 Business Days (or any shorter period ending at 5:00pm WST on the business day before the Second Court Date) from the time such notice is received;

- (ii) a court (as defined under the Scheme Implementation Agreement) or other governmental agency has issued a final and non-appealable order or has taken other action which permanently restrains or prohibits the Merger;
 - (iii) the PacMag Board withdraws or adversely modifies its recommendation of the Merger or makes a public statement indicating that it no longer supports the Merger;
 - (iv) PacMag receives a Superior Proposal and the PacMag Board publicly recommends the Superior Proposal (having complied with the exclusivity and non-solicitation requirements of the Scheme Implementation Agreement);
 - (v) any of the Conditions Precedent are not satisfied or validly waived or the Schemes do not become Effective before the End Date in accordance with clause 2.5 of the Scheme Implementation Agreement (as summarised in Section 13.9(c) below);
 - (vi) an Insolvency Event occurs in relation to either PacMag or Entrée;
 - (vii) a PacMag Material Adverse Change occurs; or
 - (viii) a PacMag Prescribed Occurrence occurs.
- (c) Consequences of Non-satisfaction of Conditions Precedent

If any of the Conditions Precedent contained in clause 2.1 of the Scheme Implementation Agreement are not satisfied or waived by the date specified in the Scheme Implementation Agreement, or if the Schemes are not Effective by the End Date then the parties will consult in good faith:

- (i) with a view to determining whether the Merger or a similar transaction may proceed by way of alternative means or methods; or
- (ii) to extend the date for satisfaction of the relevant Condition.

If the parties are unable to reach such an agreement within 5 Business Days after the relevant date, then unless that Condition is waived in accordance with clause 2.2 of the Scheme Implementation Agreement, any party may terminate the Scheme Implementation Agreement without any liability to the other party by reason of that termination alone unless the failure of the Condition being satisfied or the Schemes becoming Effective arises out of a breach by the terminating party.

13.10 COSTS, INTEREST OF ADVISERS, INDEPENDENT EXPERT AND CONSENTS

The costs of the Schemes which includes legal, accounting, taxation and financial advisers, Independent Expert costs and other upfront costs total approximately A\$1.8 million. PacMag's portion of these costs totals A\$460,000.

Included in the costs of the Schemes is a fee of C\$350,000 payable by Entrée to TD Securities Inc. if the Schemes are implemented (as set out in Section 13.6(b)).

No Western Australian stamp duty should be payable on the implementation of the Schemes, on the basis that the PacMag interests in Western Australian land (including mining tenements and fixtures) are valued at less than A\$2 million at the time of implementation. No South Australian duty should be payable on the basis that the PacMag Shares will remain quoted on the ASX until implementation.

The Independent Expert prepared the Independent Expert's Reports which include the Independent Technical Expert's Report and are set out in Appendix 1. In respect of this work, the Independent Expert will be paid a fee of approximately A\$40,000.

The Investigating Accountant prepared the Investigating Accountant's Report and is set out in Appendix 2. In respect of this work, the Investigating Accountant will be paid a fee of approximately A\$90,000 for work performed by KPMG Transaction Services (Australia) Pty Limited and approximately A\$40,000 for work performed by KPMG Vancouver.

The following persons have given and have not, before the date of issue of this Scheme Booklet, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- (a) BDO has given, and has not, before the date of issue of this Scheme Booklet, withdrawn, its consent to the inclusion of the Independent Expert's Report and the references to that report in the form and context in which they are included in this Scheme Booklet;
- (b) SRK has given, and has not, before the date of issue of this Scheme Booklet, withdrawn, its consent to the inclusion of the Independent Technical Expert's Report and the references to that report in the form and context in which they are included in this Scheme Booklet;
- (c) KPMG Transaction Services has given, and has not, before the date of issue of this Scheme Booklet, withdrawn, its consent to being named as Investigating Accountant in this Scheme Booklet in the form and context it is so named and to the inclusion of the Investigating Accountant's Report and the references to that report in the form and context in which they are included in this Scheme Booklet;
- (d) Allion Legal has given, and has not, before the date of issue of this Scheme Booklet, withdrawn, its consent to being named as legal adviser to PacMag;
- (e) Link Market Services Limited has given, and has not, before the date of issue of this Scheme Booklet, withdrawn, its consent to being named as PacMag's share registry;
- (f) PKF Australia Ltd has given, and has not, before the date of issue of this Scheme Booklet, withdrawn, its consent to being named as auditor to PacMag, and to the inclusion of extracts of the financial statements of PacMag audited by PKF Australia Ltd in the form and context in which they are included in this Scheme Booklet; and
- (g) Computershare has given, and has not, before the date of issue of this Scheme Booklet, withdrawn, its consent to being named as Entrée's share registry.

Each person referred to in this Section 13.10:

- (a) has not authorised or caused the issue of this Scheme Booklet;
- (b) does not make, or purport to make, any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to in this Section 13.10; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet other than a reference to its name, or any statement or report which has been included in this Scheme Booklet with the consent of that person.

Each of the persons named in this Section 13.10 as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet will be entitled to receive professional fees charged in accordance with their normal basis for charging.

Entrée has given and has not, before the date of issue of this Scheme Booklet, withdrawn its consent to be named in this Scheme Booklet in the form and context in which it is named and consents to the inclusion of the Entrée Scheme Information.

13.11 JORC COMPETENT PERSONS STATEMENTS FOR PACMAG

The information in this Scheme Booklet that relates to exploration results, Resources or Reserves (as defined by the JORC Code) with respect to PacMag's Ann Mason mineral property in Section 5.2 is based on information compiled by Mr. Sia Khosrowshahi. Mr. Khosrowshahi is a member of The Australian Institute of Mining and Metallurgy and is a consultant to PacMag. Mr. Khosrowshahi has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Khosrowshahi has consented to the inclusion in this Scheme Booklet of the matters based on his information in the form and context in which they appear. Such consent has not been withdrawn before the date of issue of this Scheme Booklet.

The information in this Scheme Booklet that relates to exploration results, Resources or Reserves (as defined by the JORC Code) with respect to PacMag's Sentinel mineral property in Section 5.2 is based on information compiled by Mr. James Farrell. Mr. Farrell is a member of The Australian Institute of Mining and Metallurgy and is a consultant to PacMag. Mr. Farrell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Farrell has consented to the inclusion in this Scheme Booklet of the matters based on his information in the form and context in which they appear. Such consent has not been withdrawn before the date of issue of this Scheme Booklet.

The information in this Scheme Booklet that relates to exploration results, Resources or Reserves (as defined by the JORC Code) with respect to PacMag's mineral properties other than resources at Ann Mason and Sentinel is based on information compiled by Mr. Michael Clifford. Mr. Clifford is a member of the Australian Institute of Geoscientists and is a full-time employee in the PacMag Group. Mr. Clifford has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Clifford has consented to the inclusion in this Scheme Booklet of the matters based on his information in the form and context in which they appear. Such consent has not been withdrawn before the date of issue of this Scheme Booklet.

13.12 QUALIFIED PERSONS STATEMENTS FOR ENTRÉE

Each of the persons listed below are qualified persons under NI 43-101, and prepared the Technical Report on the Lookout Hill Project ("**Technical Report**") from which the disclosure in this Scheme Booklet with respect to exploration results and Mineral Resources (CIM Definition) for the Lookout Hill Project was extracted:

- (a) John Vann, F.Aus.I.M.M. 103352, M.A.I.G., employed by Quantitative Group;
- (b) Scott Jackson, M.Aus.I.M.M. 201735, employed by Quantitative Group;
- (c) Dean David, B. App.Sc. (Metallurgy), M.Aus.I.M.M. 102351, employed by GRD Minproc;
- (d) Robert Cann, P. Geo, employed by Entrée; and
- (e) James R. Foster, P. Geo., employed by Entrée.

Each of the persons listed above has consented to the written disclosure of, extracts from, or summaries of the Technical Report in the form and context in which it appears in this Scheme

Booklet and to being named in this Scheme Booklet. Such consent has not been withdrawn before the time of registration of this Scheme Booklet with ASIC.

Robert Cann, P. Geo., an employee of Entrée and a qualified person under NI 43-101, has consented to the written disclosure in this Scheme Booklet of technical information concerning all of Entrée's projects other than the Lookout Hill Project in the form and context in which it appears in this Scheme Booklet and to being named in this Scheme Booklet. Such consent has not been withdrawn before the time of registration of this Scheme Booklet with ASIC.

13.13 NO OTHER INTERESTS OR FEES OF ADVISERS

Except as set out in this Scheme Booklet, no person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet has or has had in the two years before the date of lodgment of this Scheme Booklet by ASIC, an interest in:

- (a) the formation of Entrée;
- (b) any property acquired or proposed to be acquired by Entrée in connection with its formation or promotion or the offer of Scheme Consideration; or
- (c) the issue of Scheme Consideration, and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no one has given or agreed to give a benefit, to any such person for services rendered in connection with the promotion or formation of Entrée or the offer of Scheme Consideration.

13.14 NO MATERIAL CHANGE IN FINANCIAL POSITION

Within the knowledge of the PacMag Directors, and other than as disclosed in this Scheme Booklet, the financial position of PacMag has not changed materially since 30 September 2009 other than as set out in the pro forma balance sheet.

13.15 SUPPLEMENTARY INFORMATION

PacMag will issue a supplementary document to this Scheme Booklet if it or Entrée becomes aware of any of the following between the date of the lodgment of this Scheme Booklet with ASIC and the date of the Scheme Meetings:

- (a) that a material statement in this Scheme Booklet is false or misleading;
- (b) that there is a material omission from this Scheme Booklet;
- (c) that there is a significant change affecting a matter in this Scheme Booklet; or
- (d) that a significant new matter arises and it would have been required to be included in this Scheme Booklet if known about at the date of lodgment of the Scheme Booklet with ASIC.

Subject to obtaining any relevant approvals, PacMag will circulate and publish any supplementary document by one or more of the following means:

- (a) placing an advertisement in a newspaper which is circulated generally throughout Australia;
- (b) posting the supplementary document on PacMag's website (www.pacmag.com.au); and
- (c) making an announcement to ASX.

In certain circumstances, material changes to this document may be mailed to PacMag Shareholders and PacMag Optionholders.

SECTION 14 - GLOSSARY

14.1 DEFINED TERMS

Definitions in this Scheme Booklet have the following meaning unless the context otherwise requires:

“**AIFRS**” means the Australian equivalents of International Financial Reporting Standards.

“**Alternative Proposal**” is defined in the Scheme Implementation Agreement to mean any proposal for a takeover bid, scheme of arrangement, capital reconstruction, buy-back, merger, amalgamation, consolidation or other business combination involving PacMag or any of its subsidiaries, or any proposal which could result in a person increasing their voting power in PacMag above 20% or any proposal which could result in a person acquiring assets of PacMag or its subsidiaries worth more than C\$250,000.

“**ASIC**” means the Australian Securities and Investments Commission.

“**Associate**” has the meaning given to the term by the Corporations Act.

“**ASTC**” means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

“**ASX**” means ASX Limited (ACN 008 624 691) or the securities market operated by ASX Limited, as the context requires.

“**ASX Listing Rules**” means the official Listing Rules of ASX as amended from time to time.

“**BCBCA**” has the meaning given to that term in Section 10.2(a).

“**BDO**” means BDO Kendalls, Level 8, 256 St Georges Terrace, Perth Western Australia 6000 who is a BDO Member Firm which has appointed BDO (Australia) Ltd ACN 050 110 275 to represent it in BDO International.

“**Break Fee**” means a break fee payable by PacMag to Entrée or by Entrée to PacMag (as the case may be) in accordance with clause 10 of the Scheme Implementation Agreement.

“**Business Day**” means a day other than a Saturday, Sunday or Public holiday on which trading banks are open for business in Perth, Australia and Vancouver, Canada and ASX and TSX are open for trading.

“**Cancellation Payment**” has the meaning given to that term in Section 13.1.

“**CIM**” means the Canadian Institute of Mining, Metallurgy and Petroleum.

“**Computershare**” means Computershare Investor Services Inc.

“**Condition**” or “**Condition Precedent**” means a condition precedent set out in clause 2.1 of the Scheme Implementation Agreement.

“**Corporations Act**” means the Corporations Act 2001 (Cth).

“**Court**” means the Federal Court of Australia.

“**DRS Statement**” means a Direct Registration Transaction Advice, which states how many Entrée Shares are held in book entry form.

“**EBITDA**” means earnings before interest, tax, depreciation and amortisation.

“**EDGAR**” means the Electronic Data Gathering, Analysis and Retrieval System of the United States Securities and Exchange Commission.

“**Effective**” means when used in relation to a Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the Scheme Order in respect of that Scheme.

“Effective Date” means the date on which a Scheme becomes Effective.

“End Date” has the meaning given to it in clause 1.1 of the Scheme Implementation Agreement, being 30 June 2010.

“Entrée” means Entrée Gold Inc., a company continued under the laws of British Columbia, Canada.

“Entrée Australia” means Entrée Australia Pty Ltd (ACN 140 745 768) being a wholly owned subsidiary of Entrée.

“Entrée Board” means the board of directors of Entrée as constituted from time to time.

“Entrée Directors” means the directors of Entrée.

“Entrée Material Adverse Change” has the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement.

“Entrée Option” means an option to acquire an Entrée Share.

“Entrée Prescribed Occurrence” has the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement.

“Entrée Scheme Information” means Section 6, Section 7, Section 9, Section 10, Section 11 to the extent that this section relates to the business of Entrée and the information concerning the intentions of Entrée for PacMag’s business contained in Questions 20, 21 and 22 of Section 3 other than any information regarding PacMag or the Merged Group (including Section 7) to the extent such information is based on the PacMag Scheme Information, the Independent Expert’s Reports or other information supplied by PacMag, stated to be made by PacMag or disclosed by PacMag on ASX.

“Entrée Share” means a common share without par value in the capital of Entrée.

“Entrée Shareholder” means, at any particular time, a registered holder of one or more Entrée Shares, at that time.

“EST” means Australian Eastern Standard Time.

“Exclusivity Period” means the period commencing on 28 November 2009 and ending on the first to occur of the End Date, the Effective Date or the termination of the Scheme Implementation Agreement.

“Frankfurt Stock Exchange” means the regulated unofficial market of the Frankfurt Stock Exchange.

“Implementation Date” means the fifth Business Day immediately following the Record Date.

“Independent Expert” means BDO.

“Independent Expert’s Reports” means the Share Scheme IER and the Option Scheme IER.

“Independent Technical Expert” means SRK.

“Independent Technical Expert’s Report” means the report prepared by the Independent Technical Expert which is attached to the Independent Expert’s Report.

“Indicated” has the meaning given in the JORC Code.

“Indicated Mineral Resource (CIM Definition)” is a Canadian term that means that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches,

pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

“**Inferred**” has the meaning given in the JORC Code.

“**Inferred Mineral Resource (CIM Definition)**” is a Canadian term that means that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence, limited sampling and reasonably assumed (but not verified) geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

“**Ineligible Foreign Holder**” means an Ineligible Foreign Shareholder or an Ineligible Foreign Optionholder.

“**Ineligible Foreign Optionholder**” means a Scheme Optionholder whose address as shown in the Register at the Record Date is in a jurisdiction other than Australia or New Zealand except where in the case of the issue of Entrée Shares, Entrée is reasonably satisfied that such issue to that Scheme Optionholder is not prohibited, not unduly onerous and not unduly impracticable in that jurisdiction

“**Ineligible Foreign Shareholder**” means a Scheme Shareholder whose address as shown in the Register at the Record Date is in a jurisdiction other than Australia or New Zealand, except where in the case of the issue of Entrée Shares, Entrée is reasonably satisfied that such issue to that Scheme Shareholder is not prohibited, not unduly onerous and not unduly impracticable in that jurisdiction.

“**Insolvency Event**” has the meaning given to that term in the Scheme Implementation Agreement.

“**Investigating Accountant’s Report**” means the report provided by KPMG Transaction Services.

“**JORC Code**” means The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (4th Edition).

“**KPMG Transaction Services**” means KPMG Transaction Services (Australia) Pty Ltd (ACN 003 891 718).

“**Measured**” has the meaning given in the JORC Code.

“**Merged Group**” means the corporate group comprising Entrée and its subsidiaries (including PacMag and its subsidiaries), upon implementation of the Schemes.

“**Merger**” means the merger of PacMag and Entrée resulting from the approval and implementation of the Schemes.

“**Mineral Reserve (CIM Definition)**” is a Canadian term that means the part of a measured or indicated mineral resource that could be economically mined, demonstrated by at least a preliminary feasibility study that includes adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate (at the time of reporting) that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral reserves are those parts of mineral resources which, after applying all mining factors, result in an estimated tonnage and grade that, in the opinion of the qualified person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors. The term 'mineral reserve' need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received, although it does signify that there are reasonable expectations of such approvals. Mineral reserves are subdivided into proven mineral reserves and probable mineral reserves.

“Mineral Resource (CIM Definition)” is a Canadian term that means a concentration or occurrence of natural, solid, inorganic or fossilised organic material in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources fall under the categories of Measured Mineral Resource, Indicated Mineral Resource and Inferred Mineral Resource.

“Mt” means million tonnes.

“NI 43-101” means the Canadian National Instrument 43-101 – Standards for Disclosure of Mineral Projects.

“Notice of Option Scheme Meeting” has the meaning given in the “Important Notices” Section at the beginning of this Scheme Booklet.

“Notice of Share Scheme Meeting” has the meaning given in the “Important Notices” Section at the beginning of this Scheme Booklet.

“Option Scheme” means the scheme of arrangement between PacMag and PacMag Optionholders pursuant to Part 5.1 of the Corporations Act in the form of Appendix 5 subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.

“Option Scheme Consideration” in respect of each Scheme Option held by a Scheme Optionholder at the Record Date, the Entrée Shares and the cash set out in Section 9.3(a).

“Option Scheme Deed Poll” means the deed poll entered into by Entrée in favour of Scheme Optionholders which is included in Appendix 7.

“Option Scheme IER” means the report in relation to the Option Scheme prepared by the Independent Expert which is set out in Appendix 1, and any update to such report that the Independent Expert issues.

“Option Scheme Meeting” means the PacMag Optionholders’ meeting ordered by the Court to be convened under section 411(1) of the Corporations Act.

“Option Scheme Resolution” means an unconditional resolution of the PacMag Optionholders under Part 5.1 of the Corporations Act for the unconditional approval of the Option Scheme at the Option Scheme Meeting

“PacMag” or **“Company”** means PacMag Metals Limited (ACN 066 353 231).

“PacMag Board” means the board of directors of PacMag as constituted from time to time.

“PacMag Directors” means the directors of PacMag.

“PacMag Employee Optionholders” means a holder of a PacMag Employee Option.

“PacMag Employee Options” means an option to acquire a PacMag Share issued under the terms of PacMag’s employee share option plan.

“PacMag Employee Option Cancellation Deed” means the deed entered into between Entrée, PacMag and each PacMag Employee Optionholder on the terms and to the effect set out in Section 13.1.

“PacMag Employee Option Consideration” means the consideration for the cancellation of the PacMag Employee Options as set out in Section 13.1.

“PacMag Group” means PacMag and its subsidiaries.

“PacMag Material Adverse Change” has the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement.

“PacMag Option” means an option (other than a PacMag Employee Option) to acquire a PacMag Share.

“PacMag Optionholder” means, at any particular time, a person who is registered in the Register as a holder of a PacMag Option, at that time.

“PacMag Prescribed Occurrence” has the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement.

“PacMag Scheme Information” means the information concerning PacMag contained in this document (excluding the Independent Expert’s Reports, the information in Section 12 "Tax Implications" and the Entrée Scheme Information).

“PacMag Securityholders” means PacMag Shareholders, PacMag Optionholders and PacMag Employee Optionholders.

“PacMag Share” means a fully paid ordinary share in the issued capital of PacMag.

“PacMag Shareholder” means, at any particular time, a person who is registered in the Register as the holder of one or more PacMag Shares, at that time.

“Proposal” means the proposal, referred to in this Scheme Booklet, to transfer, by way of the Schemes, all of the PacMag Shares held by PacMag Shareholders to Entrée Australia and the cancellation of the PacMag Options held by the PacMag Optionholders in exchange for the Scheme Consideration.

“Probable” has the meaning given in the JORC Code.

“Proven” has the meaning given in the JORC Code.

“Record Date” means 7:00pm on the fifth Business Day after the Effective Date.

“Register” means, as the context requires, the register of PacMag Shareholders or PacMag Optionholders maintained in accordance with the Corporations Act.

“Registry” means Link Market Services Limited (ACN 083 214 537).

“Related Body Corporate” has the same meaning as under the Corporations Act.

“Related Entity” means, in relation to a person, any entity which is related to that person within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian accounting standard) that is controlled by that person.

“Reserve” has the meaning given in the JORC Code.

“Resource” has the meaning given in the JORC Code.

“Retail Shareholder” means a PacMag Shareholder holding a parcel of less than 5,600 PacMag Shares.

“Sale Agent” means TD Securities Inc., appointed by Entrée pursuant to the Scheme Implementation Agreement.

“Sale Facility” means the facility described in Section 9.5.

“Sale Facility Shares” means the Entrée Shares described in Section 9.5.

“Sale Facility Participants” means Scheme Shareholder or Scheme Optionholder in respect of whom Entrée Shares are issued to the Sale Agent as nominee in trust in the circumstances referred to in Section 9.5.

“Scheme” means the Share Scheme or the Option Scheme and **“Schemes”** means both of them.

“Scheme Booklet” means this Scheme Booklet and includes the appendices to this Scheme Booklet.

“Scheme Consideration” means either or both of the Share Scheme Consideration and the Option Scheme Consideration.

“Scheme Document” means either of the scheme documents contained in Appendix 4 and Appendix 5.

“Scheme Implementation Agreement” means the Scheme Implementation Agreement dated 28 November 2009 (as varied by a Deed of Variation dated 12 April 2010) between PacMag, Entrée and Entrée Australia, a copy of which is contained in Appendix 3.

“Scheme Meetings” means the Share Scheme Meeting and the Option Scheme Meeting.

“Scheme Optionholder” means a holder of a Scheme Option as at the Record Date.

“Scheme Options” means all PacMag Options on issue as at the Record Date other than the PacMag Employee Options.

“Scheme Order” means orders of the Court made for the purposes of section 411(4)(b) of the Corporations Act approving a Scheme.

“Scheme Shareholder” means a holder of a Scheme Share as at the Record Date.

“Scheme Shares” means all PacMag Shares on issue as at the Record Date.

“Second Court Date” means, as the context requires:

- (a) the first day of hearing of an application made to the Court for the Scheme Order in respect of the Share Scheme or, where the hearing of such application is adjourned, the first day of hearing of such adjourned application; or
- (b) the first day of hearing of an application made to the Court for the Scheme Order in respect of the Option Scheme or, where the hearing of such application is adjourned, the first day of hearing of such adjourned application.

“SEDAR” means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators.

“Share Scheme” means the scheme of arrangement between PacMag and Scheme Shareholders pursuant to Part 5.1 of the Corporations Act in the form of Appendix 4 subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.

“Share Scheme Consideration” comprises:

- (a) 0.1018 Entrée Shares; and
- (b) C\$0.0415,

for every PacMag Share held as at the Record Date.

“Share Scheme Deed Poll” means the deed poll entered into by Entrée in favour of Scheme Shareholders which is included in Appendix 6.

“Share Scheme IER” means the report in relation to the Share Scheme prepared by the Independent Expert which is set out in Appendix 1, and any update to such report that the Independent Expert issues.

“Share Scheme Meeting” means the PacMag Shareholders’ meeting ordered by the Court to be convened under section 411(1) of the Corporations Act.

“Share Scheme Resolution” means an unconditional resolution of the PacMag Shareholders under Part 5.1 of the Corporations Act for the unconditional approval of the Share Scheme at the Share Scheme Meeting.

“SRK” means SRK Consulting (Australasia) Pty Ltd ABN 56 074 271 720.

“Subsidiary” has the meaning given to that term in section 46 of the Corporations Act.

“Superior Proposal” is defined in clause 1.1 of the Scheme Implementation Agreement to mean a bona fide Alternative Proposal for PacMag which would, if consummated in accordance with its terms, result in a transaction more favourable to PacMag Shareholders, considered as a whole, than the Merger.

“t” means metric tonne or 1,000 kilograms.

“TSX” means the Toronto Stock Exchange.

“TSX Trading Day” means a day in which the TSX is open for trading.

“US GAAP” means United States Generally Accepted Accounting Principles.

“VWAP” means in relation to securities, the volume weighted average trading price of those securities.

“WST” means Australian Western Standard Time.

“your Directors” means the PacMag Directors.

14.2 INTERPRETATION

In this Scheme Booklet, unless the context otherwise requires:

- (a) a reference to a section or a page is to a section or a page of this Scheme Booklet;
- (b) a reference to “this document” or “Scheme Booklet” is a reference to this Scheme Booklet including any schedules, appendices and exhibits attached to this Scheme Booklet;
- (c) unless otherwise defined in this Scheme Booklet, a word or phrase to which a meaning is given by the Corporations Act has that meaning (including the terms 'associate', 'control', 'substantial interest' and 'voting power');
- (d) a reference to “A\$,” “dollar” or “cent” is a reference to the lawful currency of Australia;
- (e) a reference to “C\$” or “Canadian dollar” is a reference to the lawful currency of Canada;
- (f) a reference to “US\$” or “United States dollar” is a reference to the lawful currency of the United States of America;
- (g) a reference to “€” or “Euro” is a reference to the official currency of the European Union; and
- (h) a reference to time is to Perth, Australia time, unless otherwise specified.

CORPORATE DIRECTORY

PacMag Metals Limited	Level 2 33 Ord Street West Perth WA 6005 Tel: +61 8 9481 2997 Fax: +61 8 9321 0070
Legal Adviser	Allion Legal Level 2 50 Kings Park Road West Perth WA 6005 Tel: +61 8 9216 7100 Fax: +61 8 9324 1075
Independent Expert	BDO Kendalls 8/256 St Georges Terrace Perth WA 6000 Tel: +61 8 9360 4200 Fax: +61 8 9481 2524
PacMag Share Registry	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Tel: 1300 553 490 (within Australia) or +61 2 8280 7914 (outside Australia) Fax: +61 2 9287 0303 Proxy fax: +61 2 9287 0309
Investigating Accountant	KPMG Transaction Services (Australia) Pty Ltd 235 St Georges Terrace Perth WA 6000 Tel: +61 8 9263 7171 Fax: +61 8 9263 7129
Independent Technical Expert	SRK Consulting (Australasia) Pty Ltd 10 Richardson Street West Perth, WA 6005 Tel: +61 8 9288 2000 Fax: +61 8 9288 2001
PacMag's Auditor	PKF Australia Limited Level 7, BGC Centre 28 The Esplanade Perth WA 6000 Tel: +61 8 9278 2210 Fax: +61 8 9278 2200
Entrée's Share Registry	Computershare Investor Services Inc 3rd Floor 510 Burrard Street Vancouver, BC V6C 3B9 Tel: + 604 661 9407 Fax: + 604 661 9401

NOTICE OF SHARE SCHEME MEETING

Notice is given that by an order of the Court made on 22 April 2010 pursuant to section 411(1) of the Corporations Act a meeting of the holders of ordinary shares in PacMag Metals Limited (ACN 066 353 231) will be held at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia at 10:00am (WST) on 4 June 2010 (“**Share Scheme Meeting**”).

Business

The purpose of the Share Scheme Meeting is to consider, and if thought fit, to agree to Entrée Australia Pty Ltd (ACN 140 745 768), being a wholly-owned subsidiary of Entrée Gold Inc, Company No: CO725704 (a company incorporated under the laws of British Columbia, Canada), acquiring all PacMag Shares for the Share Scheme Consideration to be effected by way of a members’ scheme of arrangement (with or without modification) to be made between PacMag and PacMag Shareholders.

The court has directed that Mr. Clifford is to act as Chairman of the Share Scheme Meeting or, failing him, Mr. Joyce.

This notice should be read in conjunction with the Scheme Booklet of which this notice forms a part. The Scheme Booklet contains among other things, information on the Proposal, a copy of the proposed Share Scheme and the Share Scheme IER prepared for the purpose of the Share Scheme.

Unless the context otherwise requires, capitalised terms used in this notice have the same meaning given to them in the Scheme Booklet.

Share Scheme Resolution

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That, pursuant to and in accordance with section 411 of the Corporations Act, the Share Scheme proposed between PacMag Metals Limited and PacMag Shareholders, the terms of which are contained in and more particularly described in the Scheme Booklet (which accompanies the notice convening this meeting) is approved (with or without modification as approved by the Perth Registry of the Federal Court of Australia)."

Majority Required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Share Scheme Resolution (which is contained in this Notice of Share Scheme Meeting) must be passed by:

- a majority in number of the PacMag Shareholders present and voting (either in person or by proxy) at the Share Scheme Meeting; and
- at least 75% of the votes cast on the Share Scheme Resolution.

The Court has a discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Share Scheme if it is approved by at least 75% of the votes cast on the resolution but not by a majority in number of PacMag Shareholders present and voting at the meeting.

Court Approval

Under section 411(4)(b) of the Corporations Act, the Share Scheme (with or without modification) is subject to the approval of the Court. If the resolution put to the meeting is passed by the requisite majorities and the other Conditions Precedent to the Share Scheme (other than approval by the Court) are satisfied or waived by the time required under the Share Scheme, PacMag intends to apply to the Court for the necessary orders to give effect to the Share Scheme.

Entitlement to vote

The Court has ordered that, for the purposes of the Share Scheme Meeting, PacMag Shares will be taken to be held by the persons who are registered as PacMag Shareholders at 7.00pm EST on 2 June 2010. Only those PacMag Shareholders entered on the Register at that time will be entitled to attend and vote at the meeting.

Attendance

If you or your representative(s) plan to attend the meeting, please arrive at the venue at least 30 minutes before the scheduled time for commencement, so that your shareholding can be checked against the Register, any power of attorney or certificate of appointment of body corporate representative verified, and you or your representative's attendance noted.

Voting in person

PacMag Shareholders who are entitled to vote at the Share Scheme Meeting and wish to vote in person, may attend the Share Scheme Meeting on 4 June 2010, commencing at 10:00am (WST) at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia.

Proxies and attorneys

1. A PacMag Shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Share Scheme Meeting as the PacMag Shareholder's proxy. A proxy need not be a PacMag Shareholder.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the PacMag Shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the PacMag Shareholder's voting rights. Fractions shall be disregarded.
3. To appoint a proxy, PacMag Shareholders may:
 - a. complete the white Share Scheme Meeting proxy form which accompanies this notice. This proxy form must be signed personally by the PacMag Shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with the company's constitution and the Corporations Act. In the case of joint PacMag Shareholders, the proxy must be signed by at least one of the joint PacMag Shareholders, personally or by a duly authorised attorney; or
 - b. appoint a proxy online by following the instructions at www.pacmag.com.au.
4. If a proxy is executed by an attorney of a PacMag Shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by PacMag, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by PacMag at 10:00am WST on 2 June 2010, by post, facsimile or email to the respective addresses stipulated in the proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - (b) if the proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - (c) if the proxy is Chairman, the proxy must vote on a poll and must vote that way, and
 - (d) if the proxy is not the Chairman, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a PacMag Shareholder, the proxy can cast any votes the proxy holds as a PacMag Shareholder in any way that the proxy sees fit.

Lodgement of proxies and queries

Proxy Forms, powers of attorney and authorities should be sent to:

By Mail:	Link Market Services Locked Bag A14 Sydney NSW 1235
By Fax:	+61 2 9287 0309 (proxy fax)
Online:	www.pacmag.com.au (online proxy appointment)
By Hand:	During business hours on a Business Day to: Level 12 680 George Street Sydney NSW 2000

PacMag Shareholders should contact the Registry at the above address or the securityholder information line on +61 8 9481 2997 with any queries.

Corporate representatives

To vote at the Share Scheme Meeting a corporation who is a PacMag Shareholder, or who has been appointed as a proxy by a PacMag Shareholder, may appoint a person to act as its representative. The appointment of a representative must comply with section 250D of the Corporations Act. Evidence of the appointment (including a copy of the resolution of directors appointing the representative) must be delivered to PacMag not later than 48 hours before the time of the Share Scheme Meeting together with any authority under which it is signed.

A pro forma "Certificate of Appointment of Corporate Representative" may be obtained by contacting PacMag's company secretary by email at info@pacmag.com.au or by fax on +61 8 9321 0070 or at www.pacmag.com.au.

Jointly held PacMag Shares

If PacMag Shares are jointly held, only one of the joint PacMag Shareholders is entitled to vote. If more than one joint PacMag Shareholder votes, only the vote of the PacMag Shareholder whose name appears first on the Register will be counted.

By order of the Board
PacMag Metals Limited



Michael Clifford
Managing Director

NOTICE OF OPTION SCHEME MEETING

Notice is given that by an order of the Court made on 22 April 2010 pursuant to section 411(1) of the Corporations Act a meeting of the holders of PacMag Options in PacMag Metals Limited (ACN 066 353 231) will be held at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia at 10:30am (WST) on 4 June 2010.

Business

The purpose for the Option Scheme Meeting is to consider, and if thought fit, to agree to Entrée Australia Pty Ltd (ACN 140 745 768), being a wholly-owned subsidiary of Entrée Gold Inc, Company No: CO725704 (a company incorporated under the laws of British Columbia, Canada) cancelling all PacMag Options for the Option Scheme Consideration to be effected by way of a creditors' scheme of arrangement (with or without modification) to be made between PacMag and PacMag Optionholders.

The court has directed that Mr. Clifford is to act as Chairman of the Option Scheme Meeting or, failing him, Mr. Joyce.

This notice should be read in conjunction with the Scheme Booklet of which this notice forms a part. The Scheme Booklet contains among other things, information on the Proposal a copy of the proposed Option Scheme and the Option Scheme IER prepared for the purpose of the Option Scheme.

Unless the context otherwise requires, capitalised terms used in this notice have the same meaning given to them in the Scheme Booklet.

Option Scheme Resolution

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(i) of the Corporations Act:

"That, pursuant to and in accordance with section 411 of the Corporations Act, the Option Scheme proposed between PacMag Metals Limited and PacMag Optionholders, the terms of which are contained in and more particularly described in the Scheme Booklet (which accompanies the notice convening this meeting) is approved (with or without modification as approved by the Perth Registry of the Federal Court of Australia)."

Majority Required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Option Scheme Resolution (which is contained in this Notice of Option Scheme Meeting) must be passed by:

- a majority in number of the PacMag Optionholders present and voting at the Option Scheme Meeting (in person, by proxy, attorney or corporate representative); and
- PacMag Optionholders whose PacMag Options amount to at least 75% of the total value of the PacMag Options held by the PacMag Optionholders who vote at the Option Scheme Meeting. The value of a PacMag Option will be determined by reference to the value of the Option Scheme Consideration.

The Court has a discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Option Scheme if it is approved by at least 75% of the votes cast on the resolution but not by a majority in number of PacMag Optionholders present and voting at the meeting.

Court Approval

Under section 411(4)(b) of the Corporations Act, the Option Scheme (with or without modification) is subject to the approval of the Court. If the resolution put to the meeting is passed by the requisite majorities and the other Conditions Precedent to the Option Scheme (other than approval by the Court) are satisfied or waived by the time required under the Option Scheme, PacMag intends to apply to the Court for the necessary orders to give effect to the Option Scheme.

Entitlement to vote

The Court has ordered that, for the purposes of the Option Scheme Meeting, PacMag Options will be taken to be held by the persons who are registered as PacMag Optionholders at 7.00pm EST on 2 June 2010. Only those PacMag Optionholders entered on the Register at that time will be entitled to vote at the meeting.

Attendance

If you or your representative(s) plan to attend the meeting, please arrive at the venue at least 30 minutes before the scheduled time for commencement, so that your optionholding can be checked against the Register, any power of attorney or certificate of appointment of body corporate representative verified, and you or your representative's attendance noted.

Voting in person

PacMag Optionholders who are entitled to vote at the Option Scheme Meeting and wish to vote in person, must attend the Option Scheme Meeting on 4 June 2010 commencing at 10:30am (WST) at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia.

Proxies and attorneys

1. A PacMag Optionholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Option Scheme Meeting as the PacMag Optionholder's proxy. A proxy need not be a PacMag Optionholder.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the PacMag Optionholder's voting rights. If such appointment is not made then each proxy may exercise half of the PacMag Optionholder's voting rights. Fractions shall be disregarded.
3. The yellow Option Scheme Meeting proxy form which accompanies this notice must be signed personally by the PacMag Optionholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with the company's constitution and the Corporations Act. In the case of joint PacMag Optionholders, the proxy must be signed by at least one of the joint PacMag Optionholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a PacMag Optionholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by PacMag, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by PacMag at 10:30am on 2 June 2010 by post, facsimile or email to the respective addresses stipulated in the proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on the Option Scheme Resolution stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - (b) if the proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - (c) if the proxy is Chairman, the proxy must vote on a poll and must vote that way, and

- (d) if the proxy is not the Chairman, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a PacMag Optionholder, the proxy can cast any votes the proxy holds as a PacMag Optionholder in any way that the proxy sees fit.

Lodgement of proxies and queries

Proxy Forms, powers of attorney and authorities should be sent to:

By Mail:	Link Market Services Locked Bag A14 Sydney NSW 1235
By Fax:	+61 2 9287 0309 (proxy fax)
By Hand:	During business hours on a Business Day to: Level 12 680 George Street Sydney NSW 2000

PacMag Optionholders should contact the Registry at the above address or the Securityholder information line on +61 8 9481 2997 with any queries.

Corporate representatives

To vote at the Option Scheme Meeting a corporation who is a PacMag Optionholder, or who has been appointed as a proxy by a PacMag Optionholder, may appoint a person to act as its representative. The appointment of a representative must comply with section 250D of the Corporations Act. Evidence of the appointment (including a copy of the resolution of directors appointing the representative) must be delivered to PacMag not later than 48 hours before the time of the Option Scheme Meeting together with any authority under which it is signed.

A pro forma "Certificate of Appointment of Corporate Representative" may be obtained by contacting PacMag's company secretary by email at info@pacmag.com.au or by fax on +61 8 9321 0070 or at www.pacmag.com.au.

Jointly held PacMag Options

If PacMag Options are jointly held, only one of the joint PacMag Optionholders is entitled to vote. If more than one joint PacMag Optionholder votes, only the vote of the PacMag Optionholder whose name appears first on the Register will be counted.

By order of the Board
PacMag Metals Limited



Michael Clifford
Managing Director

APPENDIX 1 – THE INDEPENDENT EXPERT’S REPORTS

**FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT
TO THE SHAREHOLDERS OF
PacMag Metals Limited
12 March 2010**





BDO Corporate Finance (WA) Pty Ltd
38 Station Street Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 6382 4600
Fax 61 6382 4601
bdo@bdo.com.au
www.bdo.com.au

ABN 27 124 031 045
AFS License No 316158

Financial Services Guide

12 March 2010

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (“**BDO**” or “**we**” or “**us**” or “**ours**” as appropriate) has been engaged by PacMag Metals Limited (“**PacMag**”) to provide an independent expert’s report on the proposed merger between PacMag and Entrée Gold Inc (“**Entrée**”) whereby PacMag shareholders will receive CAD\$0.0415 for every PacMag share held and one Entrée share for every 9.828 PacMag shares held. The merger will be implemented by a scheme of arrangement (“**the Scheme**”). You will be provided with a copy of our report as a retail client because you are a shareholder of PacMag.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“**FSG**”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate partnerships and entities. The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, Commissions and Other Benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement and the independent experts report on the option scheme is approximately \$40,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from PacMag for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth, WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (“FOS”). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

**PACMAG METALS LIMITED
INDEPENDENT EXPERT'S REPORT
TABLE OF CONTENTS**

1.	INTRODUCTION	1
2.	SUMMARY AND OPINION	1
3.	SCOPE OF THE REPORT	4
4.	OUTLINE OF THE SCHEME.....	5
5.	PROFILE OF PACMAG METALS LIMITED	7
6.	PROFILE OF ENTRÉE GOLD INC.....	12
7.	ECONOMIC ANALYSIS	18
8.	INDUSTRY ANALYSIS	21
9.	VALUATION APPROACH ADOPTED	26
10.	VALUATION OF PACMAG METALS LIMITED	27
11.	VALUATION OF CONSIDERATION	34
12.	IS THE SCHEME FAIR?	40
13.	IS THE SCHEME REASONABLE?	41
14.	CONCLUSION.....	46
15.	SOURCES OF INFORMATION	46
16.	INDEPENDENCE	47
17.	QUALIFICATIONS	47
18.	DISCLAIMERS AND CONSENTS.....	47

APPENDIX 1 - GLOSSARY

APPENDIX 2 - VALUATION METHODOLOGIES

APPENDIX 3 - INDEPENDENT SPECIALIST REPORT PREPARED BY SRK CONSULTING PTY LTD

12 March 2010

The Directors
PacMag Metals Limited
PO Box 1569
WEST PERTH WA 6872

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. INTRODUCTION

On 30 November 2009, PacMag Metals Limited ("**PacMag**" or "**the Company**") announced that it had entered into a scheme implementation agreement ("**SIA**") with Entrée Gold Inc ("**Entrée**") whereby PacMag shareholders will receive C\$0.0415 for every PacMag share held and one Entrée share for every 9.828 PacMag shares held. If approved by shareholders the SIA will be implemented by a scheme of arrangement ("**the Scheme**"). All PacMag Options are subject to separate offers which are not considered in this report.

2. SUMMARY AND OPINION

2.1 Purpose of the report

The directors of PacMag have requested that BDO Corporate Finance (WA) Pty Ltd ("**BDO**") prepare an independent expert's report ("**our Report**") to express an opinion as to whether or not the Scheme is in the best interests of PacMag shareholders ("**Shareholders**").

Our Report is prepared pursuant to section 411 of the Corporations Act in order to assist the Shareholders in their decision whether to approve the Scheme.

Our Report is to be included in the scheme booklet for PacMag to be sent to all Shareholders to assist them in deciding whether to approve the Scheme.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("**ASIC**") Regulatory Guide 111 ("**RG 111**"), 'Content of Expert's Reports' and Regulatory Guide 112 ("**RG 112**") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the Scheme as outlined in the body of this report. We have considered:

- How the value of a PacMag share compares to the value of the consideration offered to Shareholders;
- The likelihood of a superior alternative offer being available to PacMag;
- Other factors which we consider to be relevant to the Shareholder in their assessment of the Scheme; and
- The position of Shareholders should the Scheme not proceed.

2.3 Opinion

We have considered the terms of the Scheme as outlined in the body of this report and have concluded that the Scheme is not fair but reasonable and in the best interests of Shareholders.

In our opinion, the Scheme is not fair to the Shareholders of PacMag as the preferred value of a PacMag share is greater than the preferred value of the consideration offered to Shareholders. However, we consider the Scheme to be reasonable because the advantages of the Scheme to Shareholders are greater than the disadvantages as summarised in Section 2.5 and detailed more fully in Section 13. In particular, the value of the consideration offered to shareholders is within our range of values for a PacMag share and the merger will result in a financially stronger entity with a more diversified portfolio of assets and greater operating efficiency.

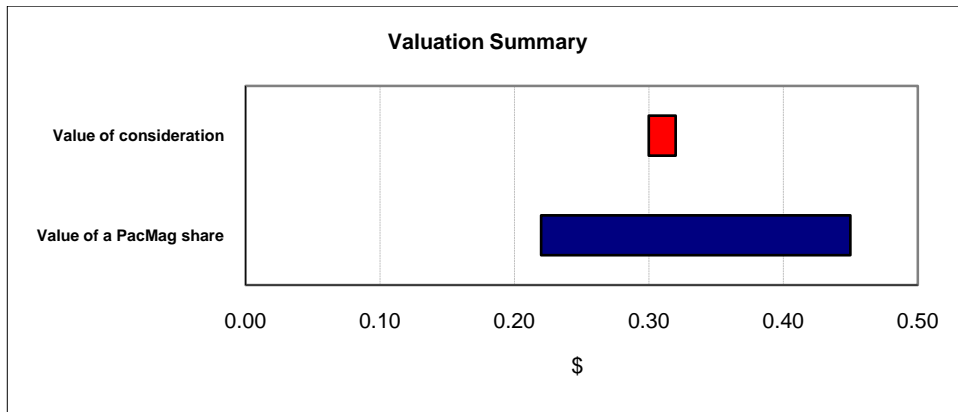
As such, in our opinion the Scheme is in the best interests of Shareholders.

2.4 Fairness

In Section 12 we determined that the Scheme consideration compares to the value of a PacMag share, as detailed below.

	Low Value A\$	Preferred Value A\$	High Value A\$
Value of a PacMag share	0.22	0.39	0.45
Value of Cash Consideration	0.04	0.04	0.04
Value of Equity Consideration	0.26	0.27	0.28
Value of the Consideration	0.30	0.31	0.32

The above valuation ranges are graphically presented as follows:



The above pricing indicates that, in the absence of any other relevant information, the Scheme is not fair for Shareholders as the preferred value of a PacMag share is greater than the consideration offered.

2.5 Reasonableness

We have considered the analysis in Sections 13 of this report, in terms of both

- advantages and disadvantages of the Scheme; and
- alternatives, including the position of Shareholders if the Scheme does not proceed.

In our opinion, the position of Shareholders if the Scheme is approved is more advantageous than the position if the Scheme is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Scheme is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The value of the consideration falls within the range of the value of a PacMag share	13.2.1	The Scheme is not fair
13.1.2	Diversification of business risk	13.2.2	Dilution of Shareholders' interests
13.1.3	Greater trading liquidity	13.2.3	Risks of loss of corporate knowledge when integrating the businesses
13.1.4	Financial strength from dual listing and greater ability to attract capital	13.2.4	Foreign exchange risk
13.1.5	Additional coverage by research analysts		
13.1.6	The Scheme is a means for investors to realise the potential value of PacMag's assets		
13.1.7	Gain support from Entrée's corporate and institutional investors		
13.1.8	Potential for significant uplift from North American market exposure		
13.1.9	Exposure to Entrée's assets		
13.1.10	Access to operating synergies		

13.1.11	Gain exposure to Entrée’s aggressive exploration program
13.1.12	Experienced management team

Other key matters we have considered include:

Section	Description
13.1	We are not aware of any alternative proposal.
13.2	Should the Scheme be rejected PacMag will continue as a standalone entity listed on the ASX.
13.3	The share prices of PacMag and Entrée have increased since the announcement of the proposal suggesting that the market views the transaction favorably.

3. SCOPE OF THE REPORT

3.1 Purpose of the Report

The Scheme is to be implemented pursuant to Section 411 of the Corporations Act 2001 Cth (“the Act”). Part 3 of Schedule 8 to the Corporations Act Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411 of the Act (“Section 411”).

Schedule 8 of the Act requires an independent expert’s report if:

- The corporation that is the other party to the Scheme has a common director or directors with the company which is the subject of the Scheme; or
- The corporation that is the other party is entitled to more than 30% of the voting shares in the subject company.

The criteria above do not apply to the Scheme. Accordingly, there is no statutory requirement for this report.

Notwithstanding the fact that there is no legal requirement to engage an independent expert to report on the Scheme, the directors of PacMag have requested that BDO prepare this report as if it were an independent expert’s report pursuant to Section 411, and to provide an opinion as to whether the Scheme is in the best interest of Shareholders.

3.2 Regulatory guidance

In determining whether the Scheme is in the best interests of Shareholders, we have had regard to the views expressed by the ASIC in RG111. This Regulatory Guide suggests that an opinion as to whether the Scheme is in the best interests of Shareholders should entail consideration of all the circumstances of the Scheme as if it was a takeover under Chapter 6 of the Act.

Such consideration includes a comparison of the likely advantages and disadvantages for Shareholders if the Scheme is accepted, with the advantages and disadvantages to Shareholders if they are not.

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, “in the best interests” must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgment on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposed transaction and form an overall view as to whether shareholders are likely to be better off if the proposed transaction is implemented than if it is not. This assessment is the same as that required for a ‘fair and reasonable’ assessment in the case of a takeover. If the expert would conclude that a proposal was ‘fair and reasonable’; if it was in the form of a takeover bid, it will also be able to conclude that the Scheme is in the best interests of shareholders. An opinion of ‘in the best interests’ does not imply the best possible outcome for shareholders.

3.3 Adopted basis of evaluation

RG 111 states that an offer is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a PacMag share prior to the Scheme and the value of the consideration offered for each PacMag share being acquired (fairness - see Section 12 “Is the Scheme Fair?”); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Scheme, after reference to the value derived above (reasonableness - see Section 13 “Is the Scheme Reasonable?”).

4. OUTLINE OF THE SCHEME

On 30 November 2009, PacMag announced that it had entered into an SIA to merge with Entrée. The merger will be implemented via a scheme of arrangement whereby Entrée will acquire all of the issued shares of PacMag and all PacMag options other than those issued under the term of PacMag’s Employee Share Option Plan (“ESOP Options”). The ESOP Options will be subject to separate offers.

PacMag shareholders will receive C\$0.0415 (“Cash Consideration”) for every PacMag share held and one Entrée share (“Equity Consideration”) for every 9.828 PacMag shares held. The terms of the Scheme are such that the Cash Consideration is denominated in Canadian dollars but payable to Shareholders in Australian dollars. The exchange rate for the Cash Consideration payable to Shareholders will be determined by the latest nominal noon rate (“the Exchange Rate”) published by the Bank of Canada at 12.30pm Canadian Eastern Standard time on the date that the Scheme court orders are issued with ASIC, should the Scheme be approved. Key conditions of the Scheme include:

- The Scheme is conditional on the approval of the the option scheme and cancellation of the ESOP Options;
- ASX, TSX, NYSE-AMEX, ASIC and court approvals as required to implement the Scheme;
- Shareholder and PacMag optionholder approval of the Scheme in accordance with Section 411 of the Corporations Act;
- No material adverse changes occurring which could have a material adverse effect on the profitability of PacMag or Entrée;

- Neither PacMag nor Entrée is subject to a prescribed occurrence;
- This report concludes that the Scheme is in the best interests of Shareholders and the option scheme is in the best interests of optionholders;
- No alternative proposal for PacMag is announced;
- All representations and warranties made by PacMag and Entrée under the SIA are true and correct;
- There are no adverse changes in control in PacMag;
- All ESOP Options being acquired, cancelled or exercised and PacMag obtaining all necessary waivers from the ASX to action this condition; and
- TSX conditionally approving the listing of the Equity Consideration to be issued to Shareholders and PacMag optionholders as consideration under the Scheme and option scheme.

The SIA also includes no shop and no talk provisions and a break fee which are customary for transactions of this nature. These include the following:

- PacMag must not invite or initiate any enquiries or continue in any negotiations which may lead to an alternative proposal for PacMag. Similarly, PacMag must not permit another entity to undertake due diligence investigations without Entrée's written consent; and
- A break fee of C\$350,000 is payable should either party terminate the agreement.

The Scheme will result in the following share structure:

Entrée Share Structure	Pre Scheme		Proposed structure	
	No. of Shares	%	No. of Shares	%
PacMag Shareholders	-	-	15,677,031	14%
Entrée shareholders	96,322,000	100%	96,322,000	86%
TOTAL	96,322,000	100%	111,999,031	100%

The table above indicates that if the Scheme is approved then PacMag Shareholders will hold approximately 14% of Entrée shares. The table above has been prepared on an undiluted basis.

5. PROFILE OF PACMAG METALS LIMITED

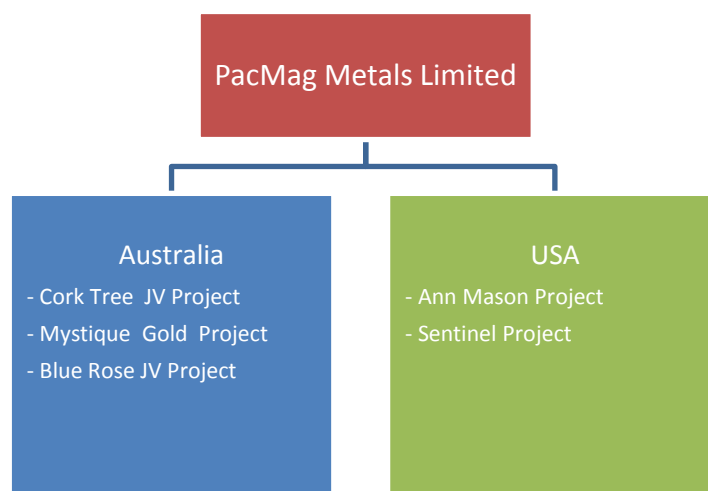
5.1 History

PacMag is an Australian mineral exploration company focused on copper, gold, molybdenum and uranium exploration. The Company listed on the ASX in 1995 under the name Golden Triangle Resources NL with a focus on the exploration and development of magnesium projects. In July 2005 the Company entered into an agreement with Giralia Resources NL (“Giralia”) to acquire a 100% interest in the Blue Rose Copper Gold Molybdenum Project and the Ann Mason Project. The agreement also included an earn-in agreement to enter into a JV for the Arrino Copper Project and the Corktree Copper Project in Western Australia.

In June 2006 the Company completed a capital raising of \$5,732,886. The funds were used to continue the exploration and development of the Company’s projects and to satisfy working capital requirements. Consequently, the Company changed its name to PacMag Metals Limited. In May 2008 PacMag announced the acquisition of the Sentinel Project which the Company considers prospective for uranium and molybdenum. The Ann Mason and Sentinel Projects remain the focus of PacMag’s operations.

5.2 Key Projects

Full details of PacMag’s projects are provided in Appendix 3. We have set out a brief summary of PacMag’s key projects below:



5.2.1 The Ann Mason District

The Ann Mason Project, Shamrock Project and Blue Hills Project are located in the Yerington District of Nevada, USA. Other than the Shamrock Project which is subject to an option to purchase 100% equity, these projects are 100% owned by PacMag. Exploration activity and project investment has been high in this area following renewed interest in copper by a number of companies.

The Ann Mason Project was one of the projects acquired from Giralia in July 2005. The project has been the focus of the Company’s operations since acquisition. PacMag plans to further explore this site and submitted an environmental assessment to the Federal Bureau of Land Management which was recently approved. Additional demands from the Federal Bureau of Land Management have been met by PacMag and are currently being reviewed.

The Shamrock Project is located 5 kilometres to the south east from the Ann Mason Project but is a much smaller scale project. PacMag commenced drilling of the

Shamrock Project in June 2009, with a total of 12 RC holes completed. Drilling identified a new zone of near surface copper mineralisation that was not identified by the drilling efforts of previous tenement holders. PacMag believes this project could potentially be a low capital cost operation to support the Ann Mason Project.

PacMag acquired the Blue Hills project in November 2006. The Company believes that the Blue Hills Copper Project is a large porphyry copper-molybdenum system but the project's size has not yet been determined. Blue Hills is located approximately 2.2 kilometres northwest of the Ann Mason Project. Significant drilling is required to produce an initial resource at this project.

5.2.2 Sentinel Project

PacMag secured 100% of the Sentinel project in May 2008. The project is located in North Dakota, USA and is prospective for uranium, molybdenum and germanium. Since acquiring the project, PacMag's exploration efforts have focused on the drilling of the Church prospect, which represents only one fifth of the total prospective project area. Drilling results indicate a deposit of low grade and small tonnage but PacMag believe that there is significant upside potential for this project. Metallurgical test work suggests that extraction of uranium, molybdenum and germanium may be possible at low capital cost. The future focus of the Company will now be to try and define additional resources in the land holdings that surround the Church Prospect. The Company also hopes to secure a development partner to accelerate the assessment of the project.

5.2.3 Cork Tree Joint Venture Project

PacMag has the right to acquire a 51% ownership in the Cork Tree Project after satisfying the requirements of an earn-in agreement with Giralia, stipulating that PacMag contribute \$500,000 exploration expenditure over 3 years. The project is located in the Earraheedy Basin of Western Australia. Previous exploration and reconnaissance mapping and sampling indicate a widespread copper mineralisation. The project is currently awaiting a grant of tenure.

5.2.4 Mystique Gold Project

The Mystique Gold Project was acquired by PacMag in May 2009 and is located in the Fraser Range region of Western Australia, a district containing the Anglogold Ashanti - Independence Group Tropicana Gold Project and several highly prospective exploration projects. In September 2009 PacMag entered into an earn-in agreement with Black Fire Energy Limited ("Black Fire") whereby Black Fire can earn up to 75% interest in the project by contributing \$2.5 million exploration expenditure over 5 years. Therefore, while PacMag currently has a 100% interest in the project, the Company's ownership is likely to be diluted under this agreement. Previous exploration efforts have identified well defined RC drilling targets. Exploration is planned to commence early this calendar year.

5.2.5 Blue Rose Joint Venture Project

PacMag is the manager of the Blue Rose joint venture Project. PacMag currently holds a 51% interest in the project whilst Giralia retains a 49% interest and is currently funding exploration activities. The project is located in the Olary region of South Australia, 300km north east of Adelaide and is prospective for copper, gold and molybdenum. The two tenements that make up the project cover a total area of approximately 1,000 square kilometres.

Drilling programs by both Giralia and more recently by PacMag have intersected copper and gold mineralisation. The joint venture plans further drilling for two additional targets that have been located in the area.

5.3 Historical Balance Sheet

PacMag Metals Limited	Unaudited as at 30 Sep 2009 A\$	Audited as at 30 Jun 2009 A\$	Audited as at 30 Jun 2008 A\$
CURRENT ASSETS			
Cash and cash equivalents	2,229,458	2,461,902	4,562,345
Trade and other receivables	212,484	268,096	518,176
TOTAL CURRENT ASSETS	2,441,942	2,729,998	5,080,521
NON-CURRENT ASSETS			
Available for sale financial assets	2,159,493	1,225,644	1,487,416
Property, plant and equipment	1,384	1,042	2,022
Exploration and evaluation expenditure	9,548,913	9,087,935	8,151,511
Deferred tax asset	-	600,066	623,021
Intangibles	-	-	1,525
TOTAL NON-CURRENT ASSETS	11,709,790	10,914,687	10,265,495
TOTAL ASSETS	14,151,732	13,644,685	15,346,016
CURRENT LIABILITIES			
Trade and other payables	236,546	169,881	598,910
TOTAL CURRENT LIABILITIES	236,546	169,881	598,910
NON-CURRENT LIABILITIES			
Provisions	2,501	2,350	1,745
Deferred tax liabilities	170,376	600,066	669,632
TOTAL NON-CURRENT LIABILITIES	172,877	602,416	671,377
TOTAL LIABILITIES	409,423	772,297	1,270,287
NET ASSETS	13,742,309	12,872,388	14,075,729
EQUITY			
Issued Capital	14,793,654	14,793,654	14,793,654
Option reserve	2,613,953	1,910,290	1,493,036
Accumulated losses	(3,644,031)	(3,831,556)	(2,210,961)
Minority Interest	(21,267)	-	-
TOTAL EQUITY	13,742,309	12,872,388	14,075,729

Source: Management accounts for the three months ended 30 September 2009 and audited annual report for the year ended 30 June 2008 and 2009

The Company's net asset position fell from \$14,075,729 to \$13,742,309 during the 15 months to 30 September 2009 ("the Period"), primarily due to a \$1,620,595 loss for the year ended 30 June 2009 ("FY2009").

Total assets decreased from \$15,346,016 to \$14,151,732 during the Period. Operating costs and ongoing exploration expenditure reduced the Company's cash assets and total current assets fell from \$5,080,521 to \$2,441,942 during FY2009 as a result. The increase in the carrying value of PacMag's non-current assets over the Period is primarily the result of capitalising exploration expenditure and evaluation.

Total liabilities decreased from \$1,270,287 to \$409,423 over the 15 month Period which consists of trade and other payables, employee provisions and deferred tax liabilities. This was primarily due to a reduction in the value of trade and other payables and deferred tax liabilities.

We have not performed a review of the 30 September 2009 management accounts in accordance with Australian Auditing Standards. However, we have reviewed the management accounts to a sufficient level that we are satisfied that there are no irregularities or omissions. In particular, BDO has agreed cash balances as at 30 September 2009 to bank statements and reconciliations. Investments in financial assets were reviewed to confirm that these had been recorded at fair value. Exploration expenditure was not verified as we have engaged an independent specialist to value this for the purpose of our report.

5.4 Historical Income Statements

PacMag Metals Limited	Unaudited for 3 months ended 30 Sep 2009 A\$	Audited for year ended 30 Jun 2009 A\$	Audited for year ended 30 Jun 2008 A\$
Revenue			
Revenue from continuing operations	191,424	250,073	624,443
Total Revenue	191,424	250,073	624,443
Expenses			
Administration expenses	(48,990)	(280,520)	(322,970)
Impairment loss on available for sale assets	-	(719,789)	(2,189,719)
Employee benefit expenses	(19,814)	(102,425)	(112,642)
Exploration expenditure incurred	(78,687)	(43,816)	(82,794)
Impairment on exploration expenditure	-	(946,836)	-
Other expenses	(8,870)	(2,718)	(19,152)
Total Expenses	(156,361)	(2,096,104)	(2,727,277)
Profit / (Loss) before income tax expense	35,063	(1,846,031)	(2,102,834)
Income tax (expense) / benefit	131,195	225,436	753,566
Net gain / (loss)	166,258	(1,620,595)	(1,349,268)

Source: Management accounts for the three months ended 30 September 2009 and audited annual report for the year ended 30 June 2008 and 2009

PacMag's revenue of \$250,073 for FY2009 consisted predominantly of interest income but also included foreign exchange gains and gains on the sale of financial assets. Expenses incurred by the Company for FY2009 totaled \$2,096,104. Expenses include impairment of \$1,666,625, administration expenses, employee benefit expenses, exploration expenses and other expenses. PacMag made a net gain for the period ended 30 September 2009 primarily due to the Company not having any impairment charges for this period.

5.5 Capital Structure

The share structure of PacMag as at 23 February 2010 is outlined below:

	Number
Total Ordinary Shares on Issue	144,667,639
Top 20 Shareholders	71,249,575
Top 20 Shareholders - % of shares on issue	49.25%

Source: Link Market Services

The range of shares held in PacMag as at 23 February 2010 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	%Issued Capital
1-1,000	193	90,077	0.06%
1,001-5,000	537	1,595,980	1.10%
5,001-10,000	306	2,402,362	1.66%
10,001-100,000	692	25,671,789	17.75%
100,001 - and over	185	114,909,431	79.43%
TOTAL	1,913	144,669,639	100.00%

Source: Link Market Services

The ordinary shares held by the most significant shareholders as at 23 February 2010 are detailed below:

Name	No of Ordinary Shares Held	%Issued Capital
Giralia Resources NL	15,008,441	10.37%
Yandal Investments Pty Ltd	7,763,567	5.37%
HSBC Custody Nominees (Australia) Limited	6,543,309	4.52%
The Riley Super Fund A/C	5,374,700	3.72%
Total Top 4	34,690,017	23.98%
Others	109,977,622	76.02%
Total Ordinary Shares on Issue	144,667,639	100.00%

Source: Link Market Services

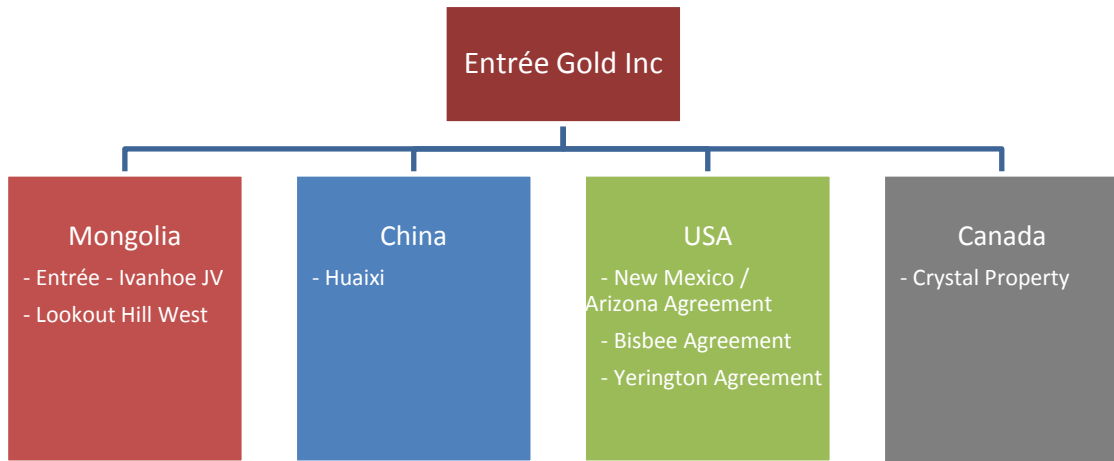
6. PROFILE OF ENTRÉE GOLD INC

6.1 History

Entrée is a Canadian based resource exploration company with tenements prospective for gold, copper, molybdenum and coal. Entrée is listed on the Toronto Stock Exchange (“TSX”), New York Stock Exchange Amex (“NYSE Amex”) and Frankfurt Stock Exchange (“FSE”). Since its inception in 2002, the company has acquired a portfolio of projects in emerging markets such as Mongolia and China as well as in the USA. Significant mineralisation discoveries have attracted Ivanhoe Mines Limited (“Ivanhoe”) and Rio Tinto Limited (“Rio Tinto”) to become some of Entrée’s largest shareholders.

6.2 Key Projects

The chart below highlights Entrée’s projects by country. We have set out a brief summary of these projects below. Further information is contained in an independent specialist’s report at Appendix 3.



6.2.1 Mongolia

Entrée’s Mongolian interests host known copper, gold, and molybdenum resources and are prospective for coal. Entrée’s Mongolian interests consist of two mining licences (Shivee Tolgoi and Javhlant) and one exploration licence (Togoot). Entrée has developed two projects in Mongolia under these licences being the Entrée-Ivanhoe Joint Venture and Lookout Hill West. Altogether, these projects form Entrée’s flagship Lookout Hill project, consisting of over 179,000 hectares of prospective ground.

6.2.1.1 Entrée - Ivanhoe Joint Venture

Entrée entered into an earn-in agreement with Ivanhoe in October 2004 under which Ivanhoe was required to spend US\$35 million over an 8 year period in order to earn a 70% or 80% interest in the specified project area. Ivanhoe satisfied the earn-in requirements in June 2008, and the project became a joint venture. Under the agreement the proceeds of production will be shared dependant on the depth of the mineralisation. Entrée is entitled to 20% of proceeds if the ore is mined below a depth of 560 metres, otherwise Entrée is entitled to 30%. Entrée can elect to be carried through to production by way of loans from Ivanhoe, accruing interest at prime plus 2%, with no repayments except out of 90% of production proceeds. Thus Entrée is not required to raise capital for the development of its Joint Venture assets and cannot be diluted. Deposits that have been identified to date lie below 560 metres within

Lookout Hill. Mining at Oyu Tolgoi is expected to begin in 2013 with a mine life ranging from 60 to 100 years.

The Entrée - Ivanhoe Joint Venture Project forms part of Entrée's flagship Lookout Hill Project and consists of the eastern portion of the Shivee Tolgoi mining license and the Javhlant mining license. The joint venture hosts two deposits with mineral resources, being the Hugo North Extension copper-gold porphyry deposit and the Heruga copper-gold-molybdenum porphyry deposit. The Entrée - Ivanhoe Joint Venture Project completely surrounds Ivanhoe Mines Oyu Tolgoi Project which hosts some of the largest and richest porphyry deposits in the world.

On 6 October 2009 Entrée's partners, Ivanhoe and Rio Tinto, signed an Investment Agreement with the Mongolian government with regard to the development of the Oyu Tolgoi copper-gold deposits. Ivanhoe's interest in the Entrée - Ivanhoe Joint Venture Project, which includes an 80% interest in both the Hugo North Extension copper-gold porphyry and the Heruga copper-gold-molybdenum porphyry deposits, is held through its subsidiary Oyu Tolgoi LLC. This subsidiary, Oyu Tolgoi LLC, will be subject to a 34% ownership by the Mongolian government, once the conditions precedent related to the Investment Agreement have been met. One of the conditions precedent of the Investment Agreement was the conversion of the Shivee Tolgoi and Javhlant exploration licenses, which host Entrée's deposits, to mining licenses. The agreement is important to Entrée as the securing of the mining licenses over its principle resources gives long term stability to its legal title. The Investment Agreement, which will impact Entrée's key assets through its Joint Venture with Ivanhoe, further stipulates the terms for royalties and taxation payable to the Mongolian government for an initial 30 year term with a 20 year potential extension. This is very important for the development and operational issues relevant to the Oyu Tolgoi Project, including Entrée's key assets.

Financing agreements between Rio Tinto and Ivanhoe are also extremely important to the ongoing development of the Oyu Tolgoi deposits. In October 2006, Rio Tinto agreed to invest up to US\$1.5 billion into Ivanhoe Mines for the development of the projects. This was to be done in stages, with an initial tranche of US\$303 million to be followed by a second payment of US\$388 million upon procurement of an Investment Agreement with the Mongolian government. The balance of the US\$1.5 billion was tied to warrant exercises and open market transactions, allowing Rio Tinto to acquire up to a 33.35% interest in Ivanhoe.

The Investment Agreement was delayed until 2009, but in the interim, Ivanhoe Mines required additional funds to continue building the infrastructure at Oyu Tolgoi, including shaft sinking. Rio Tinto advanced Ivanhoe an additional US\$350 million, upon the proviso that Rio Tinto would be allowed to acquire up to a 46.65% interest in the company. After signing of the Investment Agreement, Rio Tinto made the second tranche payment. Rio Tinto now owns just under 20% of Ivanhoe. With additional warrant exercises and open market transactions Rio Tinto can acquire up to 46.65% of Ivanhoe. Upon completion of these transactions, Rio Tinto's total investment into Ivanhoe will exceed US\$2.5 billion, with the bulk of these monies being put towards the development of Oyu Tolgoi. It is expected that Entrée's joint venture deposits will be part of these development plans. Entrée is awaiting an updated Integrated Development Plan from Ivanhoe and Rio Tinto which will outline the development strategies for these deposits. This plan is expected in mid 2010.

6.2.1.2 Lookout Hill West

The Lookout Hill West prospects are tenements owned by Entrée outside of the joint venture area of Lookout Hill. Entrée has been actively exploring these areas since 2003. In mid 2008 Entrée discovered a coal system in the northwest corner of Lookout Hill known as Nomkhon Bohr.

Two additional coal targets known as Coking Flats and Khar Hill have been identified within Lookout Hill West. Entrée is currently in the process of determining the extent, quality and economic significance of these targets. Entrée is in the process of preparing an application in order to convert the Togoot exploration license into a mining license.

Some of the Lookout Hill West Project is included in the Shivee Tolgoi mining license which was granted under the Entrée - Ivanhoe Joint Venture.

6.2.2 China

Entrée entered into an earn-in agreement on the Huaixi copper project located in the Zhejiang Province in southeast China, with Zhejiang No. 11 Geological Brigade in November 2007. Under the agreement, Entrée is required to spend US\$3 million over a four year period to earn up to a 78% interest in the Project.

The Huaixi Project totals approximately 61 square kilometres. Previous exploration using modern exploration techniques was limited. Entrée's exploration efforts have defined several coincident geochemical and geophysical targets, several of which were recently drilled. Drilling results are currently being evaluated.

6.2.3 United States of America

Entrée has interests in three separate areas in the USA, being:

- An agreement with Empirical Discovery LLC (“**Empirical**”) to explore an area of 3.6 million acres across New Mexico and Arizona;
- An agreement with Empirical to explore an area of interest consisting of several claims near Bisbee, Arizona; and
- Option agreements with HoneyBadger Exploration Inc (“**HoneyBadger**”) and Bronco Creek Exploration Inc (“**Bronco Creek**”) (acquired by Eurasian Minerals Inc.) to explore adjoining properties in the Yerington copper district in Nevada.

6.2.3.1 New Mexico and Arizona Agreement

Entrée entered into an agreement with Empirical in July 2007 to explore for and develop porphyry copper targets in an area covering 3.6 million acres in southeastern Arizona and adjoining southwestern New Mexico. The agreement stipulates that Entrée has the option to acquire an 80% interest in any project in the exploration area by incurring US\$1.9 million in exploration costs over 5 years and issuing 300,000 common shares. Upon exercising the option, Empirical may elect to retain its 20% participating interest in the project or convert it to a 2% net smelter royalty (“**NSR**”).

Entrée has identified four targets including a discovery near Lordsburg, New Mexico. Several of the drill holes at Lordsburg intersected a copper-gold porphyry system that could be of potential economic significance. Lordsburg has a mining history and is located in close proximity to infrastructure. Entrée plans to further explore the area. Geophysical surveys have been conducted on the remaining three targets to develop a prioritised drilling program.

6.2.3.2 Bisbee Agreement

Entrée entered into a separate agreement with Empirical in January 2008 to explore a 10,800 acre site near Bisbee, Arizona. Entrée has the option to acquire an 80% interest in any project in the exploration area by incurring US\$1.9 million in exploration costs over 5 years and issuing 150,000 common shares. Upon exercising the option, Empirical may elect to retain its 20% participating interest in the project or convert it to a 2% NSR. The district has a history of producing copper, gold and silver mineralisation.

6.2.3.3 Yerington Copper District

Entrée entered into separate option agreements with HoneyBadger in July 2009 and Bronco Creek in September 2009 to explore the adjoining Blackjack and Roulette properties in the Yerington copper district in Nevada. The Blackjack property covers an area of 12,500 acres and the Roulette property covers an area on 4,350 acres and lies immediately west of PacMag's Ann Mason property.

Entrée may acquire a maximum interest of 80% in the Blackjack Property by incurring exploration expenditure of US\$0.9 million, issuing 412,500 shares and making cash payments to HoneyBadger totaling US\$581,250. Similarly, Entrée may acquire a maximum interest of 80% in the Roulette property by incurring exploration expenditure of US\$1 million, issuing 85,000 shares and making cash payments to Bronco Creek totaling \$140,000. Both agreements outline that these conditions are to be satisfied over a 3 year period.

The Yerington district has a history of successful copper-gold exploration and mining, having been explored and mined extensively by Anaconda Copper Mining Company between 1960 and 1980. Entrée plans to begin exploration of these properties in 2010.

6.2.4 Canada

In September 2009 Entrée entered into an agreement with Taiga Consultants Ltd to acquire 10 early stage molybdenum-copper claims in British Columbia, collectively known as the Crystal Property. The Crystal Property covers an area of 4,800 hectares. The Property is located 50 kilometres southeast of the Endako Mine owned by Thompson Creek Metals Company, which has been producing molybdenum for the past 40 years. Under the agreement, Entrée may acquire a 100% interest subject to exploration expenditure of \$500,000. Taiga Consultants Ltd is entitled to receive a 1% NSR. Entrée's exploration activity at this site has been minimal and it is currently planning an exploration program.

6.3 Historical Balance Sheet

Entrée Gold Inc	Unaudited as at	Unaudited as at
	30 Sep 2009	31 Dec 2008
	A\$	A\$
CURRENT ASSETS		
Cash and cash equivalents	47,227,000	64,759,000
Receivables	260,000	891,000
Prepaid expenses	492,000	385,000
TOTAL CURRENT ASSETS	47,979,000	66,035,000
NON-CURRENT ASSETS		
Investments	2,298,000	1,905,000
Mineral Property Interest	57,640,000	53,899,000
Equipment	849,000	963,000
TOTAL NON-CURRENT ASSETS	60,787,000	56,767,000
TOTAL ASSETS	108,766,000	122,802,000
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	686,000	1,351,000
TOTAL CURRENT LIABILITIES	686,000	1,351,000
NON-CURRENT LIABILITIES		
Loans Payable to Ivanhoe Mines Ltd	519,000	467,000
TOTAL NON-CURRENT LIABILITIES	519,000	467,000
TOTAL LIABILITIES	1,205,000	1,818,000
NET ASSETS	107,561,000	120,984,000
EQUITY		
Common stock	139,720,000	138,295,000
Reserves	15,467,000	24,941,000
Accumulated deficit during the exploration stage	(47,626,000)	(42,252,000)
TOTAL STOCKHOLDER'S EQUITY	107,561,000	120,984,000

Source: Entrée Gold Inc financial accounts reviewed by KPMG

Entrée's net asset position has deteriorated over the period between 31 December 2008 and 30 September 2009 due to a growing accumulated deficit position.

Total assets were \$107,561,000 at 30 September 2009 compared to \$120,984,000 at 31 December 2008. The deterioration in Entrée's cash position is primarily the result of a loss from operations. Non current investments consist of asset backed commercial paper. The secondary markets for these securities are very illiquid and the directors of Entrée suggest that realising these investments would incur a liquidity discount.

Total liabilities decreased from \$1,818,000 at 31 December 2008 to \$1,205,000 at 30 September 2009. Current liabilities consist solely of accounts payable and accrued liabilities. Non current liabilities consist of loans payable to Ivanhoe Mines. This loan is the funds contributed to approved joint venture programs by Ivanhoe Mines on behalf of Entrée.

6.4 Historical Income Statements

Entrée Gold Inc	Unaudited for the nine months to 30 Sep 2009 A\$	Unaudited for year ended 31 Dec 2008 A\$
Revenue		
Revenue from continuing operations	481,000	2,290,000
Total Revenue	481,000	2,290,000
Expenses		
Administration Expenses	(872,000)	(1,144,000)
Impairment loss on Available for sale assets	-	(1,490,000)
Legal	(330,000)	(529,000)
Management fees	(131,000)	-
Office and administration	(572,000)	(283,000)
Investor relations	(477,000)	(674,000)
Employee benefit expenses	(1,212,000)	(1,710,000)
Stock based compensation	(1,621,000)	(3,353,000)
Impairment on exploration expenditures	(639,000)	(2,042,000)
Total Expenses	(5,854,000)	(11,225,000)
Loss before income tax expense	(5,373,000)	(8,935,000)
Comprehensive income / (loss)		
Net profit/(loss) for the period	(5,373,000)	(8,935,000)
Unrealised gain on available for sale securities	476,000	-
Foreign currency translation adjustment	(11,513,000)	-
Comprehensive income / (loss)	(16,410,000)	(8,935,000)

Source: Entrée Gold Inc financial accounts reviewed by KPMG

Entrée is a resource exploration company and none of its projects have yet reached production. All exploration expenditure is capitalised. Entrée's largest expenditure items are employee benefit expenses and stock based compensation. Entrée operated at a net loss of \$5,373,000 for the nine months ended 30 September 2009. A foreign currency translation adjustment resulted in a comprehensive loss of \$16,410,000 for the period.

7. ECONOMIC ANALYSIS

7.1 Global Economic Conditions

Global economic conditions have improved dramatically over the past 6 months. Macroeconomic data from the Asian region is particularly encouraging due to fiscal and monetary stimulus measures and lower exposure to toxic assets. Leading indicators in the North American region suggest that the US and Canadian economies are beginning to stabilise. Global capital markets have improved in light of strong gains in most securities exchanges, supportive government policy and the strengthening of international banks' balance sheets. Despite this, the outlook for the global economy remains challenging. A brief summary of the current economic conditions in the North American region, Asia region and Australia is provided below.

7.2 Australian Economic Conditions

The Australian economy has been particularly resilient to the challenging global economic environment caused by the global financial crisis. Australia's economic growth for 2009 was much stronger than originally expected, with economic growth of 0.5% for the quarter ended 30 September 2009 and 1% for the year. This is a small disruption relative to the strong contractions seen in most other countries, the result of a number of contributing factors discussed below.

Firstly, Australia has a strong financial system. Australian banks have low exposure to risky assets, are well capitalised and have remained profitable throughout the financial downturn. In addition to this, the Australian government guarantees bank deposits and banks' wholesale funding. The health of the debt markets in Australia is evidenced by the popularity and success of bond issuances by major banks in recent months.

Collectively, these factors have allowed Australian banks to maintain their high credit ratings and access to relatively cheap capital funding. While banks remain risk adverse in their lending criteria, the health of the Australian financial sector is having a flow on effect to other parts of the economy by supporting credit availability, private investment and general economic stability.

Secondly, the RBA and the Australian government have been proactive in their response to the global downturn. The RBA reduced the official cash rate from 7.5% to 3.0% in the year to September 2009. The Australian economy has since shown signs of recovery and through a series of interest rate decisions the RBA has increased the official cash rate to 4.00% at March 2010. These measures have allowed the RBA to maintain flexibility should there be an unexpected change in the economic climate. The health of Australian banks means that these changes in the cash rate have been passed on to the end borrower.

The Australian government's fiscal policy has been expansionary through the introduction of the first home buyer's grant, the Australian government stimulus package and planned infrastructure investment. The first home owners grant stimulated housing demand by encouraging new entrants into the market and in doing so, added support to home prices. The government stimulus package provided an artificial support for retail sales in the first half of 2009. While retail sales fell slightly in the September quarter consumer sentiment remains strong. Government stimulus

will continue throughout 2010 in the form of public sector investment in educational facilities and broader infrastructure.

The third factor that has contributed to the relatively good performance of the Australian economy is the strong recovery of China's economy. China's recovery has been much quicker than expected. This is predominantly due to China's financial sectors not being impaired to the extent that they were in many developed countries and significant fiscal stimulus.

Another contributor to the performance of the Australian economy is the recovery of equity and real estate markets, both of which have improved significantly from their lows. This trend means that much of the decline in household wealth that occurred during 2008 and early 2009 has been reversed. As a result, improved investor and consumer sentiment is having a flow on effect to other sectors of the economy.

Recent business surveys suggest that business conditions are continuing to improve. Capital utilisation has regained from lows and businesses are contemplating hiring additional labor capital. Employment increased in October 2009 and the unemployment rate has been around 5.75% for the past 6 months. Wages have moderated however. While business investment fell in the later half of 2009, engineering construction was high and is expected to rise further with the development of large LNG projects in Western Australia.

Australia's total exports were approximately 1.5% lower for the year to October 2009 while imports were approximately 4.4% lower for the same period. As a result, Australia's trade deficit decreased significantly during this period. Global commodity prices are continuing to improve inline with the depreciating US dollar. Unfortunately, the appreciation of the Australian dollar has absorbed much of these gains for Australian exporters with revenue denominated in US dollars.

The RBA predicts that economic conditions will continue to improve in 2010 and that inflation will be inline with the RBA's target range. Australia's trade relationship with China and China's strong economic performance are likely to continue to provide insulation from the continuing weak economic conditions that are expected for the rest of the world. However, should economic conditions in China change it is likely that demand for Australian exports will fall. Should this occur it will pose an issue for Australian economic growth.

7.3 North American Economic Conditions

Economic conditions in North America remain fragile following the global financial crisis. Leading macroeconomic indicators are mixed but there are signs that economic conditions in this region may be beginning to stabilise.

The USA unemployment rate remains high but labor force conditions are improving. Data compiled by the Federal Reserve suggests that total hours worked increased in November 2009. The pace of job losses in the USA is also beginning to slow. In Canada, the unemployment rate decreased in December 2009 and total wages increased.

Business activity in the USA increased in October and November 2009. USA monthly business surveys suggest that this trend will continue for the foreseeable future. Despite this, capacity utilisation remains at historically low levels, businesses continue to cut or delay investment in fixed assets and are hesitant to employ additional labor capital. Statistics published by Statistics Canada suggest that business activity has also improved for the vast majority of business segments in Canada.

Both imports and exports have increased in the past year in both the USA and Canada. The USA trade deficit decreased by US\$2.6 billion between September and October 2009, driven primarily by an increase in exports. This increase was stable across most major categories of exports. The US dollar has depreciated significantly over the past year against most major currencies. Alternatively, an increase in the Canada trade deficit by US\$2.8 million in November 2009 was driven primarily by a strong Canadian dollar and a corresponding increase in imports.

The current and foreseeable economic climate is likely to support low consumer price inflation in the USA. Low capacity utilisation combined with lower household wealth, tight credit conditions and a weak labor market are likely to minimise price pressure. Longer term consumer price inflation expectations in the USA are also stable. The Canadian CPI increased by 1% in the year to November 2009 and inflation is not expected to approach the top of the Bank of Canada's target range until the third quarter of 2011.

The US and Canadian housing markets are beginning to show signs of stabilising. While the home construction market remains weak in the US, sales of existing homes are improving and home inventory levels are falling. This reflects measures taken by the US government to limit foreclosures and encourage investment, together with the affordability of US real estate and buyers taking advantage of favorable buying conditions. There remains concern that many mortgages are in negative equity and unemployment remains very high. These issues are a threat to the stability of the US housing market. The performance of the non-residential construction sector also remains a concern. Housing starts in Canada increased in October 2009.

Financial markets in the US are also stabilising. The Federal Reserve is currently in the process of purchasing \$1.25 trillion of agency mortgage - backed securities and \$175 billion of agency debt to improve conditions in private credit markets. The Federal Reserve is currently scaling back these purchases to allow for a smooth transition in the markets. Total purchases are anticipated to be satisfied by the end of the first quarter 2010 but will depend on financial market conditions and economic expectations. All of the Federal Reserve's special liquidity facilities are expected to be revoked throughout the first half of 2010 but this approach will be modified if necessary.

After a year of decline Canada's real GDP increased slightly in the 3 months ending 30 September 2009. The Bank of Canada predicts economic growth of 3% for 2011 and 3.3% for 2012. Conditions in the USA have stabilised but economic activity is likely to remain weak in the foreseeable future. It is expected that the stabilisation of financial markets, expansionary fiscal and monetary policy and market forces will become more supportive and lead to the stabilisation of the USA economy.

7.4 Asia Economic Conditions

At the beginning of the financial downturn European and US consumers of Asian exports exited the market. This trend was most evident for durable goods such as cars. As an example, Japanese GDP shrunk by 10% on an annualised basis in the 2 months to September 2008. In emerging economies investment activity declined as investors reduced exposure to risky assets or stalled projects. Manufacturing-orientated economies such as Korea, Singapore and Taiwan recorded declines of up to 25% relative to production in the prior year. Poor economic conditions, tightening financial conditions and general uncertainty meant that domestic demand was also affected.

Despite being exposed to faltering demand in the European and US markets, Asia's recovery has generally been strong. The International Monetary Fund ("IMF") attributes Asia's rebound to three factors.

Firstly, many Asian countries entered the financial downturn with a strong fiscal position and were able to provide economic stimulus during the downturn. Countries such as China, India, and Indonesia reacted to the financial downturn with significant government stimulus and to date have escaped severe recession. In the case of India, a lower dependence on exports reduced exposure to external demand fluctuations. Similarly, Chinese and Japanese stimulus is estimated to be in the range of 5% of GDP for 2009 and 2010.

Secondly, the Asian financial system remains robust. Stock markets have rebounded significantly from their lows and the risk aversion of investors is subsiding. Financing constraints on households and corporations have eased and allowed smaller export enterprises to access debt. These factors have contributed to improved consumer and business confidence and higher capital inflows.

Inventory adjustments are the third factor stimulating Asian economies. This is particularly true for export orientated economies. During the financial downturn, Asian companies responded to lower demand by reducing production and depleting inventory stocks. Together with strengthening external demand, the IMF anticipates that the impulse to readjust inventory stocks will continue to increase production in the Asian export sector. While Asian exports remain approximately 30% lower than peak 2008 levels, already demand from China has had a flow on effect in other countries.

These three growth factors could prove to be temporary given that economic conditions in Europe and the US remain challenging. High unemployment will reduce consumption and low capacity utilisation will dampen investment. Similarly, the scaling back of government stimulus packages to avoid the speculative activity and price bubbles that caused the downturn will be challenging. For these reasons the IMF are of the opinion that while economic conditions will improve, Asia is unlikely to return to the growth path of pre 2008.

8. INDUSTRY ANALYSIS

PacMag and Entrée have interests in gold, copper and molybdenum. We have provided a brief analysis of these industries below.

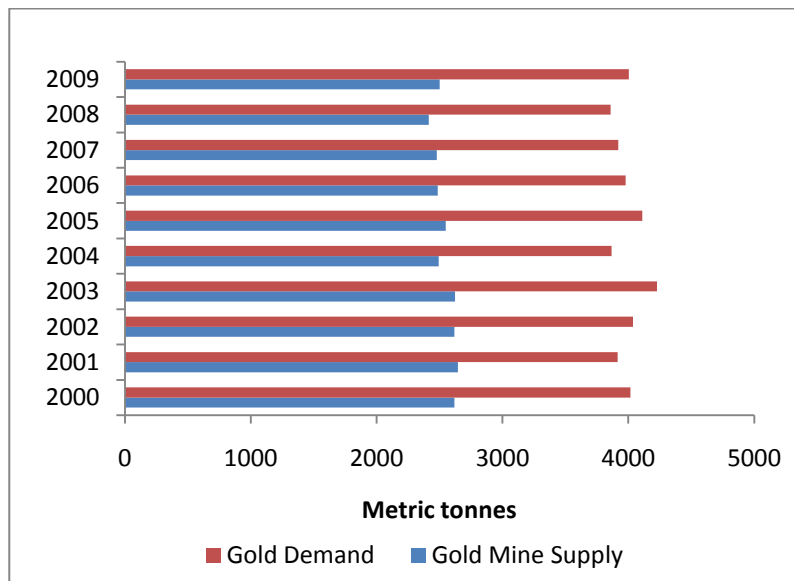
8.1 Gold Industry analysis

8.1.1 Supply and demand

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling. According to GFMS Limited, at the end of 2007 the above ground stocks of gold were approximately 161,000 tonnes. Approximately two-thirds of annual demand for gold is driven by jewellery fabrication, with the remainder driven by industrial use and investment in gold.

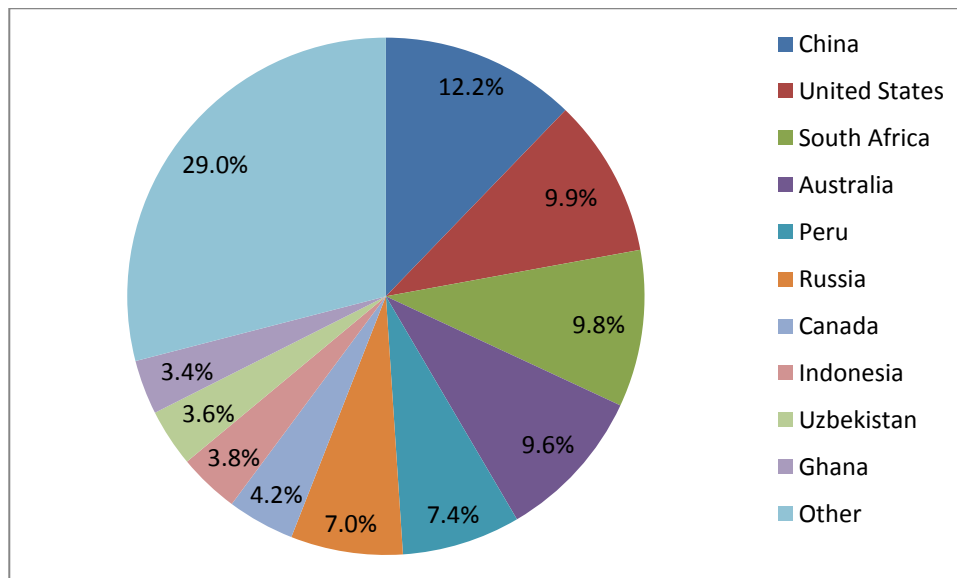
As illustrated in the chart below, gold mine production was approximately 2,502 metric tonnes in 2009 and gold consumption was 4,003 metric tonnes. While demand for gold consistently exceeds supply, the escalated level of economic and financial uncertainty during the past 18 months has caused investors to move capital from risky

assets to gold assets, which are perceived to be to be a good store of monetary value. As a result, total gold demand increased by approximately 4% between 2008 and 2009.



Source: Bloomberg

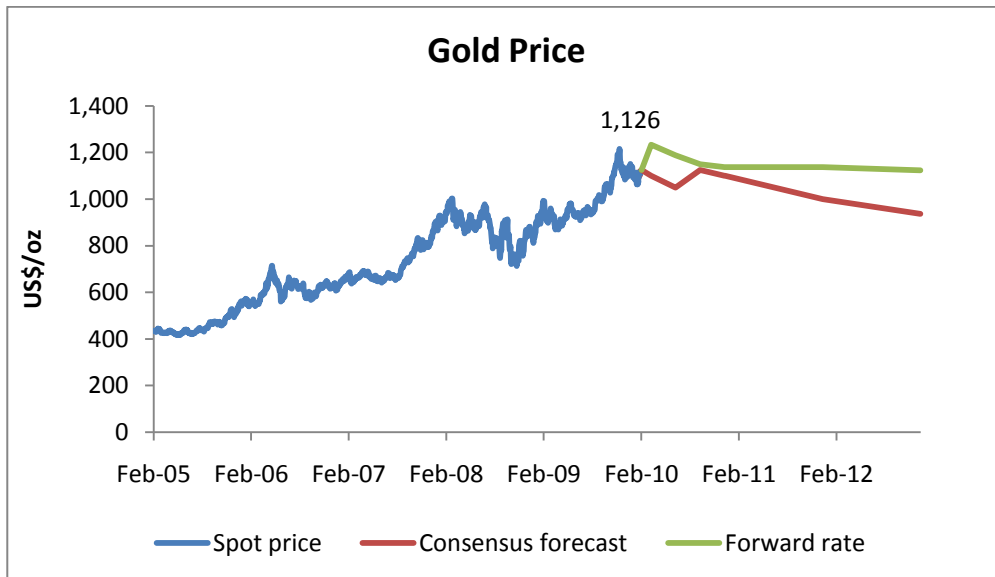
Until the late 1980's South Africa produced approximately half of total gold production. More recently, gold production has become geographically segmented, as shown in the chart below. The table below illustrates that production in 2008 was dominated by China (288 metric tonnes), USA (234 metric tonnes), South Africa (232 metric tonnes) and Australia (225 metric tonnes).



Source: 2008 Production Data from GFMS Limited

8.1.2 Current and future gold prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. As can be seen in the graph below, the value of gold has increased over the past 5 years to US\$1,126 per ounce at 22 February 2010. This trend is reflective of high demand for gold due to weak economic conditions during the past 18 months. The consensus view is that gold prices will fall over the next 3 years to approximately US\$940 in 2013. The current forward rate suggests that the price of gold will stabilise at current levels over the next three years.

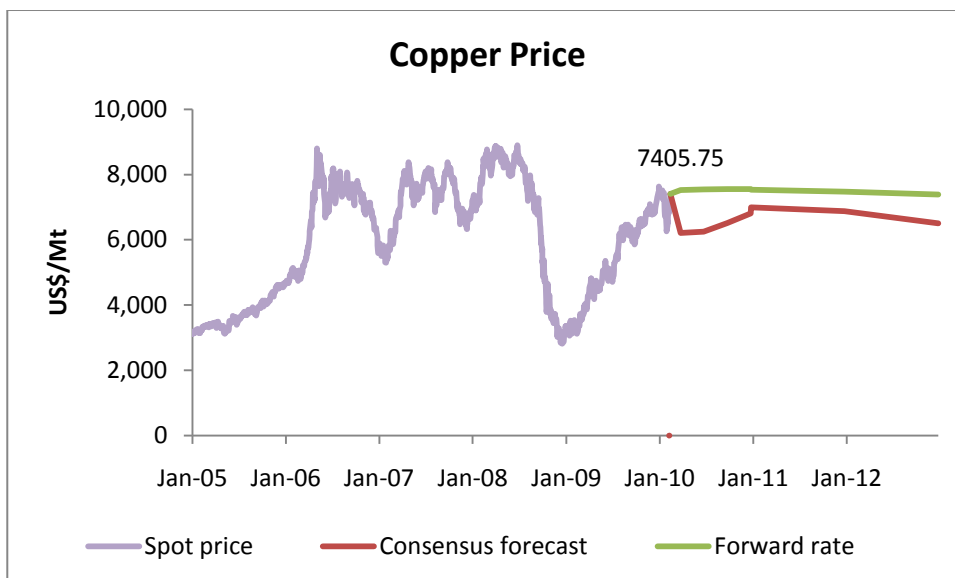


Source: Bloomberg

8.2. Copper

Copper is a malleable and ductile material with a wide variety of uses ranging from electrical cabling and domestic and industrial piping, to motor vehicle manufacture. Copper has in recent years faced strong competition from alternative materials, such as optic fibres (communications), plastics (water tubing) and aluminum (motor vehicle radiators). Technological change has favored copper in other areas such as for electrical controls in motor vehicles, markets where copper producers have recently made substantial gains.

The majority of Australia's copper production and resources occur in South Australia (Olympic Dam) and Queensland (Mt Isa). Australia's Economic Demonstrated Resource (EDR) makes up approximately 9% of the global EDR, second only to Chile (29%). Australian copper production accounts for about 6 percent of world output.



Source: Bloomberg

As shown in the graph above, the price of copper rallied strongly before falling significantly during the first half of 2008. This coincided with the onset of the global financial crisis and lower demand for copper due to the collapse of the US housing market. Global copper production fell by approximately 2% during the year ended

February 2009. The copper price has since recovered to US\$7,406 at 22 February 2010. Consensus industry forecasts and current forward rates suggest that the copper price is likely to stabilise during the next three years.

8.3. Molybdenum

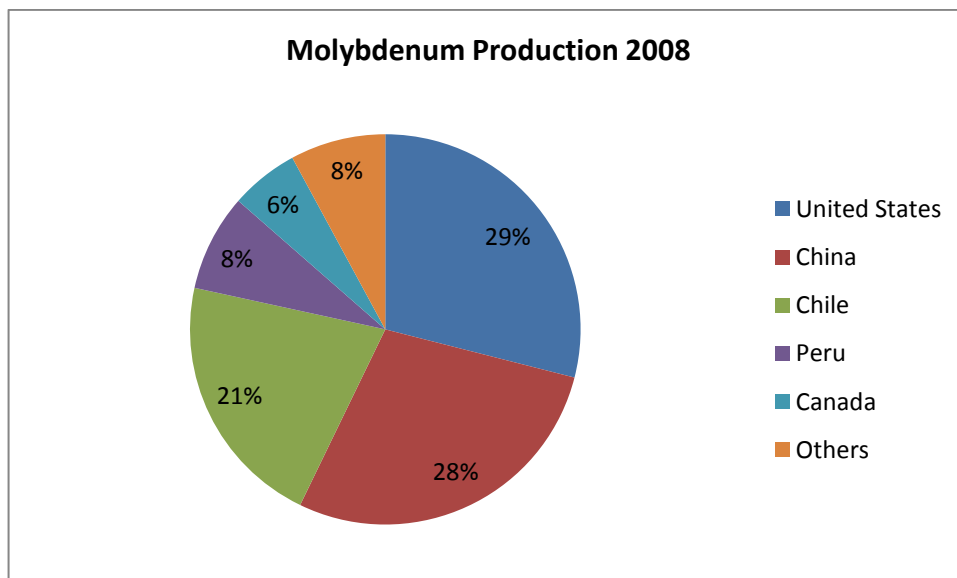
Molybdenum is a tough malleable metal. The main source of molybdenum is molybdenite but it is also found in minerals such as wulfenite and powellite. Molybdenum is mined either as a principal ore or recovered as a by-product or co-product of copper and tungsten mining. Western Australia has 98 percent of Australian resources. Worldwide, deposits are concentrated in China, USA, Chile and Canada.

Molybdenum enhances the hardness, strength, flexibility, wear and corrosion resistance of iron, steels and superalloys. It has a high melting point which makes it suitable for applications in high temperatures, pressure and strengthening applications. Molybdenum is commonly used for structural work, aircraft parts, forged automobile parts and electron tubes, with molybdenum electrodes used in glass furnaces.

8.3.1. Production

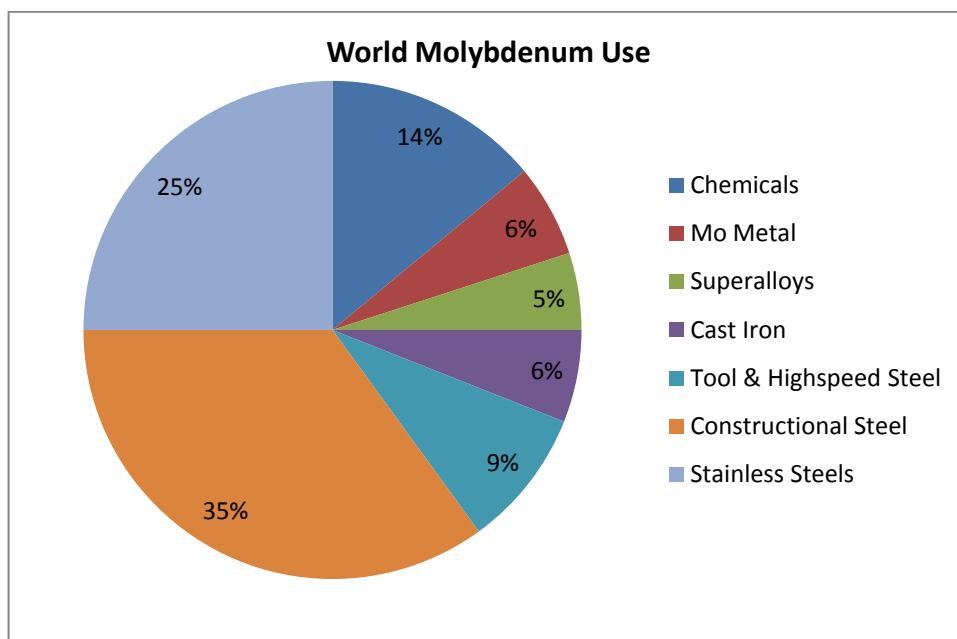
Major producers of molybdenum are China, the United States, Chile, Peru and Canada which account for 92% of worldwide production. In 2008, an estimated 220 million pounds was mined which included approximately 61 million pounds in the United States and approximately 60 million pounds in China.

World production of molybdenum is relatively concentrated with approximately 57% of 2008 molybdenum production coming from the top 8 producers and almost 45% from the top five producers, which include Freeport-McMoRan Copper & Gold Inc, Corporacion Nacional del Cobre de Chile (Codelco), JDC, China Molybdenum and Thompson Creek. Other major western molybdenum producers are Antofagasta plc and Grupo Mexico SA de CV.



Source: US Geological Survey

Estimated molybdenum consumption is shown in the chart below. Approximately 50% of molybdenum is used for iron based alloys including construction steel, tool and high speed steel and cast iron. The remaining uses include the production of molybdenum grade stainless steel, lubricants, superalloys and molybdenum metal.

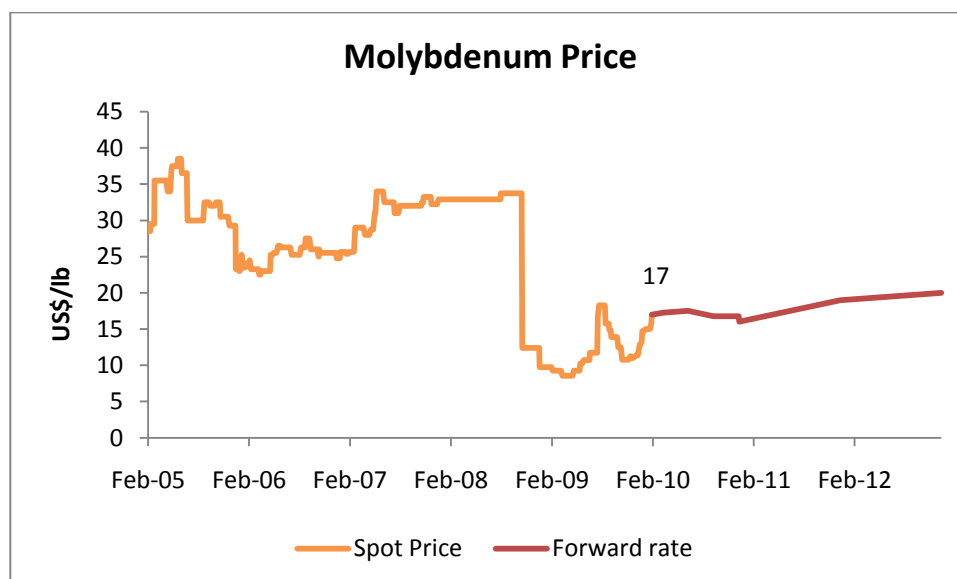


Source: International Molybdenum Association

Another source of ongoing demand for molybdenum is the petroleum industry. Extracting, transporting and refining oil and gas, requires significant amounts of corrosion resistant molybdenum steels. The ongoing search for new oil supplies and the extension of existing reserves should continue to grow demand for molybdenum.

8.3.2. Molybdenum Pricing

Molybdenum has limited forward markets and is therefore largely influenced by the volatilities in changes in supply and demand. For almost 20 years the molybdenum market was stagnant, but has been transformed as a result of limited supplies and strong demand. China's high level of steel production and consumption has led to strong internal demand for molybdenum, reducing China's molybdenum exports and supporting high prices.



Source: Bloomberg

The molybdenum price increased rapidly during 2004 and reached a high of US\$38.50/lb in June 2005. Prices traded within a range of US\$22.50/lb to US\$33.75/lb

during 2006 and early 2008. Molybdenum prices fell significantly in September 2008 due to the effects of the global financial crisis which were particularly felt in Western Europe and the United States. These two regions have historically been the two largest molybdenum consuming economies in the world. The price of molybdenum has increased since the beginning of 2009 to US\$17 at 19 February 2010. Consensus industry forecasts suggest that the molybdenum price will stabilise during the next three years.

9. VALUATION APPROACH ADOPTED

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Net Tangible Assets on a going concern basis (“NTA”)
- Quoted Market Price Basis (“QMP”)
- Capitalisation of future maintainable earnings (“FME”)
- Discounted Cash Flow (“DCF”)
- Multiple of Exploration Expenditure (“MEE”)

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of PacMag shares and Entrée shares we have chosen to employ the following methodologies:

- Net Tangible Assets on a going concern basis (“NTA”)
- Quoted Market Price Basis (“QMP”)

We have chosen these methodologies for the following reasons:

- Given that PacMag and Entrée do not have positive earnings the NTA share value is the fair value of a PacMag share that shareholders should expect to receive should the Company realise its assets in an orderly manner;
- PacMag’s shares are traded on the ASX and Entrée’s shares are traded on the TSX. This means there is a regulated, liquid and observable market on which both companies’ shares are traded. In order for the quoted market price to be considered appropriate the company’s shares should be liquid and the market should be fully informed as to PacMag’s activities. We have considered these factors in Section 10.2;
- PacMag and Entrée are exploration companies and do not have positive earnings. Therefore the FME methodology is not a suitable valuation methodology; and
- PacMag and Entrée do not prepare long term forecasts. Therefore, we are not able to use the DCF methodology.

10. VALUATION OF PACMAG METALS LIMITED

10.1 Net Tangible Asset Valuation of PacMag

The value of PacMag's assets on a going concern basis is reflected in our valuation below:

PacMag Metals Limited	Ref	Low	Preferred	High
		30 Sep 2009 A\$	30 Sep 2009 A\$	30 Sep 2009 A\$
CURRENT ASSETS				
Cash and cash equivalents		2,229,458	2,229,458	2,229,458
Trade and other receivables		212,484	212,484	212,484
TOTAL CURRENT ASSETS		2,441,942	2,441,942	2,441,942
NON-CURRENT ASSETS				
Available for sale financial assets		2,159,493	2,159,493	2,159,493
Property, plant and equipment		1,384	1,384	1,384
Exploration and evaluation expenditure	10.1.1	44,694,494	51,976,478	61,168,663
TOTAL NON-CURRENT ASSETS		46,855,371	54,137,355	63,329,540
TOTAL ASSETS		49,297,314	56,579,298	65,771,483
CURRENT LIABILITIES				
Trade and other payables		236,546	236,546	236,546
TOTAL CURRENT LIABILITIES		236,546	236,546	236,546
NON-CURRENT LIABILITIES				
Provisions		2,501	2,501	2,501
Deferred tax liabilities		170,376	170,376	170,376
TOTAL NON-CURRENT LIABILITIES		172,877	172,877	172,877
TOTAL LIABILITIES		409,423	409,423	409,423
NET ASSETS		48,887,890	56,169,874	65,362,059
<i>Shares on Issue</i>		<i>144,667,639</i>	<i>144,667,639</i>	<i>144,667,639</i>
<i>Value Per PacMag Share</i>		<i>0.34</i>	<i>0.39</i>	<i>0.45</i>

Source: PacMag's 30 September 2009 management accounts and an independent market valuation performed by SRK Consulting.

10.1.1 Deferred exploration, evaluation and development costs

We instructed SRK Consulting Pty Ltd (“SRK”) to provide an independent market valuation of the exploration assets held by PacMag. The following adjustments were made to the exploration and evaluation expenditure as at 30 September 2009 in arriving at our valuation. SRK considered a number of different valuation methods when valuing the exploration assets of PacMag. We have replaced the carrying value per PacMag’s 30 September 2009 balance sheet with the value determined by SRK. As SRK derived a value denominated in US dollars we have converted the value in the table above to Australian dollars using the cash rate as at 9 March 2010 which was US\$/A\$1.05536.

The range of values for each of PacMag’s exploration assets as calculated by SRK is set out below:

Asset	Ownership (%)	Low value (US\$M)	Preferred value (US\$M)	High value (US\$M)
USA				
Ann Mason Project (and associated exploration)	100%	39.37	45.07	52.49
Blue Hills Project	100%	2.34	2.72	3.15
Sentinel Project	100%	0.22	0.43	0.67
Meadow Valley	100%	0.02	0.03	0.04
Rainbow Canyon	100%	0.02	0.04	0.06
Total USA Assets		42.97	48.29	56.41
Australia				
Blue Rose / Olary	51%	0.28	0.79	1.30
Western Australian Exploration	various	0.10	0.17	0.25
Total Australian Assets		0.38	0.96	1.55
Total Assets (US\$)		42.35	49.25	57.96
Total Assets (A\$)		44.69	51.98	61.17

Source: Independent market valuation performed by SRK Consulting. US dollar balances converted to Australian dollars as at 9 March 2010 rate of US\$/A\$1.05536.

10.1.2 Available for sale financial assets

Available for sale financial assets relate to Shares in Peninsula Minerals Ltd and Zinc Co Limited. We have reconciled the market share prices of these securities at 30 September 2009 to the book value included in the balance sheet as at 30 September 2009. We have determined that the market value of these securities is presented fairly in the balance sheet.

10.1.3 Summary of Value

We have been advised that there has not been a significant change in the net assets of PacMag since 30 September 2009. We have reviewed PacMag’s assets and liabilities at this date and consider that the book value is not materially different from the market value. In performing our valuation we have assumed that the book value of the Company’s assets is fully recoverable.

Based on the independent market valuation of the exploration assets held by PacMag and PacMag's net assets at 30 September 2009 the table above indicates the net asset value of a PacMag share is between \$0.34 and \$0.45, with a preferred value of \$0.39.

10.2 Quoted Market Prices for PacMag Securities

To provide a comparison to the valuation of a PacMag share in Section 10.1, we have also assessed the quoted market price for a PacMag share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an influence in the operations and value of that company.

RG 111.28 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

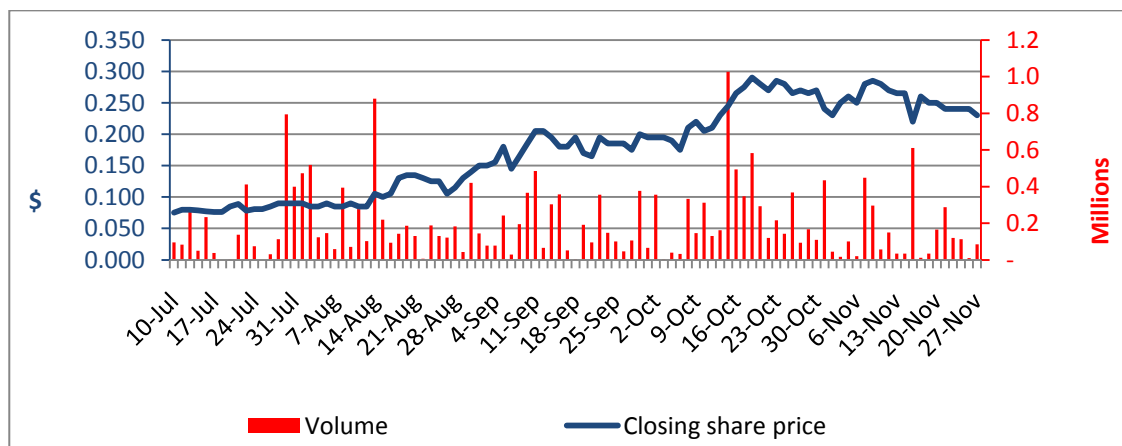
RG 111.24 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 14.

Therefore, our calculation of the quoted market price of a PacMag share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a value on a control basis.

10.2.1 Minority interest value

Our analysis of the quoted market price of a PacMag share is based on the pricing prior to the announcement of the Scheme. This is because the value of a PacMag share after the announcement may include the affects of any change in value as a result of the Scheme. However, we have considered the value of a PacMag share following the announcement when we have considered reasonableness in Section 14.

Information on the Scheme was announced on 30 November 2009. Therefore, the following chart provides a summary of the share price movement over the year to 29 November 2009 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of a PacMag share from 30 November 2008 to 29 November 2009 has ranged from a high of \$0.30 on 16 October 2009 to a low of \$0.042 on 1 April 2009.

During this period a number of announcements were made. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement \$ (movement)	Closing Share Price Three Days After Announcement \$ (movement)
14/10/2009	Extension to major iron ore project on Blue Rose JV	0.23 (▲ 9.10%)	0.275 (▲ 19.57%)
12/10/2009	Staked claim over the Rainbow Canyon Project	0.205 (▼ 7.06%)	0.23 (▲ 12.25%)
9/10/2009	Further positive leach testwork from Sentinel	0.22 (▲ 4.65%)	0.205 (▼ 7.06%)
30/09/2009	Enters into joint venture agreement for the Northling Copper Project	0.20 (▲ 13.35%)	0.195 (▼ 2.50%)
23/09/2009	Staked claim over the Meadow Valley Project	0.195 (▲ 16.71%)	0.185 (▼ 5.26%)
9/09/2009	Enters into joint venture agreement for the Mystique Gold Project	0.165 (▲ 12.92%)	0.205 (▲ 24.24%)
1/09/2009	High-grade copper results from Shamrock Project	0.14 (▲ 7.41%)	0.155 (▲ 10.71%)
19/08/2009	Leach tests indicates that the heap leaching method may be appropriate to exploit the Sentinel Uranium Project	0.13 (▲ 21.36%)	0.13 (▲ 0.00%)
12/08/2009	Initial resource and scoping study results for the Sentinel Project	0.085 (▼ 5.72%)	0.10 (▲ 17.65%)
1/07/2009	Drilling commences at Shamrock Project	0.07 (▲ 2.90%)	0.08 (▲ 14.28%)
12/05/2009	Secure the Mystique tenements in Western Australia	0.14 (▼ 6.90%)	0.11 (▼ 8.70%)
15/12/2008	Encouraging resource drilling results for the Sentinel Project	0.08 (▲ 0.00%)	0.078 (▼ 2.53%)

Source: ASX company announcements

PacMag's share price appreciated significantly over the 12 months to 29 November 2009 reflecting positive announcements made by the Company during this period. PacMag added several tenements to its portfolio including the Mystique tenement in Western Australia and several claims in the USA. The Company also entered into joint venture agreements for the Northling Copper Project and the Mystique Gold Project with the view of advancing exploration. The market generally reacted positively to these announcements.

PacMag also made several positive announcements about resource findings at the Blue Rose Joint Venture Project, Shamrock Project and Sentinel Project. The market also reacted favourably to these announcements.

To provide further analysis of the market prices for a PacMag share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 29 November 2009.

Price per share	27-Nov-09	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.2300				
Volume Weighted Average Price		\$0.2398	\$0.2625	\$0.2322	\$0.1874

Source: Bloomberg

The above weighted average prices are prior to the date of the announcement of the Scheme, to avoid the influence of any increase in price of PacMag's shares that has occurred since the Scheme was announced.

An analysis of the volume of trading in PacMag's shares for the twelve months to 29 November 2009 is set out below:

	Share Price Low	Share Price High	Cumulative Volume Traded	As a % of Issued Capital
1 Trading Day	\$0.2300	\$0.2400	85,373	0.06%
10 Trading Days	\$0.2200	\$0.2650	1,470,424	1.02%
30 Trading Days	\$0.2150	\$0.2900	5,510,912	3.81%
60 Trading Days	\$0.1450	\$0.2900	12,129,742	8.38%
90 Trading Days	\$0.0810	\$0.2900	18,673,213	12.91%
180 Trading Days	\$0.0420	\$0.2900	32,190,104	22.25%

Source: Bloomberg

This table indicates that PacMag's shares display a moderate level of liquidity, with approximately 22% of the Company's current issued capital being traded in a six month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.53 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- At least 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the market price of its shares cannot be considered relevant.

In the case of PacMag, we have determined that there is not a deep market in the trading of PacMag shares. This is based on the following observations:

- There are a significant number of non trading days in the Company's shares for the year to 29 November 2009;
- On average, less than 1% of PacMag's securities were traded on a weekly basis over the year to 29 November 2009;
- The closing bid - ask spread's have averaged 14.06% over the 12 month period; and
- PacMag's share price appreciated inline with the S&P/ASX 200 Composite Index and positive announcements made by the Company.

Our assessment is that a range of values for PacMag shares based on market pricing, after disregarding post announcement pricing, is between \$0.18 and \$0.23.

10.2.2 Control Premium

Control premium reflects the amount acquirers are willing to pay to exert full control over all the operational and financial aspects of the target company. To acquire a 100% shareholding and the benefits that come with this, the acquirer will have to pay a “premium for control”. The premium for control reflects the additional value that attaches to a controlling interest compared to the value of a minority interest as demonstrated in normal share market trading.

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. SRK determined that the majority value of PacMag’s exploration assets is attributable to the Company’s prospective copper tenements in the Ann Mason district. Therefore, in our analysis, we first considered publicly available published control premiums that acquirers have paid for ASX listed copper companies over the period from 2000 to 2009. We have summarised our findings below:

Announce Date	Acquirer Name	Target Name	Deal Value (US\$m)	Control Premium (%)
15/08/2006	Antofagasta PLC [^]	Equatorial Mining Limited	264.27	61.83
1/05/2006	Metals X Ltd	Metals Exploration Ltd	49.01	18.77
2/05/2006	Straits Resources Ltd	Triton Resources Ltd	23.84	12.15
3/06/2005	Straits Resources Ltd	Triton Resources Ltd	6.23	12.87
		Average	85.84	26.41
		Average (Exc Outlier)	26.36	14.60

Source: Bloomberg

Note: [^] The deal between Antofagasta PLC and Equatorial Mining Ltd is an outlier

The results from the table above indicate an average control premium of 26.41% or 14.60% after excluding the outlier. Due to a lack of available comparable copper specific data, we have expanded our control premium analysis across ASX listed mining companies that have been acquired by domestic and foreign companies between 2000 to 2009. Below is a summary of our findings over the period analysed:

Transaction Year	Number of Transactions	Average Deal Value (A\$m)	Median Deal Value (A\$m)	Average Control Premium %	Median Control Premium %
2000	8	479.14	319.73	30.41	28.02
2001	13	471.19	36.16	25.19	28.82
2002	9	131.87	13.22	23.33	15.59
2003	8	478.02	50.21	4.93	9.69
2004	6	317.91	26.68	11.40	11.84
2005	15	1282.67	53.88	35.21	25.00
2006	26	149.90	37.795	23.62	25.16
2007	26	515.56	86.24	24.91	17.68
2008	7	424.97	8.15	34.62	38.14
2009	18	123.90	9.635	33.37	28.33
Total	136	431.06	35.16	25.89	22.81

Source: Bloomberg

Based on the results above, the long term control premium paid for mining companies is in the order of 23% to 26%.

10.2.3 Quoted market price including control premium

Applying a control premium to PacMag’s quoted market share price results in the following values:

	Low A\$	High A\$
Quoted market price value	0.18	0.23
Control premium	23%	26%
Quoted market price valuation including a premium for control	0.22	0.29

Therefore, our valuation of a PacMag share based on the quoted market price method and including a premium for control is between \$0.22 and \$0.29.

10.3 Assessment of PacMag Value

The results of the valuations performed are summarised in the table below:

	Low A\$	Preferred A\$	High A\$
Net assets (Section 10.1)	0.34	0.39	0.45
ASX market prices (Section 10.2)	0.22	0.26	0.29

Given that the disparity in the above table between the values of the NTA valuation methodology and ASX market prices we consider that it is appropriate to provide a high and low valuation range that includes values derived by both of these methodologies.

The NTA valuation methodology provides a market value of a PacMag share based on the realisable value of its identifiable net assets. This includes a market based valuation of PacMag’s exploration assets performed by SRK. This method ignores the possibility that the entity’s value could exceed the realisable value of its tangible assets as they do not recognise the value of all intangible assets.

Alternatively, the ASX market price should reflect the value of a PacMag share as viewed by a fully informed investor. Therefore, the ASX market price incorporates risk factors specific to the Company, future expectations, general market conditions and the Company’s intangible assets. ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security. In this case, the company’s share price changes upon the market receiving new information. In relation to PacMag it appears that the market has not fully valued the Company’s Ann Mason project in the same way that SRK has.

Based on this and the results above, we consider the value of a PacMag share to be between \$0.22 and \$0.45, with a preferred value of \$0.39 which best reflects the independent specialist’s values preferred value of PacMag’s mineral assets.

11. VALUATION OF CONSIDERATION

11.1 Net Tangible Asset Valuation of Entrée Gold Inc

The value of Entrée's assets on an orderly realisation basis is reflected in our valuation below:

Entrée Gold Inc	Low	Preferred	High
	30 Sep 2009 \$A	30 Sep 2009 \$A	30 Sep 2009 \$A
CURRENT ASSETS			
Cash and cash equivalents	47,227,000	47,227,000	47,227,000
Receivables	260,000	260,000	260,000
Prepaid expenses	492,000	492,000	492,000
TOTAL CURRENT ASSETS	47,979,000	47,979,000	47,979,000
NON-CURRENT ASSETS			
Investments	2,298,000	2,298,000	2,298,000
Mineral Property Interest	163,780,257	207,959,736	252,444,214
Equipment	849,000	849,000	849,000
TOTAL NON-CURRENT ASSETS	166,927,257	211,106,736	255,591,214
TOTAL ASSETS	214,906,257	259,085,736	303,570,214
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	686,000	686,000	686,000
TOTAL CURRENT LIABILITIES	686,000	686,000	686,000
NON-CURRENT LIABILITIES			
Loans Payable to Ivanhoe Mines Ltd	519,000	519,000	519,000
TOTAL NON-CURRENT LIABILITIES	519,000	519,000	519,000
TOTAL LIABILITIES	1,205,000	1,205,000	1,205,000
<i>Shares on Issue</i>	<i>95,583,565</i>	<i>95,583,565</i>	<i>95,583,565</i>
<i>Value Per Entrée Share (A\$)</i>	<i>2.24</i>	<i>2.70</i>	<i>3.16</i>

Source: Entrée's 30 September 2009 financial accounts reviewed by KPMG and an independent market valuation performed by SRK Consulting.

11.1.1 Investments

Investments relate to asset backed notes with a face value of C\$4,013,365. The asset backed notes are carried at fair value. Based on this we consider that the market value of these securities is presented fairly in the balance sheet.

11.1.2 Deferred exploration, evaluation and development costs

We instructed SRK to provide an independent market valuation of the exploration assets held by Entrée. SRK considered a number of different valuation methods when valuing the exploration assets of Entrée. We have replaced the carrying value per Entrée's 30 September 2009 balance sheet with the value determined by the independent specialist.

The range of values for each of Entrée's exploration assets as calculated by SRK is set out below:

Asset	Ownership (%)	Low value (US\$M)	Preferred value (US\$M)	High value (US\$M)
Mongolia				
Lookout Hill Shivee Tolgoi JV (Hugo North Extension)	20%	124.89	161.61	198.35
Lookout Hill Shivee Tolgoi JV (Heruga)	20%	28.56	31.78	35.40
Lookout Hill Western MELS	100%	0.99	2.69	4.22
Lookout Hill Coal	100%	0.63	0.78	0.942
Total Mongolian Assets		155.07	196.86	238.91
USA				
Lordsburg Agreement	Up to 80%	0.02	0.03	0.05
Bisbee Agreement	Up to 80%	0.02	0.03	0.05
Yerington	51- 80%	0.03	0.04	0.06
Total USA Assets		0.07	0.10	0.16
China				
Huaixi	Up to 78%	0.019	0.051	0.08
Total Chinese Assets		0.019	0.051	0.08
Canada				
Crystal Property	Up to 100%	0.03	0.04	0.05
Total Canadian Assets		0.03	0.091	0.13
Total Assets (US\$)		155.19	197.05	239.20
Total Assets (A\$)		163.78	207.96	252.44

Source: Independent market valuation performed by SRK Consulting. USD balances converted to Australian dollars as at 9 March 2010 rate of US\$/A\$1.05536.

11.1.3 Assessment of Value

Based on the independent market valuation of the exploration assets held by Entrée and Entrée's net assets at 30 September 2009 the table above indicates the net asset value of an Entrée share is between A\$2.24 and A\$3.16, with a preferred value of A\$2.70.

11.1.4 Minority Discount

These values represent the value of an Entrée share on a control basis. Given that PacMag shareholders will be receiving a portfolio interest in these shares it is necessary to deduct the inherent control premium so as to reflect a minority interest value.

We have reviewed the control premiums paid by acquirers of Canadian mining companies. SRK determined that the majority of value of Entrée's exploration assets is attributable to the Lookout Hill tenements which are prospective for copper and gold. Therefore, in our analysis, we first considered publicly available published control premiums that acquirers have paid for Canadian listed copper and gold companies over the period from 2000 to 2009. We have summarised our findings below:

Transaction Year	Number of Transactions	Average Deal Value (A\$m)	Median Deal Value (A\$m)	Average Control Premium %	Median Control Premium %
2000	8	479.14	319.73	30.41	28.02
2001	2	64.58	64.58	49.12	49.12
2002	1	8.54	8.54	-9.81	-9.81
2003	4	2681.60	266.37	25.30	29.98
2004	2	1486.74	1486.74	18.75	18.75
2005	6	175.96	134.24	0.73	-2.17
2006	16	712.96	18.67	35.38	28.91
2007	26	666.06	167.72	26.35	27.22
2008	20	184.61	26.56	38.59	34.89
2009	1	1.34	1.34	-14.12	-14.12
Total	78	664.71	241.64	18.92	18.08
Total*	60	806.37	333.75	28.59	27.49

Source: Bloomberg

Note: The * indicates statistics excluding outliers

The results from the table above indicate an average control premium of 18.92% or 28.49% after excluding outliers.

We also expanded our control premium analysis across Canadian listed mining companies that have been acquired by domestic and foreign companies between 2000 to 2009. This analysis of 184 transactions indicated an average control premium of 28.20%.

Based on the results above, the long term control premium paid for Canadian mining companies is in the order of 25% to 30%.

11.1.5 NTA value on a minority interest basis

Deducting the inherent control premium from Entrée's NTA valuation results in the following values on a minority interest basis:

	Low	Preferred	High
	\$	\$	\$
NTA value	2.24	2.70	3.16
Minority discount	30%	27.5%	25%
NTA valuation on a minority interest basis	1.72	2.12	2.53

Therefore, our valuation of an Entrée share on a portfolio basis using the NTA valuation method is between \$1.72 and \$2.53, with a preferred value of \$2.12.

11.2 Quoted Market Prices for Entrée Securities

To provide a comparison to the valuation of Entrée in Section 11.1, we have also assessed the quoted market price for an Entrée share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.28 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;

- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

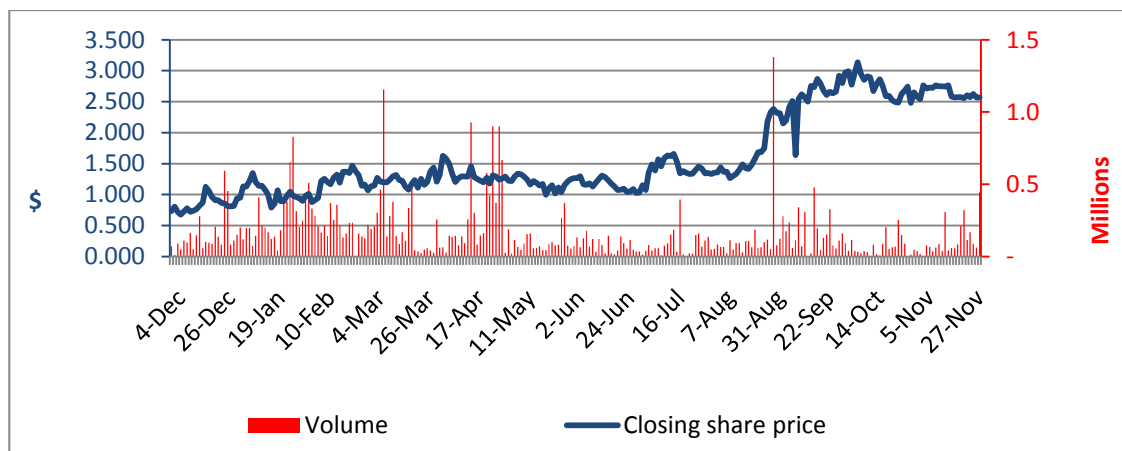
RG 111.24 states that the expert can then consider an acquirer’s practical level of control when considering reasonableness. Reasonableness has been considered in Section 14.

Therefore, our calculation of the quoted market price of an Entrée share has been prepared on a minority interest basis.

11.2.1 Minority interest value

Our analysis of the quoted market price of an Entrée share is based on TSX pricing prior to the announcement of the Scheme. This is because the value of an Entrée share after the announcement may include the affects of any change in value as a result of the Scheme. However, we have considered the value of an Entrée share following the announcement when we have considered reasonableness in Section 13.

Information on the Scheme was announced on 30 November 2009. Therefore, the following chart provides a summary of the share price movement over the year to 29 November 2009 which was the last trading day prior to the announcement. The prices in the chart are volume weighted according to the closing price of an Entrée share on the TSX, FSE and NYSE Amex and the respective daily trading volume on each exchange. The volume is calculated as the aggregate trading of Entrée shares on the TSX, FSE and NYSE Amex.



Source: Bloomberg

The daily price of Entrée shares from 30 November 2008 to 29 November 2009 has ranged from a high of C\$3.40 on 5 October 2009 to a low of C\$0.65 on 5 December 2008.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement C\$ (movement)	Closing Share Price Three Days After Announcement C\$ (movement)
Oct 26 2009	Application for Shivee Tolgoi and Javhlant mining leases approved	2.73 (▲ 2.97%)	2.70 (▼ 1.10%)
Oct 16 2009	Announce benefits of the investment agreement entered with Ivanhoe, Rio Tinto and the Mongolian government.	2.61 (▼ 5.95%)	2.62 (▲ 0.38%)
Oct 6 2009	Announce the signing of the investment agreement between Ivanhoe, Rio Tinto and the Mongolian government.	3.00 (▼ 6.14%)	2.95 (▼ 1.66%)
Oct 5 2009	Announce the signing of the agreement with Bronco Creek Exploration Inc for the Roulette Property.	3.19 (▲ 5.48%)	2.94 (▼ 7.84%)
Aug 25 2009	Completes due diligence and gains regulatory approval for agreement with Honey Badger Exploration Inc for the Yerrington West Project.	2.23 (▲ 22.54%)	2.41 (▲ 8.07%)
Jul 23 2009	Announce the signing of an agreement with Honey Badger Exploration Inc for the Yerrington West Project.	1.42 (▲ 4.32%)	1.51 (▲ 6.34%)
Apr 30 2009	Announce expansion of Lordsburg Copper system	1.26 (▼ 4.65%)	1.39 (▲ 10.32%)
Mar 30 2009	Release of Financial Statements for year ended 31 December 2008	1.42 (▼ 4.81%)	1.63 (▲ 14.78%)
Feb 25 2009	Update of exploration activities	1.20 (▲ 1.68%)	1.16 (▼ 3.33%)
Jan 15 2009	Announce new porphyry copper discovery at Lordsburg	1.05 (▲ 0.00%)	1.13 (▲ 7.62%)

Source: TSX company announcements

Announcements relating to Entrée's exploration activity over the year to 29 November 2009 were encouraging. The market reacted positively to Entrée signing exploration agreements with Bronco Creek for the Roulette Property and Honey Badger for the Yerrington West Project.

Entrée also announced encouraging activity for their Mongolian assets. The Mongolian government granted mining licenses for the Shivee Tolgoi and Javhlant tenements. With regard to this, Entrée also announced that it had entered into an investment agreement with Rio Tinto, Ivanhoe and the Mongolian government, paving the way for the development for the Hugo North and Heruga deposits.

To provide further analysis of the market prices for an Entrée share, we have also considered the weighted average TSX market price for 10, 30, 60 and 90 day periods to 29 November 2009.

Price per share (C\$)	27-Nov-09	10 Days	30 Days	60 Days	90 Days
Closing price	\$2.6000				
Weighted Average price		\$2.6194	\$2.6853	\$2.8217	\$2.5188

The above weighted average prices are prior to the date of the announcement of the Scheme, to avoid the influence of any change in price of Entrée's shares that has occurred since the offer was announced.

An analysis of the volume of trading in Entrée's shares on the TSX, FSE and NYSE Amex for the twelve months to 29 November 2009 is set out below. Traded volume is calculated on an aggregate basis, including trading activity on all three exchanges. The high and low share price values are based on TSX market prices.

	Share Price (C\$) Low	Share Price (C\$) High	Cumulative Volume Traded	As a % of Issued Capital
1 Trading Day	\$2.5400	\$2.6700	71,330	0.07%
10 Trading Days	\$2.4600	\$2.6500	1,070,017	1.12%
30 Trading Days	\$2.4400	\$2.8200	4,786,150	5.01%
60 Trading Days	\$2.4400	\$3.1900	12,866,411	13.46%
90 Trading Days	\$1.3200	\$3.1900	18,832,988	19.70%
180 Trading Days	\$1.0200	\$3.1900	31,539,616	33.00%

This table indicates that Entrée's shares display a moderate level of liquidity, with approximately 33% of the Company's current issued capital being traded in a six month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.53 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- At least 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the market price of its shares cannot be considered relevant.

In the case of Entrée, we have determined that there is a sufficiently deep market in the trading of Entrée shares. This is based on the following observations:

- There is regular trading in the company's securities and very few non trading days;
- On average, approximately 1% of Entrée's securities were traded on a weekly basis over the 6 month period;
- The closing bid - ask spread of the Entrée's share price has averaged approximately 4.21% over the 12 month period; and
- Entrée's share price appreciated over the 12 months to 29 November 2009 inline with the S&P/TSX Composite Index and positive announcements made by the Company.

Our assessment is that a range of values for Entrée shares based on market pricing, after disregarding post announcement pricing, is between C\$2.50 and C\$2.60. Applying the C\$/A\$ exchange rate as at 9 March 2010 we have determined that the

valuation range of an Entrée share based on market pricing is between A\$2.57 and A\$2.67.

11.3 Assessment of Entrée Value

The results of the valuations performed are summarised in the table below:

	Low \$A	Preferred \$A	High \$A
Net assets (Section 11.1)	1.72	2.12	2.53
TSX market prices (Section 11.2)	2.57	2.62	2.67

The NTA valuation methodology provides a market value of an Entrée share based on the realisable value of its assets. This includes a market based valuation of Entrée’s exploration assets performed by SRK. This method ignores the possibility that the entity’s value could exceed the realisable value of its tangible assets as it does not recognise the value of all intangible assets such as management and intellectual property.

Alternatively, the TSX market price should reflect the value of an Entrée share as viewed by a fully informed investor. Therefore, the TSX market price incorporates risk factors specific to the Company, future expectations, general market conditions and the Company’s intangible assets. TSX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security. In this case, the company’s share price changes upon the market receiving new information.

As the TSX market price of an Entrée share is higher than the NTA value per share in all instances we feel that it is appropriate to provide a valuation range based TSX market prices. This is because the TSX represents a liquid market in which investors are able to dispose of their shares and in doing so, realise additional value relative to if they were to sell Entrée’s exploration assets. Based on this and the results above we consider the value of an Entrée share to be between \$2.57 and \$2.67, with a midpoint of \$2.62.

12. IS THE SCHEME FAIR?

In order to assess whether the Scheme is fair we have compared the value of a PacMag share to the value of the consideration, as determined in Section 10 and Section 11 of this report. This is shown in the table below.

	Low Value \$A	Preferred Value \$A	High Value \$A
Value of a PacMag share	0.22	0.39	0.45
Value of Cash Consideration	0.04	0.04	0.04
Value of Equity Consideration	0.26	0.27	0.28
Value of the Consideration	0.30	0.31	0.32

Source: Canadian dollar balances converted to Australian dollars as at 9 March 2010 rate of A\$/C\$0.973648.

RG 111 sets out that when considering the value of non cash consideration the Expert should consider the value of a portfolio interest which reflects the fact that shareholders are likely to hold minority interests in the combined entity. RG111.28 notes that the expert may be justified in using an equivalent valuation approach to valuing the securities of the bidder

and the target where a takeover, or scheme of arrangement, is in effect a merger of entities of equivalent value where control of the merged entity will be shared equally by both sets of shareholders. This is not the case here as following the implementation of the Scheme PacMag shareholders will hold only 14.00% of the merged entity. As such the comparison above compares a control value of PacMag to a portfolio interest of Entrée.

Based on the above comparison, the Scheme is not fair to the Shareholders of PacMag as the value of a PacMag share (on a 100% control basis) is greater than the value of the consideration offered to Shareholders. This comparison is required to be made due to the requirements of RG111.

13. IS THE SCHEME REASONABLE?

We have considered the position of Shareholders if the Scheme becomes effective and have taken into account the advantages and disadvantages of the Scheme in this assessment.

We have assessed that in all cases the advantages and disadvantages of the Scheme not becoming effective are the inverse of the Scheme becoming effective. Thus for simplicity of evaluation of the Scheme we have set out the significant factors only in the context of the Scheme becoming effective.

13.1 Advantages

If the Scheme is approved, in our opinion, the potential advantages to the Shareholders include those listed in the table below:

Advantage	Description
1. The value of the consideration falls within the range of the value of a PacMag share	We have determined that the Scheme is not fair to Shareholders based on the preferred value of a PacMag share relative to the preferred value of the consideration. However, as illustrated in the chart in Section 2.4 of this report, the value of the consideration does fall within the valuation range of a PacMag share.
2. Diversification	The merged entity will have a more diversified spread of business activities and will be able to balance its exposures, reducing the merged entity's downside risk to particular commodities. There will also be geographic diversification as the combined entity will have tenements in Mongolia, China, Australia, USA and Canada.
3. Greater trading liquidity	The merged entity is likely to generate additional investor interest in PacMag's assets and consequently, increase trading liquidity. In the six months to 29 November 2009, approximately 22% of PacMag's issued capital was traded on the ASX while over the same period 33% of Entrée's issued capital was traded on the TSX, NSYE Amex and FSE.
4. Financial strength	The larger merged entity is likely to have a market capitalisation of approximately A\$300 million and will be able to access ongoing debt and equity funding at a lower cost than PacMag could achieve on a standalone basis. This will provide the merged entity with the flexibility to

allocate more funds to capital development, and the pursuit of growth opportunities.

Entrée is listed on the TSX, NYSE Amex and FSE, which will provide additional opportunities for the merged entity's capital requirements. Entrée has raised approximately C\$100 million on the strength of its Mongolian assets in the past five years.

The Scheme will also allow Shareholders to benefit from Entrée's strong balance sheet which includes cash of approximately US\$47 million at 30 September 2009. This can be used for asset and business development and the merged entity's corporate requirements.

5. Analyst coverage

Companies listed on the TSX enjoy a higher level of coverage by research analysts. This is likely to generate more investor interest in the Company.

6. Realise the potential value of PacMag's assets

As illustrated in Section 10 of this report, the value of a PacMag share as determined by the NTA valuation methodology is significantly higher than the value determined by the QMP methodology.

The NTA valuation methodology provides a market value of a PacMag share based on the realisable value of its identifiable net assets while the ASX market price should reflect the value of a PacMag share as viewed by a fully informed investor.

Typically, resource exploration companies trade above their NTA value as the QMP value of these securities is driven by speculation in the market about the quality of the companies assets. In the case of PacMag, the disparity between the NTA valuation methodology and QMP valuation methodology implies that investors believe it is unlikely that the Company will realise the market value of its exploration assets in its current structure.

If the Scheme is approved it is likely that the merged entity will accelerate evaluation programs and allocate additional capital to exploration than what is currently proposed by PacMag. Similarly, the merged entity will be better placed to develop the Company's assets given increased financial strength, additional investor interest and the appointment of an experienced board of directors and management team. On this basis, the Scheme provides a means for Shareholders to unlock the inherent and currently unobtainable value of PacMag's exploration assets.

7. Gain support from Entrée's corporate and institutional investors

PacMag does not currently have a strong institutional shareholder base. The Scheme will allow the Company to benefit from Entrée's strong institutional shareholder

base to provide future capital needs. Entrée's major shareholders include Rio Tinto (15.3%), Ivanhoe (14.2%), and some of Canada's largest pension fund groups. Collectively these institutional investors account for approximately 53% of Entrée's issued capital.

8. Potential for significant uplift from North American market exposure

As Entrée is listed on both the TSX and NYSE-Amex, the Scheme will potentially generate additional investor interest in PacMag's North American assets, particularly the Ann Mason project.

Supportive of this, Entrée is regularly marketed to investors via conferences, media releases, media interviews and corporate road shows.

9. Exposure to Entrée's assets

The Scheme allows Shareholders to gain exposure to Entrée's assets while maintaining exposure to existing PacMag assets. The combined entity will have a larger exploration portfolio with a gold - copper focus. In particular, Entrée's Mongolian assets have attracted significant interest from corporate investors Rio Tinto and Ivanhoe. The Scheme will expose Shareholders to additional exploration opportunities with a range of project risk profiles.

10. Access to operating Synergies

The Company will likely benefit from operating synergies arising from combining the two companies' neighboring Yerington copper projects, Ann Mason Project and Blackjack Project. Synergistic benefits will likely occur throughout the entire development cycle of these projects and are likely to result in greater exploration success and shorter project lead times. Potential synergies include:

- A larger pool of specialist employees;
- The ability to combine geological data and geological interpretations on the two projects;
- Greater power to negotiate contract pricing with contractors;
- A larger area available to optimise the location of potential future mine infrastructure;
- Additional flexibility in any future mine scheduling from multiple ore sources; and
- Potential financial benefits from ability to blend different ore types.

The synergies attributable to the Ann Mason project mean that PacMag will be less likely to have to negotiate with claim holders surrounding the Ann Mason project in the event that it is not feasible on a standalone basis.

11. Gain exposure to Entrée’s aggressive exploration program	<p>Entrée has proposed an A\$7.8 million exploration program for 2010. This includes further drilling of Entrée’s Mongolian assets, the Blackjack and Roulette properties and the Bisbee Property. Entrée also plans further exploration activity at the Crystal Project.</p> <p>Entrée’s 2010 exploration program is greater than the combined value of PacMag’s cash assets and available for sale assets. Therefore, in the event that the Scheme is approved the Company will not have to rely on a capital raising or joint venture type agreement to fund exploration.</p>
12. Experienced management team	The merged entity will gain an experienced board of directors and senior management team from Entrée to progress the Company’s assets.

13.2 Disadvantages

Disadvantage	Description
1. The Scheme is not fair	The Scheme is not fair to Shareholders. We have determined that the preferred value of a PacMag share is greater than the preferred value of the consideration offered.
2. Dilution	Shareholders’ proportional shareholding in the merged entity will be approximately 14%. While the merger is likely to create operational synergies and benefits from being a larger, more diverse entity, the majority of these benefits will flow to Entrée shareholders.
3. Integration Risk	Often issues arise when integrating the cultures and management systems of two companies. Entrée will fulfil all fulltime employee roles in the merged entity and there is a risk that a portion of the corporate knowledge may be lost or corrupted in the integration process. There is also a risk that the synergies identified may not arise.
4. Foreign Exchange Risk	The merged entity will be listed on the TSX, NSYE AMEX and FSE. Australian Shareholders will be exposed to foreign exchange risk when they convert Entrée shares (denominated in foreign currency) into Australian dollars.

13.3 Other Considerations

13.3.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of PacMag a premium over the value ascribed to that resulting from the Scheme.

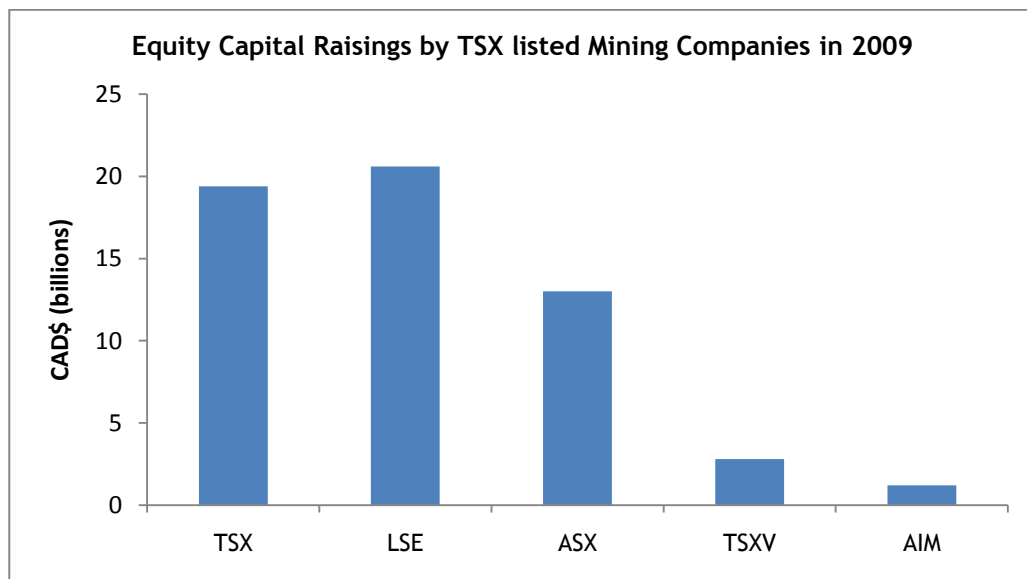
13.3.2 Implications of the Scheme not being approved

Should the Scheme be rejected PacMag would remain a standalone entity listed on the ASX and would bear transaction costs and potentially a break fee of CAD\$350,000. As at 30 September 2009 PacMag had working capital of A\$2,205,396 and has a low level of gearing. Therefore, it is not expected that there would be any other forced recapitalisation. In the short term PacMag would continue to evaluate its exploration assets with the view of advancing the projects which would require a corporate transaction in the future.

13.3.3 Stock Exchange Analysis

Entrée is listed on the TSX, FSE and NYSE Amex. For the year to 29 November 2009 approximately 80% of trading activity in Entrée shares was on the TSX while 19% and 1% was traded on the NYSE Amex and FSE respectively. As Entrée shares are predominantly traded on the TSX, we provide a brief comparison of the ASX and TSX below.

The Toronto Stock Exchange is Canada's senior stock exchange. Despite the financial downturn, 2009 was a record year for equity financing on the TSX, with a total of \$60 billion raised. As shown in the chart below, approximately CAD\$19.4 billion was raised on the TSX by mining companies in 2009 compared to CAD\$13 billion on the ASX. There were also significantly more listings by mining companies on the TSX in 2009 compared to the ASX.



Source: Toronto Stock Exchange

TSX listed companies generally also enjoy more analyst coverage than ASX companies. The TSX estimate that on average 5 research analysts cover each international mining company listed on the TSX.

In addition to conventional securities, the TSX lists various exchange-traded funds, income trusts and investment funds. As of July 2009, more than 100 exchange traded funds and exchange traded notes were listed on the TSX.

13.3.4 Post announcement Pricing

PacMag's share price has increased by approximately 16% and Entrée's share price has increased by approximately 13% since the announcement of the Scheme. Gains on the ASX have been small by comparison; the S&P ASX200 index gained approximately 5.3% over this period. The TSX composite index has gained approximately 3.9% since the

announcement of the Scheme. On the basis that the share prices of both PacMag and Entrée have vastly outperformed both the ASX and TSX it appears that the market has views the Scheme favourably.

13.4 Reasonableness Conclusion

After considering the advantages and disadvantages, alternative proposals and the implications of the Scheme not being approved it is our opinion that the Scheme is reasonable to the Shareholders of PacMag.

14. CONCLUSION

We have considered the terms of the Scheme as outlined in the body of this report and have concluded that the Scheme is not fair but reasonable and in the best interests of the Shareholders of PacMag.

15. SOURCES OF INFORMATION

This report has been based on the following information:

- financial statements for the three months ended 30 September 2009, 30 June 2008 and 2009 for PacMag;
- financial statements for the nine months ended 30 September 2009, 30 June 2008 and 2009 for Entrée;
- the draft Scheme Implementation Agreement;
- independent specialist valuations on the mineral interests of PacMag and Entrée prepared by SRK Consulting Pty Ltd;
- information from Link Market Services;
- underlying financial records of PacMag and Entrée;
- information in the public domain;
- Bloomberg data service;
- background information on PacMag and Entrée; and
- discussions with the directors and management of PacMag and other information provided by them.

16. INDEPENDENCE

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$40,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by PacMag in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by PacMag, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to PacMag and Entrée and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of PacMag and Entrée and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with PacMag and Entrée, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to PacMag and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

17. QUALIFICATIONS

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 100 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 12 years in the Audit and Assurance and Corporate Finance areas.

18. DISCLAIMERS AND CONSENTS

This report has been prepared at the request of PacMag for inclusion in the scheme booklet which will be sent to all PacMag Shareholders. PacMag engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed merger between PacMag and Entrée whereby PacMag shareholders will receive one Entrée share and CAD\$0.0415 for every 9.828 PacMag shares held.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above scheme booklet. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the scheme booklet other than this report.

BDO Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of PacMag or Entrée. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Scheme, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of PacMag, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent property valuations for properties held by SRK.

SRK possess the appropriate qualifications and experience in the mining industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuations are appropriate for this report. We have received consents from SRK for the use of their valuation report in the preparation of this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes
Director



Adam Myers
Associate Director
Authorised Representative

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Black Fire	Black Fire Energy Limited
Bronco Creek	Bronco Creek Exploration Inc
Cash Consideration	The part of the consideration offered to PacMag shareholders being CAD\$0.0415
The Company	PacMag Metals Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Empirical	Empirical Discovery LLC
Entrée	Entrée Gold Inc
Equity Consideration	The part of the consideration offered to PacMag shareholders being 1 Entrée share
ESOP Options	PacMag's employee share option plan
The Exchange Rate	The latest nominal noon rate published by the Bank of Canada at 12.30pm Canadian Eastern Standard time on the date that the Scheme court orders are issued with ASIC
FMD	Future Maintainable Dividends
FME	Future Maintainable Earnings
FSE	Frankfurt Stock Exchange
FY2009	The year ended 30 June 2009
Girilia	Girilia Resources Limited
HoneyBadger	HoneyBadger Exploration Inc
Ivanhoe	Ivanhoe Mines Limited
ROC	Return of Capital
NPT	Non-proliferation treaty
NSR	Net smelter royalty
NTA	Net Tangible Assets
NYSE	New York Stock Exchange Amex
PacMag	PacMag Metals Limited
Our Report	This Independent Expert's Report prepared by BDO
VWAP	Volume Weighted Average Price
RG 111	Regulatory Guide 111
RG 112	Regulatory Guide 112
Rio Tinto	Rinto Tinto Limited

Section 411	Section 411 of the Corporations Act
Shareholders	Shareholders of PacMag not associated with Entrée
SRK	SRK Consulting
The Period	The 15 months to 30 September 2009
The Scheme	The scheme of arrangement between PacMag and Entrée
TSX	Toronto Stock Exchange
SIA	The Scheme implementation agreement between PacMag and Entrée

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

Net tangible asset value on a going concern basis (“NTA”)

Asset based methods estimate the market value of an entity’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity’s assets are liquid or for asset holding companies.

Quoted Market Price Basis (“QMP”)

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security. The finding of the Australian Takeovers Panel in the matter of Consolidated Minerals Limited [207] ATP20 that 26.2% volume of shares being traded in a 90 day period was sufficient to justify the use of the QMP provided useful guidance.

Capitalisation of future maintainable earnings (“FME”)

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“EBIT”) or earnings before interest, tax, depreciation and amortisation (“EBITDA”). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

Discounted future cash flows (“DCF”)

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

Multiple of Exploration Expenditure (“MEE”)

The Past Expenditure method is a method of valuing exploration assets in the resources industry. It is applicable for areas which are at too early a stage of prospectivity to justify the use of alternative valuation methods such as DCF. The Past Expenditure method is often referred to as the Multiple of Exploration Expenditure method.

Past expenditure, or the amount spent on exploration of a tenement, is commonly used as a guide in determining value. The assumption is that well directed exploration adds value to a property. This is not always the case and exploration can also downgrade a property. The Prospectivity Enhancement Multiplier (“PEM”) which is applied to the effective expenditure therefore commonly ranges from 0.5 to 3.0. The PEM generally falls within the following ranges:

- 0.5 to 1.0 where work to date or historic data justifies the next stage of exploration;
- to 2.0 where strong indications of potential for economic mineralisation have been identified; and
- to 3.0 where ore grade intersections or exposures indicative of economic resources are present.



Technical Valuation PacMag – Entrée Gold Scheme of Arrangement



March 2010
PCM001

Technical Valuation PacMag – Entrée Gold Scheme of Arrangement

PCM001

Document Reference:

PCM001_PacMag_Entrée_Valuation_Report_Rev2.docx

Mick Clifford
PacMag Metals Limited
Level 2, 33 Ord Street
WEST PERTH WA 6005

SRK Consulting (Australasia) Pty Ltd
10 Richardson Street
WEST PERTH WA 6005

Compiled by:



Peter Williams
Managing Director

Email: pwilliams@srk.com.au

Authors:

Owen Herod, Peter Williams, Kate Bassano, Bert de Waele

Peer Reviewed by:



Louis Bucci
Principal Consultant

Executive Summary

Entrée Gold Inc (Entrée) has announced a proposal to complete a merger with PacMag Metals Ltd (PacMag), which would see PacMag become a wholly owned subsidiary of Entrée. PacMag is a listed Australian company. The methodology of the merger will require the lodgement of a scheme of arrangement with ASIC and subsequent application for court approval of the transaction to take place. BDO Kendall Corporate Finance (WA) Pty Ltd (BDO) has been appointed by PacMag as the Independent Expert in relation to the proposed transaction. Following consultation with PacMag, SRK Consulting (Australasia) Pty Ltd (SRK) was appointed by BDO to undertake an Independent Technical Assessment and Valuation Report (Report) on the PacMag and Entrée interests in exploration and mining assets.

SRK's scope of work is to provide a VALMIN report on assets related to the transaction as follows:

- Provide a valuation of the PacMag exploration properties in Australia and North America.
- Provide a valuation of the Entrée exploration assets in Mongolia, China and North America.

SRK is to undertake a valuation of the exploration assets for BDO to include in their independent report for inclusion in the material to be considered at the relevant shareholders meeting.

The project commenced on 14 December 2009 with delivery of the first draft of the report to BDO by 22 January 2010. The valuation is current at 08 March 2010. All prices are given in US dollars (USD) unless otherwise specified.

Results

The PacMag Australian assets comprise four early stage exploration projects in Western Australia, and the mid-stage Blue Rose / Olary exploration project in South Australia. The majority contributor to the value of PacMag is the Ann Mason porphyry Cu-Mo deposit located in the Yerington area, Nevada, USA. Other assets in the Ann Mason area include the Blue Hills advanced exploration prospect and a number of associated lode claims in the immediate area. In addition, lode claims in central west Nevada (Rainbow Canyon) and Arizona (Meadow Valley) represent Au and Cu exploration assets respectively. PacMag also has interest in uranium projects in North Dakota, USA. These are of two groups – the Church uranium deposit, with a small JORC Inferred Resource, and regional early stage exploration targets primarily on Federal lands also within areas containing anomalous surface uranium.

Entrée's most important assets are in Mongolia. Entrée holds tenements immediately north and south of the Oyu Tolgoi tenement. The Oyu Tolgoi Cu-Au deposit plunges north across the tenement boundary, and an Indicated and Inferred JORC Resource has been published for the Entrée lease area. The lease is joint ventured with the Ivanhoe Mines Ltd (Ivanhoe) called the Shivee Tolgoi Joint Venture, and is currently 20% owned by Entrée. The lease south of Oyu Tolgoi also has an identified JORC Inferred Resource. This Resource is at 500 m depth, and to date there is no published mining study for this deposit.

The western section of the Entrée tenements falls outside of the Shivee Tolgoi Joint Venture. These tenements are at an early stage of exploration. Entrée has identified areas prospective for porphyry copper deposits as well as coal deposits – as part of the tenement is covered by the prospective Permian coal basin in Mongolia. Entrée has already identified seams up to 2 m thick in a stratigraphic interval up to 57 m thick.

Entrée also holds joint venture farm-in agreements in China (Huaixi Cu prospect) and North America, including farm-in to a property adjacent to Ann Mason. There are five (5) projects in North America, two (2) at Yerington with synergy with Ann Mason, Bisbee in Arizona, Lordsburg in New Mexico and Arizona, and Crystal in British Columbia, Canada. All of these are early stage exploration projects.

Valuation

Valuation of exploration projects inherently has inexact outcomes, due primarily to the inherent risk in the outcome of future exploration on any particular property. This uncertainty is related to the level of knowledge of the geology of an area, the level of understanding of mineralising systems that may have operated in that area, and the difficulty of identifying mineralisation that is below the earth's surface. A number of methods have been used to determine a likely market value for properties. SRK has undertaken the valuation of the PacMag and Entrée projects using a combination of the Comparative Market Transaction, Rule of Thumb, and Geological Risk methods. Rule of Thumb methods assign a value to an exploration property related to the area of the property, or for properties where there is an Identified Resource, a value per unit of metal. Geological Risk methods identify the geological and mineralising system parameters for an area, and assess the direct probability of discovery, discounted for exploration costs. For both the Rule of Thumb and Geological Risk methods, comparable transactions and implied property values within joint venture agreements were used to derive in situ or unit area values and relate the values to market value.

For development projects, there is more certainty as to the value of projects, and a technical value can be derived where sufficient studies on the mining and processing of a Mineral Resource have been carried out. This methodology is referred to in this report as Project Financial Analysis method.

Both Entrée and PacMag have projects with substantial identified Resources. In both cases, these Mineral Resources are the most significant component of the asset values attributed to the companies. A review of the resource reports for Ann Mason, Sentinel, Hugo North Extension and Heruga shows that the Resources were estimated by competent persons who are independent of both Entrée and PacMag. In addition, the Resources were reported in accordance with the relevant code for reporting of Resources and Reserves (JORC or CIM). SRK has reviewed these reports and is of the opinion that they are compliant within the relevant jurisdiction.

Recommendations

In valuing the exploration properties, the majority of recent transactions that have taken place have been earn-in agreements where ownership of a portion of the tenements is transferred following a series of payments in the form of exploration investment on the property. Fewer direct transfer of ownership through outright purchase of a property (either through shares or cash) take place, and particularly for exploration properties, the consideration for direct purchases is commonly less than the value of a tenement determined from a joint venture transaction. SRK notes that the value of a tenement has two components: the capital, which is the sale or purchase price of the tenement, and the commitment to exploration expenditure on the tenement. As this commitment is not binding and a purchaser may cease exploration after the first year, this commitment is limited to the first year's exploration expenditure after purchase. Through analysis of tenement purchases and exploration commitments on similar properties over the same period, SRK estimates that the purchase price component may vary between 28% and 43% of full tenement value, but averages approximately 36% of the full tenement value. SRK has used this value to derive a Reasonable Purchase Price for tenements when using exploration joint ventures as the prime method for determining a market value.

As the proposed transaction is effectively a payment of shares and cash for transfer of ownership of the properties, the correct value to use in this transaction is the Reasonable Purchase Price.

PacMag

Based on the methodologies described above and applied to the PacMag assets, SRK's recommended valuation of PacMag's interests in the assets is set out in the table below:

Asset	% Owned	Low value USD (M)	Preferred Value USD (M)	High Value USD (M)
Ann Mason (and associated exploration)	100	39.37	45.07	52.49
Blue Hills	100	2.34	2.72	3.15
Sentinel Church deposit	100	0.10	0.23	0.39
Sentinel Federal Lands	100	0.12	0.20	0.28
Meadow Valley	100	0.02	0.03	0.04
Rainbow Canyon	100	0.02	0.04	0.06
Blue Rose / Olary	51	0.28	0.79	1.30
Western Australian Exploration	Various	0.10	0.17	0.25
Total		42.35	49.25	57.96

Entrée

Based on the methodologies described above and applied to the Entrée assets, SRK's recommended valuation of Entrée's interest in the assets is set out in the table below:

Asset	% Owned	Low value USD (M)	Preferred Value USD (M)	High Value USD (M)
Lookout Hill Shivee Tolgoi JV (HNE)	20	124.89	161.61	198.35
Lookout Hill Shivee Tolgoi JV (Heruga)	20	28.56	31.78	35.40
Lookout Hill Western MELs	100	0.99	2.69	4.22
Lookout Hill Coal	100	0.63	0.78	0.942
Lordsburg	Earning up to 80	0.02	0.03	0.05
Bisbee	Earning up to 80	0.02	0.03	0.05
Yerington	Earning up to 75-80	0.03	0.04	0.06
Crystal	Earning up to 100	0.03	0.04	0.05
Huaixi	Earning Up to 78%	0.019	0.051	0.080
Total		155.19	197.05	239.20

Table of Contents

Executive Summary	ii
Results	ii
Valuation.....	ii
Recommendations	ii
PacMag	iii
Entrée	iii
Disclaimer	v
List of Abbreviations and Glossary	vi
1. Introduction and Scope of Report	8
1.1 Project Team.....	9
2. Programme Objectives and Work Programme	9
2.1 Programme Objectives.....	9
2.2 Reporting Standard	9
2.3 Statement of SRK Independence	9
2.4 Warranties	9
2.5 Consents	9
3. Valuation Methods	10
3.1 Rule of Thumb.....	10
In situ value	10
Unit area	10
4. PacMag	13
4.1 Description of Projects	13
4.2 PacMag Valuation	16
Ann Mason Copper Resource.....	17
Sentinel Uranium-Germanium-Molybdenum Project	20
4.3 Summary of PacMag Valuation	26
5. Entrée Gold Inc	27
5.1 Description of Projects	27
5.2 Entrée Valuation.....	30
5.3 Summary	36
6. Conclusions and Recommendations	36
7. References	38
SRK Internal Document Control	1
Project Number: PCM001	1
Date Issued: 25 January 2010	1

List of Figures

Figure 3-1: Schematic diagram of the Geological Risk Method (after Lord et al., 2001)	12
Figure 4-1: Relationship of PacMag companies to the parent company.....	13
Figure 4-2: PacMag project locations in the USA.....	16
Figure 4-3 : PacMag project locations in Australia	16
Figure 4-4: Global copper price for the last five years.....	17
Figure 4-5: Analysis of North American copper exploration tenement values	23
Figure 5-1: Entrée project locations in North America.....	29
Figure 5-2: Entrée project locations in Asia.....	29

List of Tables

Table 1-1:	List of the PacMag and Entrée assets to be valued in this Project.....	8
Table 3-1:	Generic probabilities used in assessing the value of JV agreements	11
Table 3-2:	Average tenement values determined from transactional data, JV and purchase basis.....	11
Table 4-1:	Summary of PacMag projects	14
Table 4-2:	Recent comparable transactions to Ann Mason	18
Table 4-3:	Summary statistics of comparable transactions for the value of the Ann Mason Resource using restricted dataset	19
Table 4-4:	Summary of Ann Mason valuation	19
Table 4-5:	Summary of Blue Hills valuation	20
Table 4-6:	Valuation of the Sentinel project	20
Table 4-7:	Comparable North American uranium transactions (using contemporary interbank exchange rate)	21
Table 4-8:	North American copper exploration transactions comparable to Meadow Valley	22
Table 4-9:	Values for Meadow Valley Project calculated on a value per km ² basis	23
Table 4-10:	North American gold exploration transactions comparable to Rainbow Canyon.....	24
Table 4-11:	Values for Rainbow Canyon Project calculated on a value per km ² basis	24
Table 4-12:	Blue Rose / Olary - PacMag attributable value	25
Table 4-13:	Western Australia exploration transactions.....	25
Table 4-14:	Comparison of valuation methods for PacMag's West Australian exploration	25
Table 4-15:	Valuation of PacMag's West Australian exploration	26
Table 4-16:	Summary of PacMag's valuation (1AUD=0.92USD).....	26
Table 5-1:	Summary of Entrée's projects	28
Table 5-2:	Valuation of the HNE Project	30
Table 5-3:	Recent comparable transactions to Hugo North Extension	31
Table 5-4:	Valuation of the Heruga Project	33
Table 5-5:	Comparable Asian exploration transactions	33
Table 5-6:	Values for Western MELs' base and precious metals exploration potential calculated on a value per km ² basis	33
Table 5-7:	Values for Western MEL's coal exploration potential calculated on a value per km ² basis.....	34
Table 5-8:	Values for Huaixi Project calculated on a value per km ² basis.....	34
Table 5-9:	Values of Entrée's North American exploration JVs	35
Table 5-10:	Values for Entrée's North American copper exploration projects (100% ownership)	35
Table 5-11:	Values for Entrée's ownership of North American copper exploration projects.....	35
Table 5-12:	Summary of Entrée valuation.....	36
Table 6-1:	SRK's recommended valuation of PacMag's interests	37
Table 6-2:	SRK's recommended valuation of Entrée's interest	37

Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by PacMag Metals Limited (PacMag). The opinions in this Report are provided in response to a specific request from PacMag to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

List of Abbreviations and Glossary

Abbreviation	Meaning
aeolian	wind-blown
alluvium	Unconsolidated sedimentary deposits by water in a non-marine setting (streams)
AMT	Audio-Magnetotelluric (geophysical technique)
andesite	Volcanic rock of intermediate composition
anthracite coal	High-quality mineral coal (highest carbon count, lowest impurity)
Archean (Archaean)	Time period between 4,000 and 2,500 million years ago
Au	gold
AUD	Australian dollar
BDO	BDO Kendall Corporate Finance (WA) Pty Ltd
BHP	BHP Billiton Limited
bituminous coal	Coal of intermediate quality due to bitumen content (tar-like substance)
bornite	Copper mineral, Cu_5FeS_4
breccia	Rock composed of coarse angular fragments
chalcedonic quartz	Cryptocrystalline variety of quartz
chalcocite	copper mineral, Cu_2S
chalcopyrite	copper mineral, $CuFeS_2$
cleating	open fracturing in coal
cm	centimetre
CIM	Canadian Institute of Mining, Metallurgy and Petroleum
CND	Canadian dollar
CP	Competent Person
craton	Stable part of continental lithosphere
Cu	copper
CuEq	copper equivalent
DCF	Discounted Cash Flow
dyke	Tabular or sheet-like intrusion
E, W, N, S	east, west, north, south and combinations thereof
EL	Exploration License
epithermal gold	Gold deposited an epithermal system, i.e. in the upper crust by hydrothermal (hot-water) action
felsic	Feldspar-silica dominated, i.e. enriched in lighter elements Si, O, Al, Na and K
ft	feet
GFC	Global Financial Crisis
GPS	Global Positioning System
g/t	grams per tonne
granite	Felsic intrusive rock composed mainly of quartz and feldspar
granodiorite	Intermediate intrusive rock composed of quartz, feldspar and some mafic minerals (ferromagnesian minerals, such as amphibole, dark mica)
ha	hectare
hornblende	Mineral that forms part of the amphibole group of inosilicates
HNE	Hugo North Extension
ignimbrite	Pyroclastic (density) flow, related to felsic volcanism
IOCG	Iron Ore Copper Gold - specific type of ore deposit
IP	Induced Polarisation (geophysical exploration technique)
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2004
Jurassic	Time period from ca. 200 to 145 million years ago
JV	Joint Venture
k	thousand
kimberlite	Potassic volcanic rock, host rock for diamond
km	kilometre
lapilli tuff	Pyroclastic rock with fragments between 2 and 64 mm

Abbreviation	Meaning
lb	pound
lignite	Brown coal - lowest quality of coal with high contents of moisture, ash and impurities
m	metre
M	million
Ma	Million years
mafic	To describe silicate minerals or rocks composed of silicate minerals rich in iron and magnesium
MEE	Multiples of Exploration Expenditure
MEG	Metals Economics Group
Mesozoic	time period between ca. 145 and 65 million years ago
MIM	Mount Isa Mines
Mississippian	Time period between ca. 360 and 325 million years ago (lower part of the Carboniferous)
Mo	molybdenum
ms	metre second
Mt	million tonnes
Mtpa	million tonnes per annum
Niton	Handheld portable XRF instrument for chemical analysis
NPV	Net Present Value
Ordovician	Time period between ca. 488 and 443 million years ago
OT	Oyu Tolgoi
phenocryst	Large conspicuous crystal in a finer ground mass
porphyry	An intrusive rock with large crystals in a finer grained matrix
porphyry deposit	Deposit associated with porphyritic intrusive rock
ppb	parts per billion
Pre-Cambrian	Time period covering the time over ca. 542 million years ago
Proterozoic	Time period between 2,500 million years ago and 542 million years ago
pyrite	iron sulphide, FeS ₂
pyroclastic	Clastic rock composed entirely from volcanic material deposited in sub-aerial conditions
Quartz monzonite	Intrusive rock composed of quartz and a sub-equal amount of alkali and sodic feldspar
Quaternary	Time period between ca. 145 and 65 million years ago
RAB	Rotary Air Blast
RC	Reverse Circulation
rhyolite	Felsic volcanic rock composed of quartz and alkali feldspar
RPP	Reasonable Purchase Price
RTP	Reduced To Pole (algorithm used for correction of magnetic data)
skarn	Metamorphic rock produced through contact metamorphism between an igneous intrusion and carbonate-rich rock
SEDEX	Sedimentary-exhalative (mineralisation style)
SRK	SRK Consulting (Australasia) Pty Ltd
t	tonne
Tertiary	Time period between ca. 65 and 2.588 million years ago
Triassic	Time period between ca. 251 and 199 million years ago
TV	Total Value
U	uranium
USD	US dollar
VALMIN	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
variography	Statistical process of characterising the spatial relationships of variables using semi-variogram models
VMS	Volcanogenic massive sulphide (mineralisation style)
volcaniclastic	Clastic rock composed entirely from volcanic material deposited in sub-aqueous conditions
WMC	Western Mining Corporation Limited
XRF	X-ray Fluorescence

1. Introduction and Scope of Report

PacMag Metals Ltd (PacMag) and Entrée Gold Inc (Entrée) have entered into discussions regarding a potential merger of the two companies. The proposed merger will result in PacMag becoming a wholly owned subsidiary of Entrée. The methodology of the merger will require the lodgement of a scheme of arrangement with ASIC and subsequent application for court approval of the transaction. BDO Kendall Corporate Finance (WA) Pty Ltd (BDO) has been appointed by PacMag as the Independent Expert in relation to the proposed transaction. Following consultation with PacMag, SRK Consulting (Australasia) Pty Ltd (SRK) was appointed by BDO to undertake an Independent Technical Assessment and Valuation Report (Report) on the PacMag and Entrée interests in exploration and mining assets.

These assets include projects in the USA, Mongolia, China, Canada and Australia. The projects and a short description of each are listed in **Error! Reference source not found.**

Table 1-1: List of the PacMag and Entrée assets to be valued in this Project

Asset	% Owned	Location	Description	Stage
PacMag Assets				
Ann Mason	100	Nevada USA	810 Mt @ 0.4% Cu and 0.004 Mo for 7.1 billion lbs contained Cu	JORC Inferred Resource
Main deposit	100			
Shamrock	100			
Ann Mason 5000	100			
Blue Hills sulphide	100			
Blue Hills oxide	100			
Sentinel	100			
Meadow Valley	100	Arizona USA	Cu skarn target	Early stage exploration
Rainbow Canyon	100	Nevada USA	Epithermal Au target	Early stage exploration
Blue Rose / Olary	51	South Australia	Oxide Cu, Fe mineralisation	Mid-stage exploration
Northling	Farmed out	West Australia	VMS/SEDEX Cu target	Early stage exploration
Mystique	Farmed out		Lode Au target	Early stage exploration
Corktree JV	Earning	West Australia	VMS/SEDEX Cu target	Early stage exploration
Arrino ELA	Appln / Earning	West Australia	SEDEX Base metals target	Early stage exploration
Entrée Gold Assets				
Lookout Hill		Mongolia	117 Mt @ 1.8% Cu and 0.61 g/t Au (Indicated Resource) and 95.5 Mt @ 1.15%Cu and 0.31 g/t Au (Inferred Resource)	Indicated and Inferred Resource (NI 43-101)
Hugo Nth Extn	20			
Heruga	20			
Exploration projects	100			
Nomkhon Bohr	100			
Huaixi	up to 78	China	Porphyry related Cu	Early stage exploration
Lordsburg	80	Arizona USA	Porphyry related Cu	Evaluation stage
Bisbee	80	New Mexico USA	Porphyry related Cu	Early stage exploration
Yerington	51-80	Nevada USA	Porphyry related Cu	Early stage exploration
Crystal Property	100	BC Canada	Porphyry related Cu	Early stage exploration

The project commenced on 14 December 2009, with completion of the first draft for submission to BDO on 22 January 2010. The valuation is current at 8 March 2010.

Information used in this valuation was provided by PacMag and Entrée, supplemented by independent research on both geological and commercial aspects by SRK. Resources are reported under two separate jurisdictions in this report. PacMag assets are reported as JORC resources, and Entrée assets are reported as CIM (Canadian Institute of Mining, Metallurgy and Petroleum) Resources. SRK has reviewed the public reports related to the Entrée assets and has concluded that there is no material difference between the resources reported as CIM compared to if they had been re-stated under JORC.

SRK notes that Clause 65 of the VALMIN Code recommends that a site inspection be completed should it be '*likely to reveal information or data that is material to the Report*'. No site inspection was undertaken as part of this Project. SRK was informed that over the period of this valuation, access to the major PacMag and Entrée Nevada assets was difficult due to snow cover in an exceptionally cold winter. The Mongolian assets were similarly difficult to access at this time of year. The complexity and timing related to visiting smaller and less material assets was considered by SRK, but it was determined that little additional information could be derived by visiting the Australian assets, and the relative impact on the valuation was considered not material. In addition, Peter Williams of SRK is familiar with the Western Australian tenements through previous work, and the Australian joint ventures are at a very early stage, with no significant new exploration work completed at the time of the valuation. As a result, SRK considers that there is no additional information on those tenements to be gained through a site visit, as no new data are available to be verified.

1.1 Project Team

The SRK Project Team comprised a number of exploration and valuation research staff. The Project Manager was Peter Williams, who also worked on the Sentinel assets, the PacMag North American exploration assets, the Blue Rose / Olary exploration tenement and the Entrée Mongolia assets, supported by research undertaken by Kate Bassano.

Owen Herod reviewed the Entrée Mongolia and China assets and the Entrée North American exploration assets. He also reviewed the PacMag Ann Mason and associated assets and the Australian PacMag exploration assets except Blue Rose / Olary, also supported by research undertaken by Kate Bassano. Peer Review was carried out by Louis Bucci.

Peter Williams is a Member of the Australian Institute of Geoscientists and takes overall responsibility for the Report and is the Competent Person for the Project.

2. Programme Objectives and Work Programme

2.1 Programme Objectives

SRK has provided a report detailing the estimated technical value of the assets held by PacMag and Entrée over the named projects. This report complies with the VALMIN Code standard and SRK grants permission for this document to be released publicly.

Specific objectives and deliverables of the Project include:

- A final VALMIN-compliant report
- A letter of consent allowing BDO to use SRK's Report in a public document, if required

2.2 Reporting Standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment Report under the guidelines of the VALMIN Code. The VALMIN Code is the code adopted by The Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG). The standard is binding upon all AusIMM and AIG members. The VALMIN Code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves.

This Report is an Independent Technical Assessment and Valuation Report and provides an opinion as to the value of mineral assets, but does not comment on the 'fairness and reasonableness' of any transactions.

2.3 Statement of SRK Independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with PacMag in regard to the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

2.4 Warranties

PacMag has represented in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

Indemnities

As recommended by the VALMIN Code, PacMag has provided SRK with an indemnity under which SRK is to be compensated for any liability and / or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by PacMag or to PacMag not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

2.5 Consents

SRK consents to this Report being included, in full, in the BDO Independent Expert Report, in the form and context in which the technical assessment and valuation is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessments and valuation expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report and the Consent Letter (if provided).

3. Valuation Methods

Valuation of exploration properties relies on the application of a number of different methodologies that can be used in conjunction to determine a probable (or likely) market value. The methods used are related to the stage of exploration, and whether there are identified mineral resources on the property. Drawing on Lawrance (1994), the major methods used to value exploration properties are:

- Geoscience Ratings Methods.
- JV (Joint Venture) terms – Comparable Market Value.
- Multiples of Exploration Expenditure (MEE).
- Rule of Thumb.

In addition, SRK has developed a probability (risk)-based approach to exploration valuation, which relies on identifying likely Net Present Value (NPV) outcomes from successful development, and discounting this figure by the cost and probability of success through various (5) stages of the exploration and development process (Lord, 2001). This method relies on development of geological models for mineralisation followed by detailed review of exploration data to apply these models. In addition, the probability-based approach requires determination of the likely or preferred NPV outcomes as well as estimation of the probabilities related to the likelihood of this outcome.

The Geoscience Rating Method requires information such as tenement acquisition and maintenance costs which are not always available or relevant, and therefore this method is not used. SRK does not favour the MEE method as it is expenditure-based and takes limited account of the geological features present within the Project area to derive a value.

Joint Venture terms are a measure of the value of a property because they define the investment that a party is prepared to make to earn a given percentage of the property. In this type of transaction, there is a shared risk, in that if early expenditure does not generate useful information, the "optionee" can opt out of further expenditure, thus limiting risk. Typically, these agreements run over several years (3-5), and expenditure commitments usually exceed the minimum statutory expenditure. Not all joint ventures run their full term, so there is a probability value that needs to be applied to the investment stream if the current value of the JV is to be estimated. In addition, the investment stream is discounted to present value before applying the probability or other modifying factors.

Purchases are less common, particularly for early-stage exploration projects, and typically take place at a lower price than the tenement valuation. The purchase price represents the capital component of the tenement value and also reflects both the increased risk of ownership. A purchaser has to meet the minimum expenditure on the property, pay the purchase price, and pay any exploration expenditure above the basic commitment. This total expenditure should be equivalent to the tenement value. In a joint venture, all expenditure is for exploration, resulting in a better leverage of the funding, offset against shared risk and a lower ownership percentage.

Therefore, an indicative risk equation that provides a method for comparing a joint venture investment to a "Reasonable Purchase Price" in a purchase transaction is:

- $JV \text{ term value} * \% \text{ ownership} = Y1 \text{ Exploration expenditure commitment} + \text{Reasonable Purchase Price}$, or
- $\text{Reasonable Purchase Price} = JV \text{ term value} * \% \text{ ownership} - Y1 \text{ Exploration expenditure commitment}$.

Entrée is entering into a purchase arrangement with PacMag, as the consideration paid will result in the 100% ownership of the assets by Entrée. Consequently, SRK is determining the Reasonable Purchase Price for assets in this valuation.

Projects on which mining studies have been completed can be valued using the NPV of the cash flows that have been estimated for the project. This is referred to as a DCF method.

SRK has undertaken the valuation of the PacMag and Entrée projects using a combination of the Rule of Thumb, Geological Risk and also project Finance (DCF) methods. For the first two methods, JV Terms and Comparable Transactions were used to derive in situ or unit area values and relate the values to market value.

3.1 Rule of Thumb

In situ value

Applying an in situ value for the metal in the ground is an appropriate valuation method for projects with published resources. The in situ value is typically derived from analysing a series of comparative transactions to give a range of values. Where possible, these transactions should reflect similar geology, resource category, resource size and resource grade to that being valued, as well as comparable market conditions. The derived in situ value may be modified if the published resource does not meet modern code definitions or criteria of the published resource category.

Unit area

In the case of exploration projects, a value per unit area is applied to the whole (or prospective) area of the project to arrive at a value. Again, the value per unit area is normally derived from comparable transactions. The majority of exploration transactions involve earn-in type arrangements; their assessment is described in the following section.

Value of earn-in arrangements

Most transactions relating to tenements at an early stage of exploration are of a "farm-in" or "earn-in" nature, where a certain percentage of ownership across multiple parties is achieved through the exploration expenditure. In this type of transaction, there is a shared risk, in that if early expenditure does not generate useful information, the "optionee" can opt out of further expenditure, thus limiting risk. Typically, these agreements run over several years (3-5), and expenditure commitments usually exceed the minimum statutory expenditure requirement to retain the properties.

SRK's method for the determination of a value for the joint ventures is based on the following calculations:

- Generic probabilities of the success of joint ventures at different stages are set as shown in Table 3-1. The basis for these probabilities is the transactional data and SRK's experience within the exploration industry. The proportion of joint ventures that proceed to completion is low, and SRK considers the cumulative probability of about 5% to be a reasonable measure of successful completion industry-wide. As an "optionee" begins the venture with an intent to test the area, there is a high probability that the first year expenditure will be met. However, there is a much lower probability that the second year expenditure will be met, because there is commonly a priority target generated in year 1 which can be rapidly tested in year 2, at which time the "optionee" decides this is either not economic, and withdraws, or continue. The probability of exploration success at this time is low, reflecting overall industry experience of converting targets to resources. If this second year exploration is successful, there is an increasing probability that successive years will improve the exploration outcome. Where JVs operate for less than 5 years, the probabilities are multiplied over the number of years of the JV. This probability is then used to factor the monetary terms of the JV.

Table 3-1: Generic probabilities used in assessing the value of JV agreements

Y1	Y2	Y3	Y4	Y5	Cumulative %
85%	30%	50%	60%	70%	5.355

- Future expenditure is discounted at an interest rate of 5%, representing current cash interest rates.
- Cash considerations and binding expenditure commitments are added to the JV value and are not discounted for probability.

After applying these factors, the total implied value at the time of setting up the agreement can be determined by multiplying the probability of completion of the JV by the discounted value of the JV terms, plus any immediate cash consideration. A unit area value for the JV can then be calculated. As with any market based method, it is important to assess the comparability of the JVs to the project being assessed.

Reasonable Purchase Price factor

There is no direct measure available of property purchase price compared to joint venture implied value, as the two transaction types are mutually exclusive. SRK has compiled the recent data available for Australian transactions, restricted to early stage exploration properties. From this analysis, SRK infers that the percentage of the direct purchase price compared to an implied tenement value from a joint venture investment is 36% (Table 3-2). The weighted average "optionee" ownership percentage is 61% for this set of transactions.

Table 3-2: Average tenement values determined from transactional data, JV and purchase basis

	Value of JV on a full term risk-adjusted basis	Value at transaction date, Y1 or commitment
Average	91%	94%
Average less outliers	98%	100%
	Implied value at Purchase	
Average	61%	
Average less high	36%	

This actual data is compared to the Reasonable Purchase Price (RPP) risk equation as follows:

In the case of the JV transactions reviewed, eight had an assessed full term (risk adjusted) value in excess of the Y1 commitment, which represented an average RPP of 28% of JV value. Using the average values from all transactions, and the average exploration Y1 statutory commitment for 61% ownership (weighted average of all transactions) in an equivalent JV, a RPP is 43% of the JV value is inferred.

Therefore, SRK considers that the preferred purchase price for each of these properties is close to the average from the actual data, which is 36% of the joint venture implied tenement value. As there is a range of potential joint venture arrangements, this ratio may vary considerably, as implied by the risk equation. Using the calculations above, a range between 28% and 43% is implied. Using these percentages, the low and high ratios can be used to give the property valuation range.

The alternative approach to estimating the range is to use the ranges estimated from the joint venture implied values, and apply the single preferred value for the ratio between purchase price and implied terms.

Geological Risk Method

The basis of valuation is the need for commercial definition of exploration, as exploration does not deliver cash to a mining company and it has no immediate earning potential. Exploration, however, does have the potential to generate value and an expectation of achieving that value. In the case of exploration, that value is the expected NPV that is to be delivered to the mining division – a threshold or range of NPV that meets the company's minimum financial criteria, appropriate to the deposit style being explored for. As the term NPV implies that a DCF valuation method has been used, SRK chooses to refer to the final value as the 'Total Value' (TV). In applying TVs, it is important to consider several factors – targets with large TVs will be difficult to find, so the probabilities of finding such deposits will be lower. Lower target TVs – for example, near-mine resources for mill feed – will have much higher probabilities of success. Similarly, in areas of deep cover, TVs can be reduced to account for the increased Capital Expenditure (CAPEX) that would be required to develop the project.

Once established, the Geological Risk Method works back from this TV value. The basis for the Geological Risk Method is a simple formula (shown below) that is applied to each exploration stage, starting from the chosen TV value for an operating mine and discounting through the main Exploration Stages backwards from Stage E to the defined current stage, to give a current value:

$$EV = P \times TV - C$$

Where:

- EV = Prospect value
- P = Probability of advancing to next stage – these probabilities were determined on a prospect by prospect basis after review of the previous exploration work undertaken in the area
- TV = Target value (NPV of deposit style)
- C = Cost of exploration

A schematic diagram of the methodology is given in Figure 3-1.

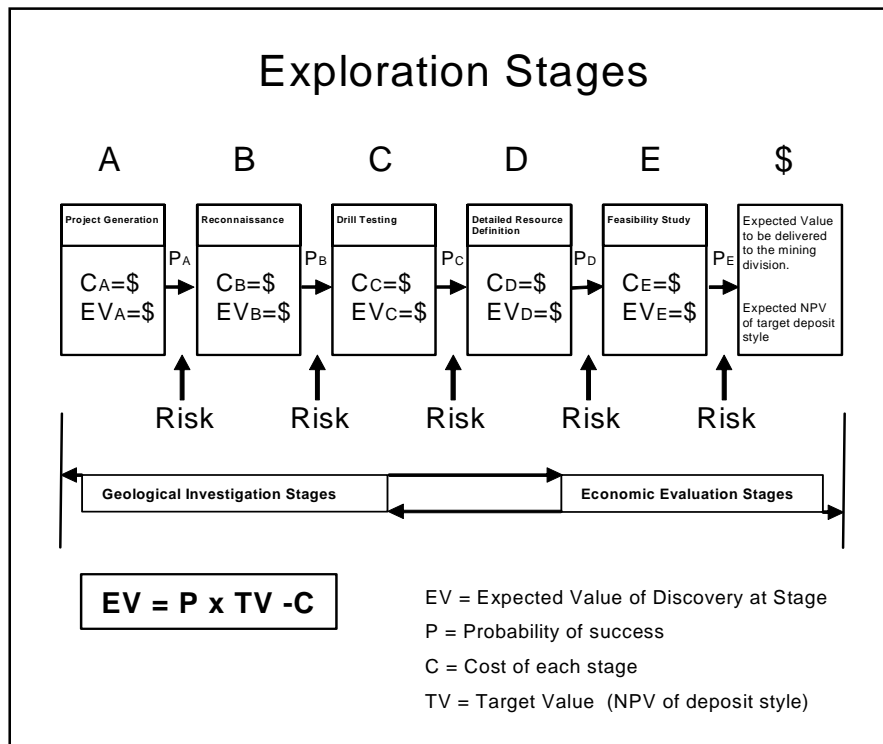


Figure 3-1: Schematic diagram of the Geological Risk Method (after Lord et al., 2001)

The Geological Risk Method is used in a summarised form in the valuation of PacMag and Entrée projects where only Stage D (of Figure 3-1) is considered, and the target value is for a project at a stage before a pre-feasibility study has been commenced.

Project Financial Analysis

A method of valuing more advanced projects, typically with published Reserves and pre-feasibility or feasibility studies is to use the financial model used in the studies. These models will typically contain a DCF and include a NPV. This NPV represents the potential project value. Based on the level of study, the value then needs to be discounted to reflect the risk and uncertainty of the current level of study and is assessed on a project by project basis. In the case of early stage scoping studies, the discount can be significant and this method should not be the sole valuation method for these early stage projects.

4. PacMag

PacMag is a copper-gold-molybdenum exploration company listed on the Australian Stock Exchange (Code PMH). The company has a diverse portfolio of projects in the United States, South Australia and Western Australia. The projects range from early stage exploration through to those with published Resources such as Ann Mason and Sentinel.

4.1 Description of Projects

A summary of the PacMag project portfolio is contained in Table 4-1 and maps showing their location are shown in Figure 4-2 (USA) and Figure 4-3 (Australia). A more detailed description of the project's geology, exploration history and where appropriate, resources, is contained in Appendix 1 of this report. These descriptions are based principally on documentation and supporting data provided by PacMag to SRK.

Tenements

PacMag holds mineral exploration properties in Australia and the USA. The USA tenements are located in North Dakota, Nevada and Arizona. SRK has not carried out any legal due diligence on the status of these properties, and is not qualified to do so. However, SRK has reviewed the documentation held by PacMag in relation to the properties for currency and reviewed their physical location in relation to the exploration work carried out on the properties. A full tenement schedule is contained in Appendix 2. For tenements in Australia, these have been verified with the responsible state organisation. For the North American tenements, SRK has verified the tenure by inspecting the relevant certificates and documentation.

Tenements in Nevada are held by subsidiary companies MIM (USA) Inc and Gold (USA) Invest Inc. Arizona tenements are held by Gold (USA) Invest Inc and Minquest Inc, and the North Dakota leases are held by Formation Resources Inc.

In Nevada, claims owned by the Palosky Trust are in two categories – patented lode claims and unpatented lode claims. The agreement to explore on these claims is set out in the Exploration and Option agreement dated 12 September 2008 between the Palosky Family Trust and MIM (USA) Inc. SRK has reviewed the document, but does not make an opinion as to its legal status. The claims covered in the agreement are the same claims for which MIM (USA) Inc made payment to the US Bureau of Land Management for maintenance. Evidence of payment of taxes for maintenance of the patented claims (Shamrock project) was also recorded by SRK.

In addition, SRK reviewed the renewal documentation related to the remaining Ann Mason, Blue Hills, Ludwig, Ann South, McConnell, Minnesota and Buckskin North projects. The renewal date of these is 1 September 2010.

The Rainbow Canyon claims are currently being processed by the Washoe County recorder. Copies of Certificates of Location are available, and SRK has seen the listing of filed claims by locator Gold (USA) Invest Inc, which matches the claims listed in Appendix 2 as RC2-RC81.

Copies of the Meadow Valley Certificates of Location are available and SRK has seen the listing of filed claims by locator Gold (USA) Invest Inc and Minquest Inc, which matches the claims listed in Appendix 2 as MV 1-44 and CH 1-6.

The Sentinel properties in North Dakota are located on Federal land and on private land. SRK has reviewed the Hard Rock Prospecting Permits issued by the Bureau of Land Management in relation to the lands listed in Appendix 2. The permits were granted on 1 December 2008, valid for 2 years, and can be extended for an additional 4 years. The Evangelical Lutheran Church of America (ELCA) owns the mineral rights of the Church uranium deposit, and has leased those rights to Formation Resources, as set out in a Mining Lease Agreement between ELCA and Formation Resources, dated 18 July 2007.

Tenements of the Blue Rose / Olary project in Australia are held by Giralia Resources Pty Ltd. PacMag has earned a 51% interest in these through a farm-in joint venture agreement between Giralia and PacMag dated March 23, 2006.

The Western Australian tenements (Corktree, Arrino, Northling and Mystique) are held by Southern Magnesium Pty Ltd. Details of the size, application and granted date and expenditure commitments are shown in Appendix 2. By using the online Tengraph facility provided by the Department of Mines and Petroleum, SRK has reviewed the details of the tenement ownership.

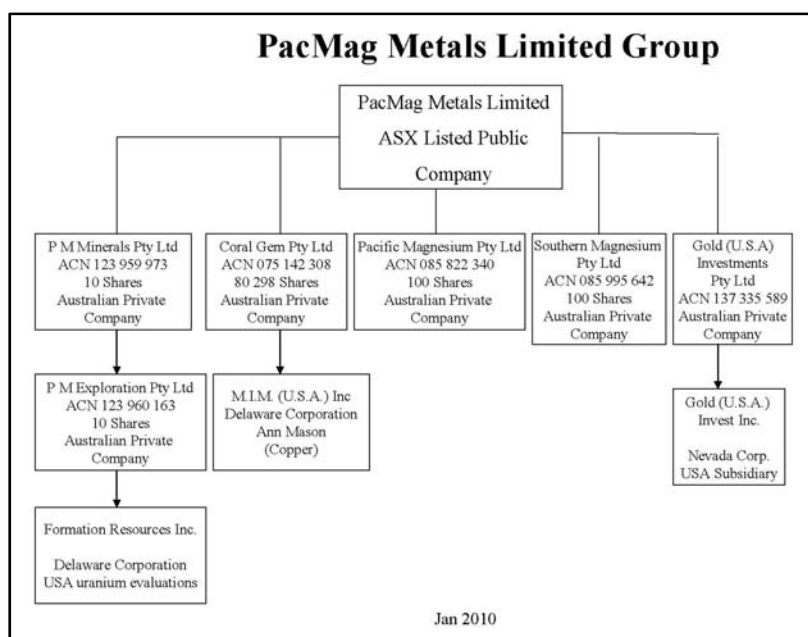


Figure 4-1: Relationship of PacMag companies to the parent company

Table 4-1: Summary of PacMag projects

Asset	% Owned by PacMag	Location	Description
Ann Mason	100	Nevada USA	<p>The Ann Mason resource and associated exploration projects, Blue Hills, Shamrock, Minnesota and McConnell are in the Yerington copper porphyry district in western Nevada, USA.</p> <p>The host volcanic sequence has been intruded by a series of granites and dykes which are associated with porphyry and skarn mineralisation. Subsequent tectonic extension has rotated the original geological sequence. Ann Mason and Blue Hills are large porphyry deposits; Shamrock is a small skarn exploration target, other exploration targets are interpreted as being either skarns, porphyries or Iron Oxide Copper Gold (IOCG) mineral systems.</p> <p>The nearby Yerington mine was operated by Anaconda between 1953 and 1978 producing 1.9 billion pounds of copper. During the time, Anaconda carried out local exploration and discovered the Ann Mason deposit. They subsequently completed over 40 km of drilling and defined and published a Resource. Small quantities of drilling by MIM (2003) and PacMag (2006-2008) have contributed to further resource definition. Wider exploration over the tenements has included geophysics and geochemistry which have been used to generate PacMag's current portfolio of targets. The Blue Hills project has a small drill database with recent drilling by PacMag following up on historic results and giving ore grade intercepts which include 73.2m at 0.4% Cu and 100.6m at 0.32% Cu.</p> <p>The current Ann Mason Resource was reported in by PacMag in October 2006. Using a cut-off of 0.3% copper equivalent (CuEq), Ann Mason has an Inferred Resource of 810 Mt at 0.4% Cu and 0.004% Mo. SRK has reviewed the resource report (Khosrowshahi and Shand, 2006) and is of the opinion that the current Ann Mason Resource estimate is reasonable and has been reported in line with JORC guidelines. Further discussion of the Resource is contained in Appendix 1.</p>
Sentinel	100	North Dakota USA	<p>Sentinel is a uranium exploration project in southwest North Dakota with a recently published small resource in accordance with JORC.</p> <p>The uranium mineralisation is contained in flat lying lignite beds. These beds are part of the large cratonic Williston basin, occurring in the later, Tertiary part of the sedimentary sequence.</p> <p>Uranium has been known of in the area since the late 1940s with some very small scale production in the 1960s. PacMag acquired the project in 2008 and discovered and developed the Church deposit with 7.6 km of drilling. Only a small portion of the project area has been explored.</p> <p>PacMag reported an initial resource for the Church deposit in August 2009. At a cut-off of 50 ppm U₃O₈, the Inferred Resource was 2.4 Mt (dry) at 0.0165% U₃O₈ and 0.0221% Mo. Having reviewed the resource report (Farrell and Pilger, 2009), it is SRK's opinion that the current Church deposit resource estimate is reasonable and has been reported in line with JORC guidelines. Further discussion of the resource is contained in Appendix 1.</p>

Asset	% Owned by PacMag	Location	Description
Meadow Valley	100	Arizona USA	This early stage exploration project is within the Laramide copper province in Arizona, USA. The target mineralisation is a porphyry system adjacent to the Meadow Valley skarn which has some historical trenching and workings.
Rainbow Canyon	100	Nevada USA	Rainbow Canyon is an early stage epithermal gold project in Nevada, USA. PacMag, following up on historical prospecting pits, returned four Au grades of over 10 g/t from 22 samples of quartz veins. There is no historical drilling on the project
Blue Rose / Olary	51	South Australia	The Blue Rose / Olary project comprises two exploration licenses for a combined area of approximately 1,000 km ² . The project is located ~100 km west of Broken Hill in South Australia. The varied geology is prospective for four deposit types: copper-gold-molybdenum porphyries, IOCG deposits, Broken Hill type and Iron Ore. Geophysics and mapping have been the main tools used to delineate targets. Results from previous owners and PacMag on one target returned 46 m @ 2.2% Cu and 0.8 g/t Au of oxide material related to skarn type mineralisation. Iron ore exploration has been limited to mapping, sampling and magnetic interpretation suggesting continuation of known mineralisation from Royal Resources' Razorback Ridge project.
Northling	Farmed out	West Australia	The Northling project is located 170 km north of Wiluna in West Australia on the margin of the Earraheedy basin. Historical exploration focused on diamond potential with negative results but did highlight the base metal potential with a single end of hole grade of 4m @ 2.43% Cu from 58 m. The target is Volcanogenic Massive Sulphide (VMS) mineralisation similar to that found by Sandfire Resources at their Doolgunna project ~100 km to the west.
Mystique	Farmed out	West Australia	This early stage gold project is targeting mesothermal gold mineralisation, similar to Anglogold Ashanti's Tropicana deposit in the Fraser Range of eastern West Australia. Historical exploration identified a series of geochemical anomalies which were followed up by wide spaced air-core drilling and three RC holes. PacMag have interpreted two types of mineralisation; a gold (>0.1 g/t) 'blanket' within the transported cover, and a second bed rock anomaly returning grades around 1 g/t Au. Additional gold-in-soil anomalies have yet to be followed up.
Arrino ELA /	Exploration Application	West Australia	The Arrino project is a very early stage exploration project focused on the Irwin sub-basin, 250 km north of Perth in West Australia. The area has been explored by various companies between 1978 and 1993 looking for base metal mineralisation in the basement sequences. A number of geochemical anomalies were identified and followed up but with poor results. The target is a large magnetic and partly coincident gravity anomaly offset from known copper mineralisation.
Corktree JV	Farming in	West Australia	The Corktree project is located on the western margin of the Earraheedy basin in northern West Australia. Previous explorers (1972-1995) outlined a large copper anomaly without identifying its source. The geology is thought to be prospective for sedimentary (SEDEX) or carbonate Mississippi Valley type (MVT) related base metal mineralisation.

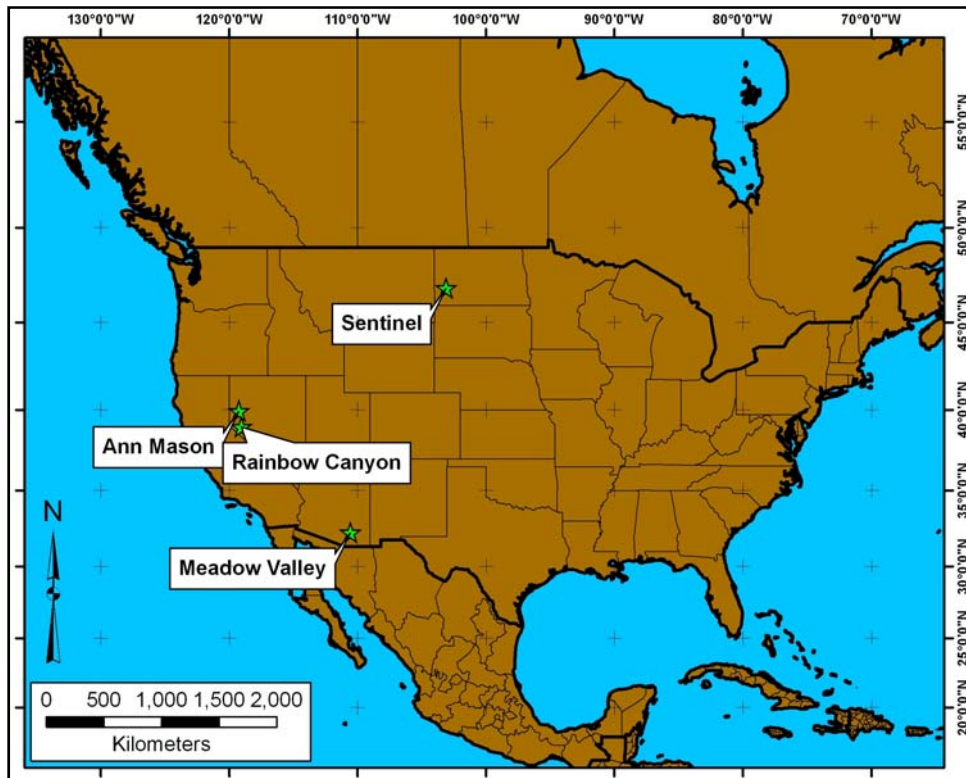


Figure 4-2: PacMag project locations in the USA

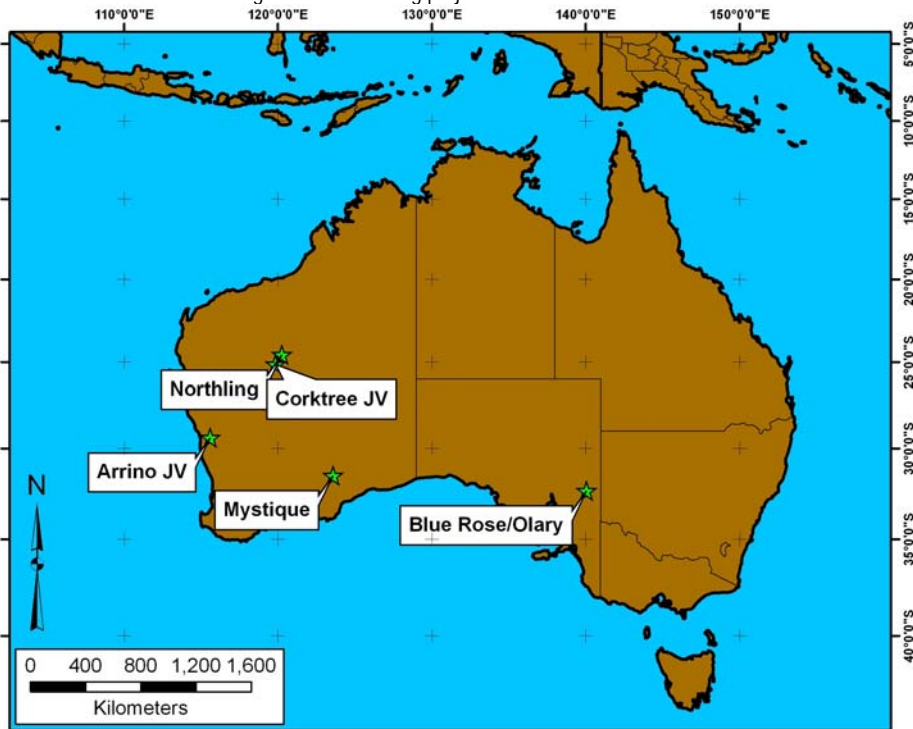


Figure 4-3: PacMag project locations in Australia

4.2 PacMag Valuation

The PacMag portfolio comprises early exploration projects, mid-stage exploration projects and exploration projects with Inferred Resources. SRK has used the Rule of Thumb method as the basis for valuation of all the PacMag assets. Comparable transactions are used to determine a unit value, either per area or per quantity of metal in the ground. These values are then applied to PacMag's projects with suitable discounts applied for modifying factors. Each project is valued separately with the relevant discussions where necessary in the following section.

Ann Mason Copper Resource

A Rule of Thumb method was used to determine a value for the Ann Mason Project. SRK used comparable transactions to derive an 'in ground value per pound of copper equivalent' and applied it to the Ann Mason resource.

An initial dataset of global copper transactions involving resources from the last four years (2006-2009) was compiled from the Metals Economics Group (MEG) database and other internet resources. The list was reduced by excluding incomplete or terminated transactions. Projects at an advanced or prefeasibility stage were also excluded.

SRK also considered the geological style of the mineralisation in the comparable transactions and discarded transactions involving high grades or small tonnage, which were typically VMS deposits.

The remaining transactions and a calculated in-ground value for a pound of copper resource are listed in Table 4-2 with further details in Appendix 3.

Other transactions were researched, but not used as part of this valuation – after researching the details behind the transactions; SRK did not consider these comparable. These include, but are not limited to:

- In October 2008 Mitsubishi purchased a 25% stake in the Copper Mountain project in Canada – SRK did not consider the advanced stage of the project (past producer with recent feasibility study) comparable.
- The Tampakan deposit in the Philippines has two transactions during the search period. Again, the advanced nature of the project did not make it comparable to Ann Mason.
- The Boa Esperanza deposit in Brazil was subject to a bidding process at the top of the market in October 2007. SRK did not consider the terms of the transaction comparable to that proposed between PacMag and Entrée.
- In June 2009 Nevada Copper Corp (Pumpkin Hollow deposit) issued USD2M in Convertible Debentures. These can either be repaid or converted to shares at CND1.00 which would equate to 4.69% of the company. Given the uncertainty whether the share transaction will occur or the debt repaid this transaction is excluded.

Country Premium

In mineral asset valuations, comparable transactions are often limited to the country or region of the assets being valued, as there is the perception that the investment risk associated with the country would affect the value. In the case of Ann Mason, this would significantly reduce the available database because of the limited number of large copper porphyry transactions. Inspection of the in-ground copper values from the global search suggests very little impact from country risk. SRK therefore considers the use of worldwide transactions appropriate in this valuation.

Global Financial Crisis

Between late 2008 and mid 2009, the Global Financial Crisis (GFC) had a considerable impact on the global economy. This resulted in large drops in share value and a knock-on reduction in the equity and debt markets. Although the number of mining related transactions during this time was small, some projects may have been sold at a high discount relative to their pre-GFC value, to generate cash for their owners. The terms of any transactions in the database during the period were reviewed to assess their comparability.

The GFC also impacted the global copper price (Figure 4-4).

Only one transaction occurred during the GFC-related drop in prices (El Espino-Venus). This transaction was not excluded, as the in-ground valuation is comparable to an earlier 2006 transaction on the same deposit. It appears that the GFC significantly reduced the number of transactions which occurred over that period. However, the data for major projects and copper, gold and uranium exploration properties reviewed suggests that the actual value of projects remained consistent. It is SRK's opinion that this represents a combination of the market taking a long term view of these projects as well as a close relationship between exploration / development costs (which did not significantly change during the GFC) and project and joint venture-based market value.

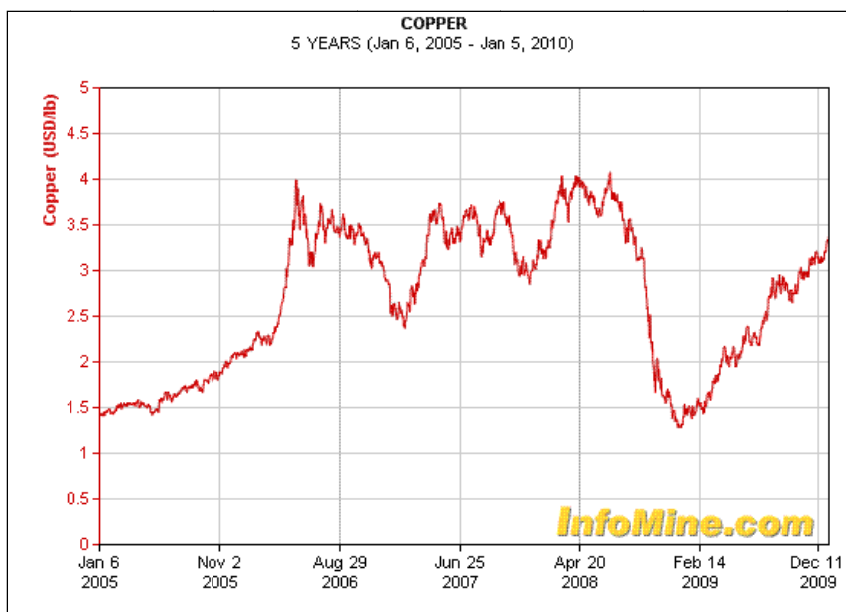


Figure 4-4: Global copper price for the last five years
Source: Infomine.com

Table 4-2: Recent comparable transactions to Ann Mason

Project	Description	Date	Transaction Summary	Resource tonnes (Mt)	Resource grade % Copper equivalent ¹	In ground copper value (USD/lb)
Benkala	A large, low grade copper-molybdenum porphyry in the copper-gold belt in the Urals, northwest Kazakhstan. A conceptual mining study was commenced in 2008.	Sept 2007	Frontier Mining purchased 50% (and control) of the project from Coville Intercorp Ltd for USD21M in cash and 6.25 million shares valued at USD2.5M (Frontier PR 06/09/07).	900	0.3	0.0069
Tominskoye	Moderate size copper-gold porphyry in the southern Urals of Russia. This resource is very close to Miheevskoye and was originally considered part of the same Chelyabinsk project.	Nov 2007	Russian Copper Co Ltd purchased the entire project from Celtic Resources (70%) and Anime Global (30%) for USD25M in cash (MEG database).	241	0.67	0.0070
Contancia	Moderate sized copper-moly porphyry in Peru. Discovered in the 1980's Contancia has been progressively drilled out and at the time of the transaction two resource estimates had been published.	Nov 2007	Norsemont acquired Mitsui's 30% share in the project through USD9.8M in cash over 30 months (Norsemont PR 01/11/07).	320	0.6	0.0077
Pebble	Massive copper-gold-moly porphyry in Alaska run as a JV between Anglo American and Northern Dynasty Minerals; pre-feasibility study completed in 2009; Anglo is currently earning in costing USD1.425bn to fund studies and development.	June 2006	Rio Tinto acquired 8.7 million Northern Dynasty shares for USD77.9M from Galahad Gold PLC giving them a 9.9% interest in the project (Northern Dynasty PR 01/06/06).	5103	0.875	0.0080
		Jan 2007	Rio Tinto acquired 9.4 million Northern Dynasty shares for USD79.5M from Galahad Gold PLC giving them a 10.45% interest in the project (Northern Dynasty PR 30/01/07).	5103	0.875	0.0078
Miheevskoye	Large low grade copper-gold porphyry in the southern Urals, originally part of the Chelyabinsk project. Scoping studies on part of the broader project proved sub-economic and the focus was shifted to Miheevskoye and Tominskoye. A prefeasibility study was completed in May prior to the transaction.	July 2007	Russian Copper Co Ltd purchased the entire project from Celtic Resources (70%) and Anime Global (30%) for USD33M in cash (MEG database).	427	0.45	0.0079
Hushma	Moderate size, low grade copper-gold porphyry on Vancouver island. Discovered in the late 1960's resource development has continued until the present day.	May 2008	IMA Exploration are earning in to the project by carrying out exploration and a pre-feasibility study for a total of USD15M over 3 years which they have subsequently committed to (Kobex Minerals PR 30/09/2009). This gives them 49% of the project (IMA PR 12/05/08).	284	0.53	0.0092
Quechua	Moderate size copper porphyry in Peru owned by Pan Pacific Copper Co. A 2009 pre-feasibility study presented a 17 year mine life.	Nov 2007	Mitsui Mining sold the entire property to Pan Pacific Copper for USD40M. Pan Pacific is a joint venture between Mitsui (34%) and Nippon Mining and Metals (66%).	260	0.61	0.0114
Pumpkin Hollow	Skarn deposit in the Yerington copper district in Nevada. A recently completed pre-feasibility study gave an NPV of USD500M to USD800M.	Nov 2009	A private placement by Capstone Mining for USD10.7M gave them 11.1% in Nevada Copper, the owner of the project (Nevada PR 03/11/09).	719	0.49	0.0124
El Espino-Venus	Moderate size copper-gold porphyry in Chile, subsequent to the transaction a scoping study was completed. Generally the tenement is the subject of on-going exploration and expansion of the resource.	Jan 2009	Explorator Resources has agreed to sell 51% interest in the project to Punta del Cobre for USD17M in two payments. The first USD10M payment has been made – value based on total agreement (Explorator PR 20/01/2009).	155	0.66	0.0161
		Oct 2006	In October 2006 Explorator Resources purchased Maximus Resources whose sole asset was an 80% earn-in to the El Espino-Venus project. The value of the purchase and remaining earn-in to give Explorator 100% of the project totalled USD9.4M (MEG database).	70	0.66	0.009

¹ Equivalence was based on USD1.5/lb Copper, USD850/oz Gold and USD6/lb Molybdenum to give CuEq (%)=Cu (%) + 0.72Au (g/t) + 4Mo (%)

Valuation

As summarised in Table 4-1, the most recent published Mineral Resource for Ann Mason is 810 Mt of inferred resource at 0.4% copper and 0.004% molybdenum. Using the same equivalence as for the comparative transactions, this gives a copper equivalent grade of 0.42% and a total contained copper equivalent of 7.5 billion pounds of copper.

Based on the comparative transaction database the USD/lb values appear to fall into two groups – one centred on USD0.008/lb and the other just over USD0.01/lb. The higher group of transactions are excluded from the statistics to reflect the relatively low grade at Ann Mason and its overlying unmineralised cover. Summary statistics of the comparable transactions (those around USD0.008/lb) are shown in Table 4-3. With eight (8) transactions, it is possible to calculate a standard deviation and use this to quantify a range of values using one standard deviation either side of the mean value. This provides a range of values from 0.0071 to 0.0088 USD/lb. SRK's preferred value is the mean value of 0.0079 USD/lb.

The Ann Mason deposit has three features that compare adversely to other similar porphyry deposits at this stage of development. Firstly, the deposit is under a significant amount of cover, and preliminary analysis suggests that this will add at least 20% to the estimated capital cost of the project in the cost of pre-stripping the cover, based on preliminary mining cost analyses undertaken for the Ann Mason preliminary scoping study. Secondly, the total material ore movement discussed in the scoping study will result in ore being processed at a very low mining cut-off. However, assuming the cut-off is about 0.3%, the reduction in recoverability is likely to be about 3% below that in deposits with a higher average grade. Thirdly, as the deposit is covered, there is little opportunity to provide oxide ore for processing in the early years, which is commonly a strategy available to ensure an improved pay-back period on the invested capital. This may be helped by finding other proximal deposits, but there is no certainty of this exploration success happening. To account for these factors SRK has used the published resource figures, and the estimated in-ground copper value, and discounted that calculated value by 23% (20% for the geological factors, 3% for the loss of processing efficiency due to low grade).

Using these values SRK's valuation of the Ann Mason deposit is between USD39.37M and USD52.49M, with a preferred value of USD45.07M.

Table 4-3: Summary statistics of comparable transactions for the value of the Ann Mason Resource using restricted dataset

	Comparative transaction USD per pound copper
Minimum	0.0069
Maximum	0.0092
Mean	0.0079
Standard Deviation	0.0008

Table 4-4: Summary of Ann Mason valuation

	Low USD (M)	Preferred Value USD (M)	High USD (M)
Ann Mason	39.37	45.07	52.49

Ann Mason Scoping Study

In February 2007, PacMag published a scoping study on the Ann Mason project. This was highly conceptual in nature but did contain a project NPV of USD1.73 billion. The scoping study was used to provide a go / no go decision on the project, and a key outcome was that a large, high throughput operation was required to support the anticipated stripping and capital costs. No geotechnical work was completed as part of the study and in addition the financial model was very preliminary, excluding elements like taxation. For these reasons, the study is considered preliminary. The above valuation provided by the Rule of Thumb method equates to between 2% and 5% of the project NPV. In SRK's opinion, this is a reasonable discount to the project NPV, given the preliminary nature of the scoping study and the risks and uncertainties therefore associated with it.

Blue Hills Prospect

The Blue Hills prospect is targeting another porphyry system in the Yerington District and has had some encouraging drill results showing the presence of Cu mineralisation. SRK's approach to value the Blue Hills project is to use a simplified Geological Risk method to reflect current exploration and development uncertainty.

Target Values

The mineralisation style targeted at Blue Hills is comparable to the Ann Mason deposit. However, in mature mining districts, the largest deposits are typically already discovered and subsequent discoveries tend to be smaller or have lower grades. To account for this, a target size one quarter that of Ann Mason has been used. The previous section has provided a preferred value of USD59M for the Ann Mason project. Hence, SRK has applied a target value of USD15M to the Blue Hills project.

Target Value Discounts

For the valuation, the target value needs to be discounted to reflect exploration uncertainty and exploration cost.

Significant additional drilling and a preliminary scoping study would be required to develop the Blue Hills project from its current status to one similar to Ann Mason. If a quarter of the Ann Mason drilling was required (i.e. $0.25 \times 50,000 \text{ m} = 12,500 \text{ m}$) at an estimated cost of USD304/m, and a cost of USD125k is estimated for the scoping study, then approximately USD3.9M is required to achieve the target project value. This amount is subtracted from the target value to give USD10.9M.

The development of Blue Hills represents a single stage in the project's progress – this is accounted for by a single probability in the Geological Risk Model. Using Lord, *et al.*, (2001) as a basis, SRK has used a probability of success for development from 'Known Mineralisation' to 'Resource' to be 0.25. In low grade porphyry systems, this reflects the uncertainty in discovering a deposit which meets minimum grade criteria.

Valuation

The valuation for the Blue Hills project, based on the Geological Risk Method, is shown in Table 4-5. The range is achieved by using the same in-ground range applied to Ann Mason

Table 4-5: Summary of Blue Hills valuation

Prospect	Low value USD (M)	Preferred value USD (M)	High value USD (M)
Blue Hills	2.34	2.72	3.15

Ann Mason Exploration Targets

Small exploration prospects around the Blue Hills and Ann Mason projects such as Shamrock and Ann Mason 5000 are considered part of the Ann Mason project. The Rule of Thumb based on comparable transactions accounts for these prospects, as the majority of comparable projects considered have smaller satellite or internal higher grade deposits which are incorporated into the 'parent' project analysis.

Sentinel Uranium-Germanium-Molybdenum Project

As with the Ann Mason resource, a Rule of Thumb valuation method was applied to the Sentinel project.

A database of eleven (11) North American uranium project transactions was compiled from a larger initial database. For each transaction, a dollar value per pound of contained uranium was calculated (Table 4-7). Where the transaction was an ongoing 'earn-in' agreement, future payments were discounted to represent the possibility of the purchasing party choosing not to continue with the joint venture as described in Section 0. Nine exploration transactions were also reviewed for early stage properties. The Sentinel area outside the Church deposit, specifically the areas controlled by the Bureau of Land Management, were valued by comparing the area under these prospecting permits with market data on a dollar per unit area basis.

Sentinel Valuation

The final transaction list is shown in Table 4-7 with further details provided in Appendix 3. For each transaction, a dollar value per pound of uranium has been calculated, which is then applied to the Sentinel Project.

To remove the effect of extreme values, the maximum and minimum values were excluded from subsequent analysis. The average in-ground uranium value for joint ventures of the modified database was USD0.75/lb which had a maximum of USD1.25/lb and minimum of USD0.32/lb. These values were used to calculate a range of values for the Sentinel Project (Table 4-6). Two purchase transactions with an average of USD0.28/lb occurred over the search period. The purchase/JV USD/lb ratio was 37%, which is close to the Australian data average used to determine a Reasonable Purchase Price for the exploration JVs. Therefore, the average ratio is applied to the Sentinel properties derived from other exploration JVs, to determine a market value purchase price estimate.

The transactions used as the basis for this valuation occurred between January 2008 and December 2009. However there is no clear trend reflecting discounted values during the GFC.

The Inferred Resource of 2,353,000 tonnes at 0.0165% U₃O₈ was used to establish the current value for the Church deposit.

In addition to the Church deposit, PacMag has an area of 7003 ha under exploration permit on Federal land in the area. On an area basis, uranium properties are valued at between a low value of USD340,000, a preferred value of USD340,000 and a high value of USD775,000. From recent North American transactions, the average unit value, removing outliers was about USD110/ha. However, the data fell into two groups, with most transactions below USD65/ha, and a group between USD229/ha and USD511/ha. The preferred value removes the two highest values and the lowest, and the low value uses only those transactions below USD65/ha. As the calculations are based on joint venture expenditure commitment data, these are discounted to achieve a Reasonable Purchase Price.

Table 4-6: Valuation of the Sentinel project

Project	Low value USD (M)	Preferred value USD (M)	High value USD (M)
Sentinel - Church	0.27	0.64	1.07
Sentinel RPP	0.10	0.23	0.39
Sentinel Federal Lands	0.34	0.55	0.78
Sentinel Federal Lands RPP	0.12	0.20	0.28
Sentinel Valuation	0.22	0.43	0.67

Table 4-7: Comparable North American uranium transactions (using contemporary interbank exchange rate)

Project	Description	Geology	Date	Transaction	Trans Value	Value (USD/lb)
Agnew Lake	Share transaction assuming purchase undertaken at CND0.10 per share	Unconformity related, conglomerate-hosted	January 2008	Purchase	CND2,250,000	0.2545
Aurora	Share transaction assuming purchase undertaken at USD0.40 per share	Stratabound & crosscutting, volcanic flow and tuff-hosted, some secondary structural zones	June 2008	Purchase	USD5,780,000	0.3140
Bootheel	Share transaction at CND0.30	Stratabound, sandstone-hosted	January 2009	Earn-in	USD4,933,333	1.2417
Chord	Cash payment in instalments	Roll-front, stratabound, sandstone-hosted	July 2008, ongoing payments	Earn-in	USD4,080,000	1.0740
Coles Hill	Share exchange and private placement	Hydrothermal fracture-type, granite-amphibolite fault-hosted	August 2009	Earn-in (20.8%)	USD43,636,364	0.1627
Elkhorn	Cash payment in instalments	Roll-front, stratabound, sandstone-hosted	December 2009	Earn-in (75%)	USD1,161,814	0.4660
Epsilon	Share transaction	Sandstone- and fault-hosted	September 2008	Earn-in (50%)	USD39,600,000	6.6655
La Jara Mesa	Cash and reduction in royalties	Roll-front, stratabound, sandstone-hosted	October 2008	Earn-in	USD5,250,000	0.5107
Midwest North East	Share transaction assuming purchase undertaken at USD0.40 per share	Structurally-controlled, basement-hosted	March 2008	Earn-in	USD119,578,947	0.3177
Sheep Mountain	Cash payment in instalments	Roll-front, stratabound, sandstone-hosted	May 2009	Earn-in (50%)	USD8,700,000	0.3963
Uranium City Mining District	Cash and share transaction assuming purchase undertaken at USD0.18 per share	Structurally-controlled, basement-hosted	November 2008	Earn-in (100%)	USD975,000	1.2728

PacMag Exploration Projects Meadow Valley

The Meadow Valley Project, located in Arizona, USA is considered prospective for Cu, however little exploration has been conducted at the project so far. Historic drilling located copper sulphides and recent sampling returned enriched copper values in the project area.

A Rule of Thumb method was used to determine a value for the Meadow Valley Project. SRK used comparable transactions to derive a 'value per square kilometre' and then applied it to the 4.05km² Meadow Valley Project.

An initial dataset of North American Cu transactions involving projects at the exploration stage from the last three years was compiled from the MEG database and other internet resources. The list was reduced by excluding incomplete or terminated transactions. Properties that contained reported known reserves or resources, infrastructure, or significantly different mineralisation styles were disregarded, as SRK did not consider these to be comparable.

The remaining transactions and the calculated per square kilometre values are listed in Table 4-8. Further details of the transactions, including references are contained in Appendix 3.

Table 4-8: North American copper exploration transactions comparable to Meadow Valley

Project	Location	Date	Transaction	Area (km ²)	Value USD per km ²
Cascadero	British Columbia	Mar-09	Goldfields can earn 51% interest by spending CND5M over three years	300	2,936
Chisna	Alaska	Nov-09	Ocean Park Ventures can earn 51% of the project by spending USD20M over five years of which USD5M must be spent in the first year	353.7	5,173
Indata Lake	British Columbia	Jun-08	Max Resource Corp resources can earn 60% in the project by spending CND1.15M before 2011	29.9	6,085
Pebble South	Alaska	Nov-07	Freeport-McMoRan can earn 60% of the project by spending USD1.8M in the first year, which they subsequently did	480	6,250
Peg Leg	Arizona	Aug-09	Freeport-McMoRan can earn 70% of the project by spending USD3M by the end of 2012 and paying the tenement maintenance fees	28.5	17,404
Quesnel Trough	British Columbia	Apr-09	Xstrata can earn 51% by spending CND3M by the end of 2013 with at least CND0.25M per year	~345	1,148
Red Hills	Arizona	Nov-09	Inmet Mining can earn 70% by paying CND0.675M in cash and spending CND2M over five years	30.2	33,620
Hamlin	Ontario	Jan-08	Xstrata can earn 51% by spending USD3M over four years	24.21	16,477

Other transactions were researched, but not used as part of this valuation – after researching the detail behind the transaction, they were not considered comparable. These include, but are not limited to:

- October 2006: Full Metal Minerals' acquisition of Mount Andrew, which encompassed an historic mine (Full Metal Minerals PR 13/10/2006).
- February 2008: Crowflight's option agreement for the AER / Kidd Project that is located along the historically productive Worthington Offset Dyke of the Sudbury Intrusive Complex (Crowflight PR 20/2/2008).

The transactions utilised in this valuation typically involved staged joint ventures, often with an initial payment followed by a series of earn-ins to gain a proportion of the project. The value of the joint venture was determined according to the methodology outlined in Section 0. This database typically involved recent (2009) JVs which negates the possible undue influence of the GFC.

The value / km² of the transactions has a range greater than an order of magnitude. By plotting the value against total area of the tenement (Figure 4-5), it is clear that larger tenements attract a lower value with a small range, whereas small tenements have a higher value and a larger range. This appears reasonable, as more prospective areas or areas with significant previous exploration have smaller tenement packages due to progressive size reduction as well as generally being more sought after. For the purposes of this valuation, two ranges and preferred values are used, depending on the size of the tenement and its general prospectivity. Large area tenements have a value range between USD2k and USD6k per km² with a preferred value of USD4k per km². Smaller, more prospective tenements have been valued with a range of USD10k to USD25k per km² with a preferred value of USD17.5k per km². These values and ranges are represented by the red points in Figure 4-5.

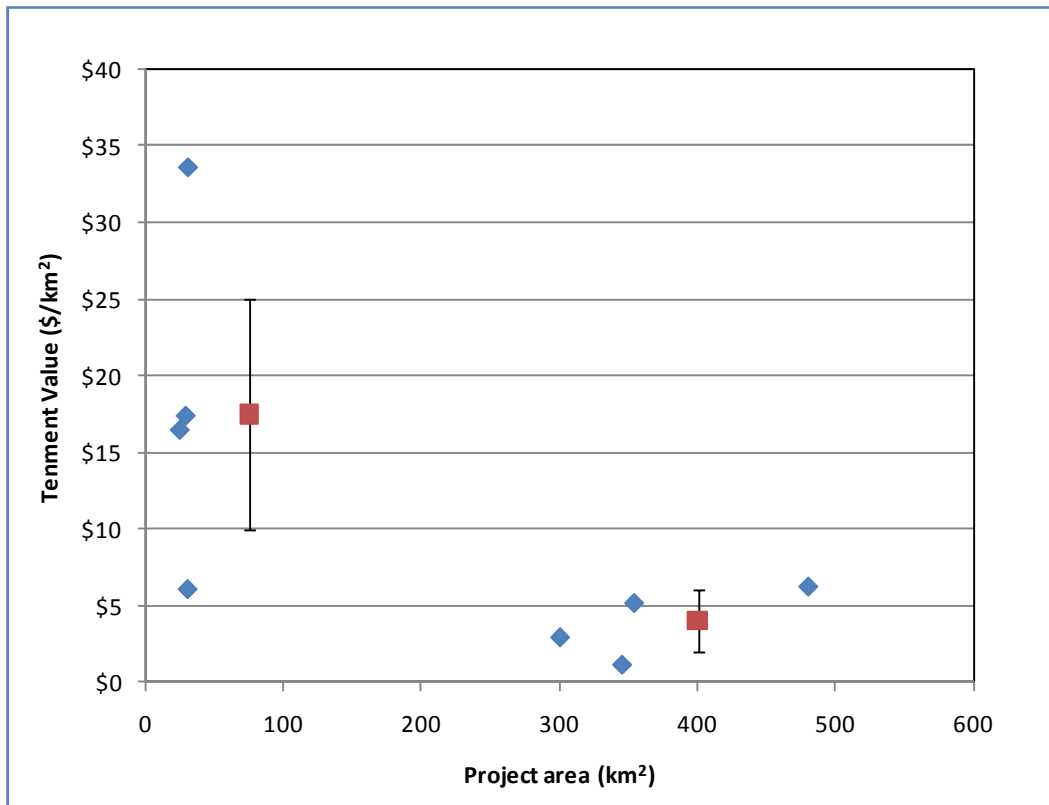


Figure 4-5: Analysis of North American copper exploration tenement values

Due to its size and moderate prospectivity, SRK’s valuation for the Meadow Valley project uses the small tenement values. This provides a valuation between USD0.04M and USD0.1M with an intermediate value of USD0.07M (Table 4-9).

Table 4-9: Values for Meadow Valley Project calculated on a value per km² basis

Project	Average Low value USD (M) (USD10,000/km²)	Average Intermediate value USD (M) (USD17,500/km²)	Average High value USD (M) (USD25,000/km²)
Meadow Valley Project (4.05 km²)	0.04	0.07	0.10
Meadow Valley Project RPP	0.02	0.03	0.04

A RPP of 36% (section 0) has been applied to the project to give SRK’s preferred value for the Meadow Valley project of USD0.03M.

Rainbow Canyon

The Rainbow Canyon epithermal gold project is located in Nevada, USA. The project is considered to be at an early stage of exploration, with mapping and rock chip sampling conducted over historic prospecting pits. There is no evidence of previous drill testing of the interpreted gold system (PacMag, 2009a).

As with the Meadow Valley valuation above, SRK chose to use a Rule of Thumb method applying a comparative market transaction method to determine a unit value for the Rainbow Canyon Project. SRK used the transactions to derive a ‘value per square kilometre’ and applied it to the 6.47 km² project.

A dataset of US gold transactions involving projects at the exploration stage from the last three years was compiled from the MEG database and supplemented by other internet resources. As above, the list was reduced by excluding incomplete or terminated transactions and transactions that were considered non-comparable.

The remaining transactions are listed in Table 4-10, as well as the calculated per square kilometre values. Further descriptions are in Appendix 3.

Table 4-10: North American gold exploration transactions comparable to Rainbow Canyon

Project	Location	Date	Transaction	Area (km ²)	Value USD per km ²
Alaska Joint Venture	Alaska	May-08	Newmont Mining can earn 51% interest in the claims by spending USD3M before the end of 2011.	80.06	6,513
Horse Mountain	Nevada	May-08	Newcrest Mining can earn 60% by spending USD3.25M on exploration over four years including USD0.5M in Year 1.	11	33,076
Red Rock	Nevada	Mar-07	Escape Gold agreed to issue 1.5M shares, pay USD350k in cash and spend USD2.5M on exploration over five years. There are also pre-existing commitments on the property not considered in this analysis.	7.7	23,871
Thunder Mountain	Nevada	Jul-06	Kinross Gold can earn a 75% interest by spending USD3M over five years including at least USD500k by August 2010.	6.23	19,538
Gold Coin	Arizona	Apr-07	Aurelio signed an option to acquire the tenements with USD20k cash and an additional USD1.5M over four years.	17.98	9,073
Scraper Springs	Nevada	Sep-07	Newmont can earn 51% by spending USD5M over 5 years.	27.1	16,759

Other transactions were researched, but not used as part of this valuation – after researching the detail behind the transaction, SRK considered these to be non-comparable. These include, but are not limited to:

- September 2009: Romarco's acquisition of the Buzzard Project which lies along strike of the Company's 4.1M oz Haile Project (Romarco PR).
- October 2008: Levon Resources and Coral Gold Resources joint venture with Barrick Gold at Norma-Sass. Project lies along the Cortez Gold trend and it 1 mile south west of Barrick's former producing Gold Acers and two miles west of Barrick's currently producing Pipeline mine. Drilling at Norma-Sass intersected mineralisation along a zone extending 915m N-S.
- January 2007: Following some poor drilling results Rimfire (now called Kiska) optioned 60% of their Goodpaster project to a private company for an per km² value of -USD500. The earlier poor results make this transaction non-comparable.
- A number of other transactions did not state the area of tenements and hence could not be included in the analysis.

Having excluded a number of non-comparable transactions, six transactions remain. Of these, the smallest and largest are removed to reduce the range, and this final database has a minimum of USD9,000 per km², a maximum of USD24,000 per km² and a mean of USD17,300 per km². Interestingly, these values are very similar to the small area values for copper projects suggesting that tenement values may be independent of commodity.

SRK has used the lowest value per square kilometre to obtain a low end value for Rainbow Canyon, the average value as an intermediate value and the highest transaction value to obtain a high end estimate of the value of the Project (Table 4-11).

Table 4-11: Values for Rainbow Canyon Project calculated on a value per km² basis

Project	Low value (USD9,000/km ²)	Intermediate value (USD17,300/km ²)	High value (USD24,000/km ²)
Rainbow Canyon Project (6.47 km ²)	0.06	0.11	0.16
Rainbow Canyon RPP	0.02	0.04	0.06

The Rainbow Canyon Project is considered to be at an early stage of exploration. As the Rule of Thumb has been based on JV terms, a RPP factor of 36% has been applied to the value. SRK considers the intermediate value of USD0.04M to be the preferred value.

Blue Rose / Olary

The Blue Rose Olary tenement is deemed prospective for both iron ore and intrusion-related copper-molybdenum deposits. The tenement contains strike extension of the host unit for the Razorback prospect, held by Royal Resources Ltd. Royal Resources Ltd has recently entered into an option agreement with Goldus Ltd to access the Goldus tenements that surround the tenements on which the Razorback prospect is located, and hence also contains strike extensions of the host stratigraphy. The terms of the option agreement provide for payment of an annual option fee to Goldus, plus a settlement fee to be paid within 10 years of completion. If it is assumed that the payment will be made at the end of the option period, (the most favourable outcome for Royal Resources Ltd), then the present value of the option agreement is approximately AUD5M, with a high probability that the final AUD10M will not be paid. If this risk is assessed as the overall success rate of completion of JVs (5%), then a present value of AUD675,000 can be ascribed to the arrangement.

As the main purpose of the option agreement is access to explore for iron ore, it is likely that a similar value may be placed on the Olary JV southern tenement EL 2938. This should be considered to be a high value, as the tenement is some distance from Razorback, and the current geophysical data is unable to explicitly constrain the geometry of mineralisation. SRK has implied a preferred value of AUD500,000 for the iron ore prospectivity to allow for this discount on the immediately adjacent tenements and a slightly reduced strike length of the potentially mineralisation horizon.

The Olary tenements were the subject of a joint venture with Giralia Pty Ltd. At the successful conclusion of that joint venture, the earn-in commitment provided PacMag with 51% ownership, and the deemed value of the tenement based on the discounted joint venture terms was approximately AUD1.8M. PacMag subsequently carried out further work, and the identification of oxide copper and a Cu-Mo target at Netley Hills over a geophysical anomaly enhances the value of this tenement. If the tenement is valued in a similar manner to the Blue Hills prospect, assuming that the mineralisation already encountered in drilling can be brought to an inferred resource stage, a similar value of between AUD2M and AUD4M could be attributed at this stage of exploration. PacMag's recent sale of the Copper Oxide prospect to WASCO (PacMag PR 03/02/10) for AUD1.95M, should be removed from these values to reflect the remaining exploration potential.

On this basis, SRK places a current value on the Olary JV at a low end value of AUD0.55M, a preferred value of AUD1.55M and a high value of AUD2.55M, by adding the preferred iron ore target values to the range of values from the copper oxide and Cu-Mo targets. The PacMag attributable share of this value is shown in Table 4-12.

Table 4-12: Blue Rose / Olary - PacMag attributable value

Project	Low value AUD (M)	Intermediate value AUD (M)	High value AUD (M)
Blue Rose/Olary	0.28	0.79	1.30

Western Australian Exploration

The Corktree, Northling and Mystique projects are all the subject of joint venture agreements where PacMag is either earning-in to the project, or a third party is earning-in. A Rule of Thumb method and direct valuation of terms of the JV have been used to estimate values for these properties.

Arrino and part of Mystique are currently Exploration Licence Applications (ELAs). SRK has verified with the Government of Western Australia, Department of Mines and Petroleum (Tengraph facility) that these tenements are not subject to other earlier ELAs and as such, it is reasonable to assume they will be granted in due course.

JV Terms

The methods of valuing the terms of the JV are discussed in Section 0 and the results shown in Table 4-14. Further details of the transactions and calculations are contained in Appendix 3.

Rule of Thumb

A dataset of West Australian transactions involving projects at the exploration stage from the last three years was compiled from the MEG database and supplemented by other internet resources.

As above, the list was reduced by excluding incomplete or terminated transactions and transactions that were not considered comparable. To increase the final number of transactions, all commodities were considered.

The remaining transactions are listed in Table 4-13 as well as the calculated per square kilometre values. Further descriptions are provided in Appendix 3. As with the North American transactions, the values appear to be independent of commodity, but reflect the total size of the tenements.

Table 4-13: Western Australia exploration transactions

Project	Commodity	Date	Transaction	Area (km ²)	AUD per km ²
Gnaweeda	Gold	Jun-2009	Earn in	190	1,905
Golden Mile South	Gold	Jun-2009	Earn in	112	15,089
Gunbarrel Basin	Uranium	Nov-2009	Earn in	2760	251
Kunderong and Kennedy	Uranium	Nov-2008	Farm-In	741	2,294
Mortlock	Gold, Copper	Jul-2007	Farm-in	1000	990
Warburton	Copper, Nickel, PGE	Mar-2009	Farm-in	3200	753
Wilga	Gold	Sep-2008	Earn-in	12	30,167
Woodline	Gold	Jul-2009	Earn-in	1785	1,204
Yeneen	Copper, Uranium	Nov-2009	Earn-in	1500	123

The large tenements have an average AUD/km² value of approximately AUD1000, whereas small tenements have a value closer to AUD10,000.

PacMag's projects fall in between the two ranges. To reflect the early stage of PacMag's exploration, SRK's approach is to use the large area value to calculate a Rule of Thumb value. The values are shown in Table 4-14.

Table 4-14: Comparison of valuation methods for PacMag's West Australian exploration

Project	Area (km ²)	Rule of Thumb value AUD (M)	JV value AUD (M)
Mystique	434	0.434	0.19
Northling	94	0.09	0.072
Corktree	196	0.196	0.194
Arrino	150	0.150	

Valuation

For each tenement, the two values (JV and Rule of Thumb) form the range of values, with the intermediate and SRK-preferred value being the mean of the two. In the case of Arrino, the Rule of Thumb provides a high value with the low value being AUD0 to reflect the very early stage of the prospect. The project value is then adjusted to reflect PacMag's interest in the JVs. Both the Mystique and Northling JVs were signed late in 2009, and SRK assumes PacMag still own 100% of these projects.

In the case of Corktree, the original JV was signed in 2006 with a two year extension starting in mid 2009. Although the JV appears moderately mature in terms of time, the actual exploration expenditure to date is AUD72k, far less than the AUD500k required to reach 51% ownership.

By taking the percentage of required expenditure spent to date (14.4%) as the probability of achieving the 51% ownership, the current ownership can be assessed as 7.3%. SRK valuation of PacMag's West Australian exploration is given in Table 4-15 where an RPP factor of 36% has been applied.

Table 4-15: Valuation of PacMag's West Australian exploration

Project	Ownership	Low value AUD (M)	Intermediate value AUD (M)	High value AUD (M)
Mystique	100%	0.19	0.312	0.434
Northling	100%	0.072	0.081	0.09
Corktree	7.3%	0.0142	0.0143	0.0144
Arrino	100%	0	0.075	0.15
Total		0.28	0.48	0.69
PacMag RPP value		0.10	0.17	0.25

4.3 Summary of PacMag Valuation

A final compilation of SRK's valuation of PacMag's exploration properties is shown in Table 4-16. An exchange rate of 1AUD=0.92USD has been used in combining USD and AUD amounts.

Table 4-16: Summary of PacMag's valuation (1AUD=0.92USD)

Asset	% Owned	Low value USD (M)	Preferred Value USD (M)	High Value USD (M)
Ann Mason (and associated exploration)	100	39.37	45.07	52.49
Blue Hills	100	2.34	2.72	3.15
Sentinel Church deposit	100	0.10	0.23	0.39
Sentinel Federal Lands	100	0.12	0.20	0.28
Meadow Valley	100	0.02	0.03	0.04
Rainbow Canyon	100	0.02	0.04	0.06
Blue Rose / Olary ²	51	0.28	0.79	1.30
Western Australian Exploration	Various	0.10	0.17	0.25
Total		42.35	49.25	57.96

² Valuation is for PacMag portion of the JV only

5. Entrée Gold Inc

Entrée Gold Inc (Entrée) is a junior resource company with a primary listing on the Toronto Stock Exchange (Symbol: ETG). It has gold, copper, molybdenum and coal exploration assets in North America, Mongolia and China.

5.1 Description of Projects

A summary of the Entrée projects is presented in Table 5-1, and maps of their location are given in Figure 5-1 (North America) and Figure 5-2 (Asia). A more detailed description of the geology, exploration history and where appropriate, resources of Entrée's projects, is contained in Appendix 4. These descriptions are based principally on documentation and supporting data provided by PacMag to SRK.

Tenements

A full tenement schedule is contained in Appendix 4. For all tenements, SRK has verified the tenure by inspecting the relevant certificates. These are included in Appendix 5.

The Lookout Hill project in southern Mongolia comprises one exploration licence and two mining licences. The eastern portion of the project surrounds Ivanhoe Mines world-class Oyu Tolgoi (OT) copper project and is a joint venture between Entrée and Ivanhoe. The remaining parts of the project are 100% owned by Entrée. The agreement between Ivanhoe Mines Ltd and Entrée Gold Inc is dated 15 October 2004.

Entrée optioned the Bisbee project from Empirical Discovery in January 2008. According to the agreement, Entrée can acquire 80% or 100% of the properties within a period of 5 years, by spending a minimum of USD1.9M and issuing 300,000 common shares in Entrée, and then completing a compliant resource estimate and a scoping study for the property to be acquired. Entrée's 80% interest can be converted to 100% if Empirical elects to convert the 20% to a 2% net smelter royalty.

The Lordsburg project is also optioned from Empirical Discovery LLC with Entrée earning up to 80% through exploration expenditure. The letter agreement, dated 1 June 2007, provides for Entrée to earn up to 80% of the project.

Entrée has optioned two adjoining properties in the Yerington district of Nevada. One of these properties is covered by an agreement between Honey Badger Exploration Inc and Entrée Gold (US) Inc dated.

20 July 2009, and provides the opportunity for Entrée to earn up to 80% interest in the property.

The second joint venture agreement between Bronco Creek Exploration Inc and Entrée Gold (US) Inc also provides an option for Entrée to earn up to 80% of the property.

Entrée has an option agreement with Taiga consultants Ltd to acquire 100% of the Crystal property in British Columbia. The agreement required an initial payment for exploration expenditure already incurred by Taiga, followed by a commitment to spend up to CND50,000 on initial exploration, and undertake drilling and other work during 2010 to bring aggregate expenditure up to CND500,000. On completion, Entrée will also issue 100,000 common shares to Taiga.

The rights to the Huaixi property are outlined in a letter of intent between Entrée and the Zhejiang No 11 Geological Brigade, dated and signed 16 May 2007. This agreement also includes copies of the exploration licence certificates. The Cooperation Contract between the parties was governed by the letter of intent. The area covered is three contiguous exploration licences owned by Zhejiang No 11 Geological Brigade, numbered 3300000730127, 3300000740075 and 3300000720076, as recorded in the final contract. Entrée has agreed to conduct exploration over a 4-year period to earn a 78% equity interest, on the condition that it defines a minimum 50,000 metric tonne Cu-equivalent resource. The Contract Agreement specifies the schedule of exploration expenditure totalling USD3M in direct exploration costs to achieve the 78% equity. SRK has seen the cover page of the final Chinese agreement arising from this letter of intent, dated November 7, 2007.

Table 5-1: Summary of Entrée's projects

Asset	% Owned by Entrée	Location	Description
Lookout Hill Shivee Tolgoi JV	20	Mongolia	<p>The project lies in a structurally complex Devonian orogenic terrain overlain by Permian to Mesozoic volcanics and sediments. As demonstrated by OT, the basement rocks are prospective for porphyry and possibly epithermal mineralisation and the overlying sediments contain some coal prospects.</p> <p style="text-align: center;">Shivee Tolgoi JV</p> <p>The Ivanhoe-Entrée joint venture covers two resources, a northerly extension to OT called the Hugo North Extension (HNE), and a separate porphyry system called Heruga. These were both discovered by Ivanhoe after the 2002 discovery of OT and were subsequently drilled and Resources published.</p> <p>Hugo North Extension – This northerly extension of the high grade Hugo North porphyry system is approximately 1 km beneath surface. In 2007 Ivanhoe published a resource for HNE which contained 117 Mt of indicated resource grading 1.8% Cu and 0.61 g/t Au and 95.5Mt of inferred resource grading 1.15% Cu and 0.31 g/t Au. SRK has reviewed the resource report (Peters, et al., 2007) and is of the opinion that the current HNE resource estimate is reasonable and has been reported in line with JORC guidelines. Further discussion of the resource is contained in Appendix 2.</p> <p>Heruga – This separate porphyry deposit is located to the south of OT and occurs at depths greater than 500 m. It is a more typical low grade copper-gold-moly system than OT. In 2009 Ivanhoe published a resource for Heruga which contained 760 Mt of inferred resource grading 0.48% Cu, 0.55 g/t Au and 142 ppm Mo. SRK has reviewed the resource report (Vann, et al., 2009) and is of the opinion that the current Heruga resource estimate is reasonable and has been reported in line with JORC guidelines. Further discussion of the resource is contained in Appendix 2.</p>
Lookout Hill Western MELS	100	Mongolia	<p>The remaining (100% Entrée-owned) portion of the Lookout Hill project is the western continuation of the orogenic terrain and cover.</p> <p style="text-align: center;">Base Metals</p> <p>Exploration by Entrée has identified four named prospects related to mapped alteration, soil geochemistry anomalies and anomalous geophysics (IP). The targets are both epithermal gold systems and copper-molybdenum porphyries. Only three drill holes have been completed with no significant results.</p> <p style="text-align: center;">Coal</p> <p>The main focus of Entrée's exploration is the Nomkhon Bohr coal project in the north western part of the project area. The basinal sediments in this area are believed to be Permian in age and contain seams of coal up to 2 m thick. Exploration by Entrée has included detailed mapping, trenching, ground magnetic and IP surveys and both diamond and RC drilling. The coal is structurally complex and although total apparent thicknesses of coal-bearing stratigraphy can be up to 57 m, there may be structural repetition. Early test work suggests the coal would be suitable for power generation (Vann, et al., 2009).</p>
Lordsburg	Earning up to 80	New Mexico	<p>The Lordsburg prospect covers part of the Lordsburg copper-gold-silver trend and is prospective for intrusion-related mineralisation. The previous holders has used geophysical, geochemical and geology to generate a series of targets which Entrée followed up with diamond drilling. In total, 10 holes have been completed with five intersecting promising alteration and weak copper mineralisation, one hole returned potentially economic grades of 0.25% Cu and 0.15 g/t Au over 94 m. This is considered an early stage exploration project.</p>
Bisbee	Earning up to 80	Arizona	<p>Entrée optioned the Bisbee project from Empirical Discovery in January 2008 with the intention of using Empirical's geophysics interpretation to generate copper porphyry targets. The district has historically produced over 8 billion pounds of copper suggesting it is reasonably prospective. In 2009 Entrée completed a test geophysics survey and identified two targets. This is an early stage project.</p>
Yerington	75-80	Nevada	<p>These prospects are adjacent to PacMag's Ann Mason project and share the same geology and are prospective for copper porphyry mineralisation. Previous work on the project was done by Honey Badger who completed a high resolution magnetic survey and time-domain electromagnetic survey. These were complemented by a soil geochemistry programme. No targets have been drilled and these projects are at early exploration stage.</p>
Crystal	Earning up to 100	British Columbia	<p>The Crystal property is located approximately 50 km southeast of the Endako moly mine in Canada. Very little is known about the prospect, which has not previously been explored. It is believed that the property is prospective for moly-copper porphyry deposits. Crystal is a very early stage project.</p>
Huaixi	Earning up to 78	China	<p>The Huaixi project in south east China contains a number of historical copper-gold and pyrite mines and displays extensive argillic alteration. Entrée's exploration has consisted of soil and stream sediments, followed up by magnetic and IP surveys. These have identified a 7 km-long structural corridor of potential porphyry mineralisation. Drilling is current and ongoing at this project. Huaixi is an early stage exploration project.</p>

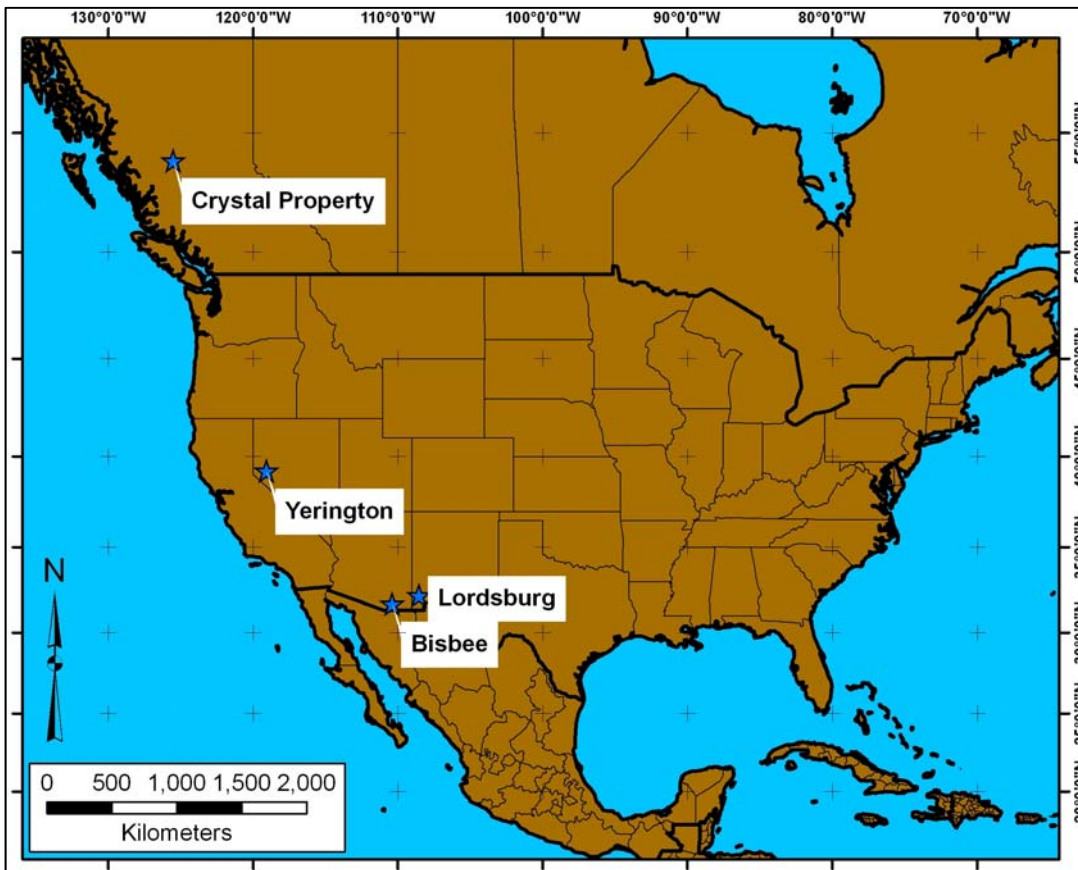


Figure 5-1: Entrée project locations in North America

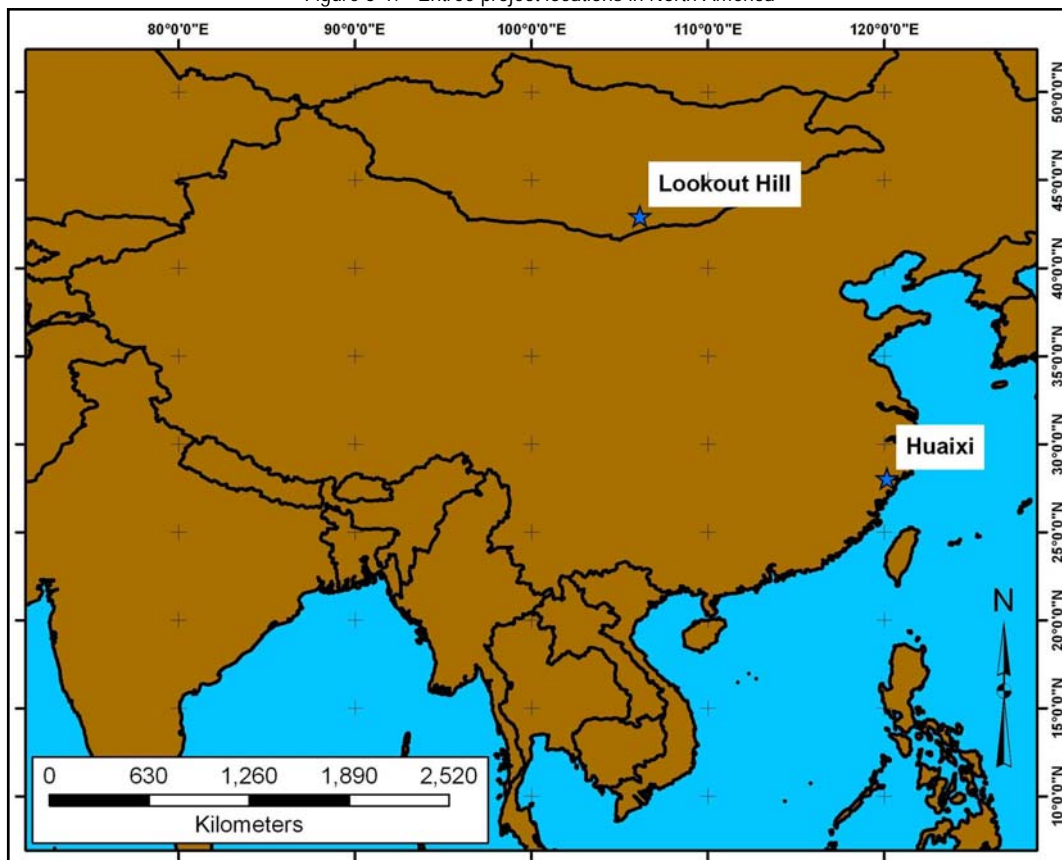


Figure 5-2: Entrée project locations in Asia

5.2 Entrée Valuation

Lookout Hill Project

Hugo North Extension

Due to its intimate link to Ivanhoe's world class Oyu Tolgoi deposit, it is very difficult to assign a technical valuation to the Hugo North Extension (HNE) deposit. Before mineralisation had been identified on the project, Ivanhoe undertook to spend USD35M on exploration between 2004 and 2008, and in addition made a series of private placements and warrant exercises in Entrée for approximately CND17.2, to earn 80% of the project. This would value Entrée's portion of the project at USD8.75M which would be unrealistically low given the identified resource. In contrast, Rio Tinto paid USD37M in three payments to acquire 15.8% of Entrée. If all Entrée's other assets are ignored, and it was assumed that the Ivanhoe-Entrée JV would be realised, this would equate to a purchase of ~3% of the HNE project – thus valuing Entrée's portion at USD250M.

The main issue associated with a technical valuation of HNE (and the main Hugo North Project) is that no Ore Reserve for the deposit has been published, but Ivanhoe is proceeding with development without a completed feasibility level study for the entire project. However, given the level of development investment, it does not seem appropriate to regard the project as an exploration or advanced exploration project. Recent media communication from Ivanhoe and Rio Tinto has indicated the imminent release of an 'Integrated Development Plan' for the entire Oyu Tolgoi project. This will be a significant update on the 2005 document of the same name and is likely to incorporate reporting of underground Reserves and a detailed financial model of the project. This report was not available at the time of this valuation.

SRK has applied a Rule of Thumb method to value the HNE project.

Rule of Thumb

HNE has a published resource of 212 Mt at a Cu equivalent grade of 1.87%, giving a total of 8.8 billion pounds of copper equivalent.

It is difficult to assign a value for in ground copper in what is clearly a unique world-class deposit with potential exceeding the current level of confidence implied by the published Resources and Reserves. There are a number of transactions for large porphyry deposits, but with slightly lower grades. It would also be possible to use Rio Tinto's investment in Ivanhoe as a gauge of the level of market perception of the deposit potential.

An initial dataset of global copper transactions involving advanced projects from the last four years (2006-2009) was compiled from the Metals Economics Group (MEG) database and other internet resources. The list was reduced by excluding incomplete or terminated transactions. Projects at an exploration, advanced exploration or production stage were also excluded.

SRK also considered the geological style of the mineralisation in the comparable transactions and discarded transactions involving high grades or small tonnage, which were typically VMS deposits.

The remaining transactions and a calculated in-ground value for a pound of copper resource are listed in Table 5-3.

Other transactions were researched, but not used as part of this valuation – after researching the details behind the transactions; SRK did not consider these comparable.

These include, but are not limited to:

- Cerro Casale – This and other similar porphyries were not used as they are gold dominant.
- Rio Blanco – Peruvian porphyry purchased by the Chinese but beset by social and environmental problems and hence returned an unrealistically low value.
- El Pilar – The project was purchased by Mercator and although well advanced was considered too low grade (0.24% Cu equivalent) to be used as a comparable transaction.
- Cobra Panama – The withdrawal of Teck Cominco from the project at the height of the GFC gives a very low (and considered unrealistic) value of USD0.008/lb and although included in Table 5-3, it is excluded from subsequent discussion.

As the database provides a large range of in ground values, the lowest value (USD0.039/lb for Toromocho) and highest value (USD0.16/lb for Rio Tinto's second set of warrants for Entrée) have been excluded in the following analysis. The mean of the remaining eight transactions is USD0.066/lb with a standard deviation of USD0.015/lb. These values compare favourably with Rio Tinto's investment in Ivanhoe in 2006 and 2009. Using one standard deviation away from the mean gives a high (USD0.081/lb) and low (USD0.051/lb) in ground value with SRK's preferred value being the mean of USD0.066/lb. By applying these to the HNE Resource, a preferred project valuation of USD579M is estimated.

Under the terms of the JV, Entrée own 20% of the project. However, the JV also allows for all Entrée's future expenditure on the project to be debt financed by Ivanhoe, payable from 90% of the resulting cashflows. In terms of a project NPV, this funding mechanism could significantly increase the project value. Due to the unknown costs, revenues and timeframes associated with the project, the exact increase cannot be verified by the currently available information. Given that SRK's project value of USD577M is based on 'normal' funding mechanisms, Entrée's 20% of the project (base value USD116M) has been increased by 40% to reflect the favourable JV terms. The 40% was determined after consideration of a series of simple cashflow models. This values Entrée's share of the HNE project at USD162M. Details of the valuation range are shown in Table 5-4.

Table 5-2: Valuation of the HNE Project

Prospect	Contained CuEq3 ('000 lb)	Low value USD (M)	Preferred value USD (M)	High value USD (M)
Hugo North Extension	8,745,000	446.02	577.20	708
Hugo North Extension (Entrée)	3,218,000	124.89	161.61	198.35

³ The same CuEq as used to define the comparable transaction values was used

Table 5-3: Recent comparable transactions to Hugo North Extension

Project	Description	Date	Transaction Summary	Resource tonnes (Mt)	Resource grade % Copper equivalent ⁴	In ground copper value (USD/lb)
El Morro	Copper gold porphyry in north central Chile. Feasibility study was completed in May 2008 for a 172,000 tpa Cu operation with USD2.52B CAPEX. Re-work of the study is currently taking place. A total of 72% of the 620 Mt Resource is classified as a Reserve.	Jan 2010	Barrick Gold originally made an offer to Xstrata to acquire their 70% for USD465M in cash. However, New Gold have exercised their right of first refusal on the project with backing from Goldcorp for a total value of USD515M (Goldcorp PR 07/01/2010).	620	0.91	0.059
Galore Creek	Owned by Novagold Resources, Galore Creek is a large Cu-Au porphyry in Alaska. Although without Reserves, 69% of the 1.1Bt Resource is classified as Measured or Indicated at grades of 0.47% Cu and 0.256 g/t Au. Resources have decreased since the transaction. A construction decision has yet to be made.	May 2007	Teck Cominco farmed into the project. To earn their 50%, the company agreed to spend USD478M in development costs (Novagold PR 23/05/2007).	1,330	0.64	0.051
Cobre Panama / Petaquilla	This project in Panama was discovered in the late 1960s with work ceasing with a BFS towards the end of the 1990s. The project was re-evaluated in 2004 with subsequent re-working of the feasibility study in 2007. Although design was has continued, Inmet are looking for a partner to assist in funding the estimated USD3.5B CAPEX. Given the age of the deposit, a very small amount of the previous resource is reported to current standards.	Oct 2009	LS Nikko Copper Inc entered into an option to acquire 30% of the project through spending up to USD150M in non-refundable development costs prior to the option period and then 20% to 30% of Inmet's USD501M development costs (USD100m-150M). Assumed value – USD300M for 30% (Inmet PR 28/10/2009).	1,158	0.57	0.068
		Nov 2008	Teck Cominco decided not to proceed with the project and sold their 26% stake to Inmet for USD30M (Inmet PR 20/11/2008).	1,158	0.57	0.008
		Aug 2008	Inmet made a CND2.00 per share offer for the outstanding equity in Petaquilla Copper Ltd to acquire 26% of the property. Total value of the transaction was USD348M (Inmet PR 06/07/2008).	1,158	0.57	0.092
Oyu Tolgoi	See description in Appendix 4	Oct 2006	Rio Tinto formed a partnership with Ivanhoe by acquiring USD303M in equity for 9.9% of the company with warrants for an additional 9.8% for USD388M once investment agreements had been signed. Resources at the time stood at 2,180 Mt grading 0.81%Cu and 0.29 g/t Au. This assumes that the majority of Oyu Tolgoi was Ivanhoe's main asset, (Rio Tinto PR 18/10/2006).	2,180	1.0188	0.062
		Oct 2009	USD388M to increase its shareholding in Ivanhoe from 9.9% to 19.7% (increase of 9.8%) using warrants issued in 2006 hence the 2006 resource figures are used (Ivanhoe PR 28/10/2009).	2,180	1.0188	0.081
Hugo North Extension	See description in Appendix 4	Various	Rio Tinto acquired 9.9% of Entrée through a placement of USD12.5M with warrants for an additional 6.4% for an additional USD18M. At the time, exploration had identified continuity of the Hugo North into the extension area but no resource was defined. Assuming negligible value for Entrée's other assets these value Entrée's Lookout Hill Project between USD126M and USD281M. Using the current Resource, these equate to in-ground values of between USD0.072/lb and USD0.16/lb.			0.072 – 0.160

⁴ Equivalence was based on USD1.5/lb Copper, USD850/oz Gold and USD6/lb Molybdenum to give Cueq (%)=Cu (%) + 0.72Au (g/t) + 4Mo (%)

Project	Description	Date	Transaction Summary	Resource tonnes (Mt)	Resource grade % Copper equivalent ⁴	In ground copper value (USD/lb)
Toromocho	This large copper porphyry is located in Peru. A pre-feasibility study was completed in 2006 with associated Reserves of 1.26 Bt and additional Resources of 867 Mt.	June 2007	Chinalco made a friendly all script offer for Peru Copper valuing the company at USD860M (Chinalco Website).	2,127	0.47	0.039
Galeno	Discovered by Newmont in 199,1 this deposit in northern Peru is a large Cu porphyry. A pre-feasibility study was completed in Jan 2007 with Reserves of 661 Mt 0.5% Cu and 0.12 g/t Au.	Nov 2007	A Chinese consortium of Minmetals and Jiangxi Copper Co made a friendly cash offer to purchase all shares of Northern Peru Copper, valuing the company at USD450M. Resources at the time stood at 800 Mt grading 0.46% Cu and 0.15 g/t Au (Minmetal PR 07/12/2007).	800	0.57	0.045

(© Copyright by Metals Economics Group 2010. All rights reserved.)

Heruga

The Heruga deposit is very similar in size to PacMag's Ann Mason deposit but is higher grade. The same Rule of Thumb method and transaction database (Section 0) is used to value the project. The non-mineralised cover at Heruga is significantly thick, making the project more suitable for bulk underground mining – more expensive than the open pit mining expected for deposits in the comparable transactions lists. This factor would suggest a reduction in relative value compared to comparable transactions. However, Heruga is located within 5km of Ivanhoe's Oyu Tolgoi project and would likely benefit from its infrastructure and plant, suggesting an increase in the project value. Although impossible to quantify these two factors, in SRK's opinion and given the early stage of the project, it is reasonable to use an unmodified value based on the Rule of Thumb method.

Using the Rule of Thumb method and previously discussed transaction database (Section 0), SRK's preferred value for the Heruga deposit (total) is USD128M (Table 5-4).

As Heruga is part of the same JV as HNE, a similar modification to the Rule of Thumb needs to be made to account for the favourable JV terms. In this instance, a 25% increase has been applied. The lower value (25% vs 40%) reflects that Ivanhoe's (the JV operator) primary focus is Oyu Tolgoi, with less focus placed on developing Heruga in the near term. Entrée's share of the project is valued at USD26M which then increases to USD32M using the modification.

Table 5-4: Valuation of the Heruga Project

Prospect	Contained CuEq ⁵ ('000 lb)	Low value USD (M)	Preferred value USD (M)	High value USD (M)
Heruga	16,090,000	114.24	127.11	141.59
Heruga (Entrée)	3,218,000	28.56	31.78	35.40

Western MELs

Precious and Base Metal exploration

A number of base and precious metal prospects have been identified within the Shivee Tolgoi and Tolgoot MELs, however, coal is the main focus of exploration in the Tolgoot licence. Copper, gold and molybdenum exploration is at a very early stage, with soil sampling, geophysics and minor drilling completed in the area.

A Rule of Thumb method based on comparable exploration transactions was used to determine a value for the Western ELs base and precious metals project. SRK used the transactions to derive a 'value per square kilometre' and applied it to the 1,796 km² project.

As no comparable transactions involving gold, copper and molybdenum exploration exposure in Mongolia were available; the search was extended to properties in China and the ex-Soviet countries. These transactions were compiled from the MEG database and other internet resources. The list was reduced by excluding terminated transactions.

The remaining transactions are listed in Table 5-5 as well as the calculated per square kilometre values.

Table 5-5: Comparable Asian exploration transactions

Project	Location	Date	Transaction	Area (km ²)	USD per km ²
Bogunay (Au)	Siberia	Apr-09	Kola Mining signed an agreement to acquire OOO Artel Staratelei Angarskaya Proizvodstvennaya Kompania (from parent AngloGold Ashanti) for USD722k, the project included debts of USD1.1M.	475	3,404
Da Hong Shan (Cu)	Xinjiang	Jan-08	Staged option arrangement to acquire 50% of the project over three years for a total of USD3.5M with initial year commitment of only USD200k.	302	1,083
Huangnan (Cu-Au)	Qinghai	May-07	Maxy Gold Corporation can earn a 50% interest by spending USD2M over 2 years.	203	4,671

(© Copyright by Metals Economics Group 2010. All rights reserved.)

The transactions utilised in this valuation typically involved staged joint ventures, often with an initial payment followed by a series of earn-ins to gain a proportion of the project. The value of the joint venture was determined according to the methodology outlined in Section 0.

Although there are only three comparable transactions, they all have similar per km² values (Table 5-6) and a narrow range of per km² values. The Bogunay transaction is a purchase, and therefore directly comparable to the Western MEL's transaction, although it did occur during the GFC. As this is the highest value transaction in the list, it is unreasonable to discount all the values for the Reasonable Purchase Price factor a second time.

The Western MEL project area is sizable at nearly 1,800 km² and has very limited exploration data. It is therefore very difficult to assess whether the entire tenement package is prospective. While its location near the Oyu Tolgoi deposit would suggest a degree of prospectivity, exploration for deep targets is expensive and to date Entrée's main focus has been coal. To account for this uncertainty in prospectivity, the base metal per unit area value has only been applied to half the tenement area (898 km²). The valuation range for the base metal prospectivity on the Western MELs using a Rule of Thumb based on comparable transactions is USD1M to USD4.2M, with SRK's preferred value being USD2.7M (Table 5-6).

Table 5-6: Values for Western MELs' base and precious metals exploration potential calculated on a value per km² basis

Project	Average Low value (USD1,100/km ²) USD (M)	Average Intermediate value (USD3,000/km ²) USD (M)	Average High value (USD4,700/km ²) USD (M)
Western ELs (898 km ²)	0.99	2.69	4.22

⁵ The same CuEq as used to define the comparable transaction values was used

Coal Project

Entrée has identified coal horizons in sedimentary terrane within the Tolgoot Licence (1,045 km²). Coal has been exposed by excavator and in core (>70 holes) in the licence area. The coal is bituminous to anthracite in rank and occurs in seams 0.2 to 4.25 m thick within coal-bearing horizons up to 57 m thick. Individual coal seams cannot be traced from hole to hole because of incomplete or failed intercepts through the coal-bearing stratigraphy and lack of downhole geophysical surveys. The coal is considered to have potential for heating or power generation, but not for metallurgical purposes.

A Rule of Thumb method was used to determine a value for the Western ELs coal project. SRK used a comparable transaction to derive a 'value per square kilometre' and applied it to the Tolgoot licence, which is considered prospective for coal. Transactions involving coal exploration assets in Mongolia, China and ex-Soviet countries were researched utilising a number of internet resources.

Due to the limited number of transactions involving coal exploration assets, SRK has chosen to use the most comparable transaction (Chandgana Khavtgai) in this valuation:

- In September, 2007 Redhill Energy Ltd acquired 100% of the Chandgana Khavtgai Project (370 km²) in South Central Mongolia for USD570,000. Field reconnaissance identified several outcropping thick coal-bearing zones which were along strike of Redhill's adjacent historical coal Resource. Drill holes within the 2 km of the project indicated the continuation of a thick coal seam on Khavtgai. Since the purchase, a total of 1,200 m of drilling has been undertaken and a Resource published.

Other transactions were researched, but not used as part of this valuation, as detailed investigation indicated that they were not comparable. These include, but are not limited to:

- April 2009: Polo Resources and Peabody Energy Corporation JV. In addition to coal assets, the transaction included 26 uranium licences.
- August 2009. Gulfside's acquisition of the Onluul coal project from two private companies. This project included coal tonnages reported by Russian and Mongolian geologists in 1974.

The value per km² of the Redhill transactions was USD1,500. Rather than applying this to the entire Western MEL project, it has been restricted to the northern half of the Tolgoot licence (523 km²) which contains the prospective Permian sediments Entrée is currently investigating for coal. Without a number of transactions to provide a range, SRK has used \pm 20% of the preferred value to give high and low valuations. As the relevant transaction was a purchase, no Reasonable Purchase Price factor should be applied to this valuation.

Table 5-7: Values for Western MEL's coal exploration potential calculated on a value per km² basis

Project	Preferred value (USD1,500/km ²) USD (M)
Western MEL's Coal (523 km ²)	0.78

Huaixi

The Huaixi property in southeast China is an early stage project targeting copper mineralisation. The property consists of three contiguous exploration licences totalling ~61 km². Exploration at the project includes geophysical surveys, mapping, and rock chip and surface sampling. A drilling program commenced in November 2009 and results are pending.

A Rule of Thumb method was used to determine a value for the Huaixi project. The same transactions used for the Western MEL's base metal valuation were used to determine a value per square kilometre for Huaixi (Table 5-5).

Entrée is currently earning-in to the Huaixi project by spending USD3M over four years. Valuing the JV at the time of agreement (see Section 0), gives a project value of USD0.26M which falls within the range given by the Rule of Thumb method.

Entrée is earning up to 78% over four years for an agreement in November 2007. Entrée do not obtain this proportion of the project until all the terms of the agreement are met, hence it can be suggested that their current ownership of the project is in fact 0%. However, this does not reflect their right to acquire a portion of the project in the future.

By discounting the value of the JV by probabilities of completing them (as in both the direct valuation and in the comparable transactions), the chances of not completing the JV and not earning the final ownership values are already factored into the value. It is therefore legitimate to use the discounted JV value factored by Entrée's final ownership (in this case, 78%) as current value of Entrée's portion of the project.

Table 5-8: Values for Huaixi Project calculated on a value per km² basis

Project	Average Low value (USD1,100/km ²) USD (M)	Average Intermediate value (USD3,000/km ²) USD (M)	Average High value (USD4,700/km ²) USD (M)
Huaixi (61 km ²)	0.067	0.183	0.285
Huaixi (Entrée's 78%)	0.052	0.143	0.222
Huaixi Entrée RPP	0.019	0.051	0.080

As with the Western MEL's valuation, SRK has chosen to use an intermediate per square kilometre value as the preferred valuation for Huaixi.

North American Copper Exploration Assets

Entrée's North American exploration assets include Lordsburg, Yerington, Bisbee and Crystal. A Rule of Thumb method and direct valuing of the JVs were used to determine the values for the North American copper exploration projects. For the Rule of Thumb method, comparable transactions were used to give a per km² value for the assessment.

Joint Venture Values

Using the method outlined in Section 0, SRK has used the terms of Entrée's JV agreements to value the projects. Where the JV was signed in 2007 (Lordsburg and Bisbee), the probabilities used for the first two years of the agreements were set to 100%. These values represent a high range value for the projects.

The joint ventures have also been used to assess Entrée's current ownership by discounting the final ownership by the probability of completing the earn-in agreement (Section 0 details this method further). The values and ownerships are shown in Table 5-9.

Table 5-9: Values of Entrée's North American exploration JVs

Project	Date	Potential ownership	Term	Expenditure (cash+shares) USD (M)	Project value USD (M)
Lordsburg	Jul-07	80%	5	2.665	0.43
Bisbee	Feb-08	80%	5	2.282	0.43
Yerington (Honey Badger)	Jul-09	75%	3	2.100	0.37
Yerington (Bronco)	Sep-09	80%	3	1.353	0.20
Crystal	Sep-09	100%	1	0.500	0.40

Rule of Thumb

The copper transactions used for the Meadow Valley valuation (see Section 0) were used in the valuation of Entrée's North American copper exploration projects.

The discussion in Section 0 highlights a 'large area' and 'small area' unit value for exploration projects. Most of Entrée's North American exploration falls into the 'small area' category in terms of area. However, comparison to the JV valuation above suggests that the prospectivity of these projects is more akin to the 'large area' values. The mean per km² value of USD4000 was used; this provides the low range of valuation for the projects.

Summary

SRK's valuation of Entrée's North American exploration projects is shown in Table 5-10 for all projects. The range is provided by using the JV terms (high valuation) and Rule of Thumb (low valuation), with SRK's preferred value being the mean of the two. Table 5-11 has discounted the values to account for Entrée's final ownership of the projects (as discussed in Section 0), and for the Reasonable Purchase Price.

Table 5-10: Values for Entrée's North American copper exploration projects (100% ownership)

Project	Low range value (Rule of Thumb) (USD4,00/km ²) USD (M)	Average Intermediate value USD (M)	High range values (JV terms) USD (M)
Lordsburg	0.06	0.11	0.16
Bisbee	0.06	0.11	0.16
Yerington (Honey Badger)	0.1	0.115	0.13
Yerington (Bronco)		0.036	0.072
Crystal	0.07	0.105	0.14

Table 5-11: Values for Entrée's ownership of North American copper exploration projects

Project	Estimated ownership	Low range value (Rule of Thumb) USD (M)	Average Intermediate value (AUD5,800/km ²) USD (M)	High range values (JV terms) USD (M)
Lordsburg	80%	0.017	0.032	0.046
Bisbee	80%	0.017	0.032	0.046
Yerington (Honey Badger)	75%	0.027	0.031	0.035
Yerington (Bronco)	80%		0.010	0.021
Crystal	100%	0.025	0.038	0.050
Total		0.09	0.14	0.20

5.3 Summary

SRK's total technical valuation of Entrée has a range of USD155M to USD239M, with a preferred value of USD197M. A summary of the valuation is shown in Table 5-12.

Table 5-12: Summary of Entrée valuation

Asset	% Owned	Low value USD (M)	Preferred Value USD (M)	High Value USD (M)
Lookout Hill Shivee Tolgoi JV (HNE)	20	124.89	161.61	198.35
Lookout Hill Shivee Tolgoi JV (Heruga)	20	28.56	31.78	35.40
Lookout Hill Western MELs	100	0.99	2.69	4.22
Lookout Hill Coal	100	0.63	0.78	0.942
Lordsburg	Earning up to 80	0.02	0.03	0.05
Bisbee	Earning up to 80	0.02	0.03	0.05
Yerington	Earning up to 75-80	0.03	0.04	0.06
Crystal	Earning up to 100	0.03	0.04	0.05
Huaixi	Earning Up to 78%	0.019	0.051	0.080
Total		155.19	197.05	239.20

6. Conclusions and Recommendations

The PacMag Australian assets comprise four early stage exploration projects in Western Australia, and the mid-stage Blue Rose / Olary exploration project in South Australia. The majority contributor to the value of PacMag is the Ann Mason porphyry Cu-Mo deposit located in the Yerington area, Nevada, USA. Other assets in the Ann Mason area include the Blue Hills advanced exploration prospect, and a number of associated lode claims in the immediate area. In addition, lode claims in southern Nevada (Rainbow Canyon) and Arizona (Meadow Valley) represent Cu and Au exploration assets. PacMag also has interest in uranium projects in North Dakota, USA. These are of two groups, the Church uranium deposit, with a small JORC Inferred Resource, and regional early stage exploration targets primarily on Federal lands also within areas containing anomalous surface uranium.

Entrée's most important assets are in Mongolia. Entrée holds tenements immediately north and south of the Oyu Tolgoi tenement. The Oyu Tolgoi Cu-Au deposit plunges north across the tenement boundary, and an Indicated and Inferred JORC Resource has been published for the Entrée lease area. The lease is joint ventured with the Rio Tinto-Ivanhoe Joint Venture, and is currently 20% owned by Entrée. The lease south of Oyu Tolgoi also has an identified JORC Inferred Resource. This Resource is at 500 m depth, and to date there is no published mining study for this deposit.

The western section of the Entrée tenements falls outside of the Oyu Tolgoi joint venture. These tenements are at an early stage of exploration. Entrée has identified areas prospective for porphyry copper deposits and also coal deposits, as part of the tenement is covered by the prospective Permian coal basin in Mongolia. Entrée has already identified seams up to 2 m thick in a stratigraphic interval up to 57 m thick.

Entrée also holds joint venture farm-in agreements in China (Huaixi Cu prospect), and in North America, including farm-in to a property adjacent to Ann Mason. There are five projects in North America, two at Yerington with synergy with Ann Mason, Bisbee in Arizona, Lordsburg in New Mexico and Arizona, and Crystal in British Columbia, Canada. All of these are early stage exploration projects.

Valuation

Valuation of exploration projects inherently has inexact outcomes, due primarily to the inherent risk in the outcome of future exploration on any particular property. This uncertainty is related to the level of knowledge of the geology of an area, the level of understanding of mineralising systems that may have operated in that area, and the difficulty of identifying mineralisation that is below the earth's surface. A number of methods have been used to determine a likely market value for properties. SRK has undertaken the valuation of the PacMag and Entrée projects using a combination of the Comparative Market Transaction, Rule of Thumb, and Geological Risk methods. Rule of Thumb methods assign a value to an exploration property related to the area of the property, or for properties where there is an Identified Resource, a value per unit of metal. Geological Risk methods identify the geological and mineralising system parameters for an area, and assess the direct probability of discovery, discounted for exploration costs. For both the Rule of Thumb and Geological Risk methods, comparable transactions and implied property values within joint venture agreements were used to derive in situ or unit area values and relate the values to market value.

For development projects, there is more certainty as to the value of projects, and a technical value can be derived where sufficient studies on the mining and processing of an identified Resource have been carried out. This methodology is referred to in this report as Project Financial Analysis method.

Both Entrée and PacMag have projects with substantial Identified Resources. In both cases, these Identified Resources are the most significant component of the asset values attributed to the companies. A review of the resource reports for Ann Mason, Sentinel, Hugo North Extension and Heruga shows that the Resources were estimated by competent persons who are independent of both Entrée and PacMag. In addition, the Resources were reported in accordance with the relevant code for reporting of Resources and Reserves (JORC or CIM). SRK has reviewed these reports and is of the opinion that they are compliant within the relevant jurisdiction.

Recommendations

In valuing the exploration properties, the majority of recent transactions that have taken place have been earn-in agreements where ownership of a portion of the tenements is transferred following a series of payments in the form of exploration investment on the property. Fewer direct transfer of ownership through outright purchase of a property (either through shares or cash) take place, and, particularly for exploration properties, the consideration for direct purchases is commonly less than the value of a tenement determined from a joint venture transaction. SRK notes that the value of a tenement has two components: the capital, which is the sale or purchase price of the tenement, and the commitment to exploration expenditure on the tenement. As this commitment is not binding and a purchaser may cease exploration after the first year, this commitment is limited to the first year's exploration expenditure after purchase. Through analysis of tenement purchases and exploration commitments on similar properties over the same period, SRK estimates that the purchase price component may vary between 28% and 43% of full tenement value, but averages approximately 36% of the full tenement value. SRK has used this value to derive a Reasonable Purchase Price for tenements when using exploration joint ventures as the prime method for determining a market value.

As the proposed transaction is effectively a payment of shares and cash for transfer of ownership of the properties, the correct value to use in this transaction is the Reasonable Purchase Price.

PacMag

Based on the methodologies described above and applied to the PacMag assets, SRK's recommended valuation of PacMag's interests in the assets is set out in Table 6-1:

Table 6-1: SRK's recommended valuation of PacMag's interests

Asset	% Owned	Low value USD (M)	Preferred Value USD (M)	High Value USD (M)
Ann Mason (and associated exploration)	100	39.37	45.07	52.49
Blue Hills	100	2.34	2.72	3.15
Sentinel Church deposit	100	0.10	0.23	0.39
Sentinel Federal Lands	100	0.12	0.20	0.28
Meadow Valley	100	0.02	0.03	0.04
Rainbow Canyon	100	0.02	0.04	0.06
Blue Rose / Olary	51	0.28	0.79	1.30
Western Australian Exploration	Various	0.10	0.17	0.25
Total		42.35	49.25	57.96

Entrée

Based on the methodologies described above and applied to the Entrée assets, SRK's recommended valuation of Entrée's interest in the assets is set out in Table 6-2:

Table 6-2: SRK's recommended valuation of Entrée's interest

Asset	% Owned	Low value USD (M)	Preferred Value USD (M)	High Value USD (M)
Lookout Hill Shivee Tolgoi JV (HNE)	20	124.89	161.61	198.35
Lookout Hill Shivee Tolgoi JV (Heruga)	20	28.56	31.78	35.40
Lookout Hill Western MELs	100	0.99	2.69	4.22
Lookout Hill Coal	100	0.63	0.78	0.942
Lordsburg	Earning up to 80	0.02	0.03	0.05
Bisbee	Earning up to 80	0.02	0.03	0.05
Yerington	Earning up to 75-80	0.03	0.04	0.06
Crystal	Earning up to 100	0.03	0.04	0.05
Huaixi	Earning Up to 78%	0.019	0.051	0.080
Total		155.19	197.05	239.20

7. References

- Aurelio Resources, website 2009: www.aurelioresource.com
- Black Fire Minerals website, 2009: www.blackfireminerals.com.au
- Canada NewWire, 2009. News Release Entrée Gold 2009 Exploration and Corporate Update; 21/12/09.
- Cascadero Copper website, 2009: www.cascadero.com
- Chinalco Website, 2009: www.chinalco.com
- Clifford, M, 2006. Ann Mason copper-molybdenum-gold project Nevada – USA Resource Input Report. July 2006, unpublished internal report for PacMag.
- Clifford, M and Moreau, X, 2009. Olary Project Blue Rose JV, South Australia, Exploration licences EL3848, 3849, Second annual technical report to PIRSA for the period ending 19 July, 2009 (Report # CR 446).
- Columbus Gold Corp website, 2009: www.columbusgoldcorp.com
- Crowflight website, 2009: www.crowflight.com
- East West Resources Corp website, 2009: www.eastwestres.com
- Eastfield Resources Ltd website, 2009: www.eastfieldresources.com
- Entrée, 2007. News Release by Entrée Gold: Entrée Gold Enters Into Agreement to Explore for Porphyry Copper in Southwestern USA. 18/07/2007.
- Entrée, 2009. Entrée Gold Inc Management Discussion and Analysis for the 6 Months Ended June 30, 2009, unpublished internal company report, 22 p.
- Escape Gold Inc website, 2009: www.escapegold.com
- Explorator Resources website, 2009: www.explorator.ca
- Farrell, J and Pilger, G, 2009. Resource Estimation for the Church Deposit, unpublished report prepared by Golder Associates for PacMag Metals Limited.
- Frontier Mining Ltd website, 2009: www.frontiermining.com
- Full Metal Minerals Corp. website, 2009: www.fullmetalminerals.com
- Geo Minerals website, 2009: www.geominerals.ca
- Gold Invest Inc, 2009. Meadow Valley Copper Project- Santa Cruz Arizona, unpublished memo for PacMag Metals Limited.
- Goldcrest Mines Inc website, 2009: www.goldcrestminesinc.com
- Heberlein, D, 2009. Huaixi Project, China: An Interpretation of Stream Sediment and Soil Sample Data, unpublished report for Entrée Gold Inc.
- IMA Exploration (now Kobex Minerals Inc) website, 2009: kobexminerals.com
- International Tower Hill Mines website, 2009: www.ithmines.com
- Kendall, S, 2009. Arrino Copper Project, unpublished report for PacMag Metals, 8 p.
- Khosrowshahi, S, and Shand, B, 2006. Ann Mason Resource Estimation, November 2006, unpublished report prepared by Golder Associates for PacMag Metals Limited.
- Kola Mining website, 2009: kolamining.com
- Lawrance, M J, 1994. An overview of Valuation Methods for Exploration Properties in Mineral Valuation Methodologies, Publication Series No5/95, pp 205-224 (The Australasian Institute of Mining and Metallurgy: Melbourne).
- Lord, D, Etheridge, M, Wilson, M, Hall, G and Uttley, P, 2001. Measuring Exploration Success: An alternate to the discovery-cost-per-ounce method of quantifying exploration effectiveness, *Society of Economic Geologists Newsletter* Number 45, April 2001.
- Midas Resource Limited website, 2009: www.midasresources.com.au
- Midway Gold Corp website, 2009: www.midwaygold.com
- Millinoff, T., 2009. Prospecting and Geochemical Report on the Crystal Property, unpublished report for Entrée Gold Inc.
- Minmetals Website, 2010: www.minmetals.com
- Miranda Gold Corp website, 2009: www.mirandagold.com
- Nevada Copper Corp website, 2009: www.nevadacopper.com
- New Dimension Resources Ltd website, 2009: www.newdimensionresources.com
- Norsemont Mining website, 2009: www.norsemont.com
- Northern Dynasty Minerals website, 2009: www.northerndynastyminerals.com
- PacMag 2009a. ASX Announcement: New Epithermal Gold Project Secured in Nevada-USA, 12 October 2009.
- PacMag 2009b. ASX Announcement: Northling Copper Project Joint Venture, 30 September 2009.
- PacMag 2009d. Corktree Bore Project, Exploration Licence E52/2056 Annual Technical Report to the Department of Minerals and Petroleum for the Period Ending 18 September 2009.
- PacMag, 2009. ASX Announcement: Extension to major iron ore project identified on Blue Rose JV, South Australia, 14 October, 2009.
- PacMag, 2009c. ASX Announcement: Mystique Gold Project Joint Venture, 9 September 2009.
- Pan Pacific Copper website, 2009: www.ppcu.co.jp

- Panteleyev, A, 2008: Report on June / July 2008 Geological Mapping, Tolgoot Licence, Lookout Hill (Shivee Tolgoi) Property, Omnogovi Aimag, South Gobi Region, Mongolia - Geologic Mapping of Volcanic Terrane in Northern Tolgoot Licence Area, unpublished report prepared for Entrée Gold Inc, 25 p.
- Peters, B, Parker, H, Cinitis, R, Haines, A and David, D, 2007. Oyu Tolgoi Technical Report, unpublished report for GRD Minproc report, 279 p.
- Quaterra Resources Inc website, 2009: www.quaterraresources.com
- Rimfire Minerals (now called Kiska Metals) website, 2009: www.kiskametals.com
- Romarco Minerals Inc website, 2009: www.romarco.com
- Serengeti Resources website, 2009: www.serengetiresources.com
- Tipper, H W, et al., 1963. Nechako River Map Area, British Columbia; *Geological Survey Canada, Memoir 324*
- Valley High Ventures website, 2009: www.valleyhighventures.com
- Vann, J, Jackson, S, Cullingham, P, Dean, D, Cann, R M and Foster, J R, 2009. NI 43-101 Compliant Technical Report on the Lookout Hill Project Omnogovi Aimag, Southern Mongolia, unpublished report prepared for Entrée Gold Inc., 226 p.

Appendices

Appendix 1: Description of PacMag Projects

Description of PacMag Geology Assets

PacMag is an ASX listed exploration company with a focus on gold, copper, molybdenum and uranium. It has projects in the USA and Australia (Table 1-1). This appendix describes the geological assets of PacMag, covering the geology of each project, its exploration history and any published Resources.

Table 1-1: PacMag's Resource and Exploration Assets

Asset	% owned	Location	Description	Stage
Ann Mason	100%	Nevada USA		
Ann Mason	100%	Nevada USA	Large low grade Cu-Mo porphyry with published Resource and completed scoping study	Resource development
Shamrock	100%	Nevada USA	High grade Cu sulphide target	Exploration target
Ann Mason 5000	100%	Nevada USA	High grade Cu sulphide target	Exploration target
Blue Hills sulphide	100%	Nevada USA	New porphyry target	Exploration target
Blue Hills oxide	100%	Nevada USA	Near surface Cu-oxide target	zona accounts for
Sentinel	100%	North Dakota USA	Lignite hosted uranium-molybdenum deposit with small initial Resource	Resource development
Meadow Valley	100%	Arizona USA	Cu	Early stage exploration
Rainbow Canyon	100%	Nevada USA	Au	Early stage exploration
Blue Rose / Olary	51%	South Australia	Oxide Cu overlies Cu-Au-Mo mineralisation.	Mid-stage exploration - some drilling, some good intersections
Northling	Farmed out	West Australia	Cu	Early stage exploration
Mystique	Farmed out	West Australia	Au	Early stage exploration
Arino ELA / Corktree JV	Appln	West Australia	Cu	Early stage exploration

1. Ann Mason Copper Project

The Ann Mason Copper Project is located 3 km west of the Yerington mine in Lyon County, Nevada, USA. The area has a strong copper mining heritage with the Yerington mine operating from 1953 and 1978. The project is part of the Yerington Copper Porphyry District (YCPD) which contains a number of published mineral Resources. The project is 100% owned by PacMag. The following descriptions are based on Clifford (2006) and inspection of the data supplied to SRK by PacMag.



Figure 1-1: Location map of the Ann Mason Copper Project

1.1 Yerington Copper Porphyry District – Geology

The YCPD comprises Mesozoic sediments and intrusions related to subduction on the then western margin of North America. The geological history comprises (oldest to youngest):

- A volcanic basement overlain by Triassic to mid Jurassic extrusive volcanics and marine sediments.
- These were weakly deformed and intruded by a sequence of granites and dykes. The principal intrusion in the Yerington district is called the Northern Batholith and comprises granodiorite and quartz monzonite rocks intruded to depths of 5-6 km. Slightly later, porphyritic dykes exploited structural weaknesses in the region and are believed to be responsible for the porphyry alteration assemblages and copper mineralisation. Coeval with the intrusions, the area was covered by a layer of volcanic sediments.
- Late Tertiary basin and range extensional tectonics have faulted and rotated the sequence, exposing a vertical cross section through the porphyry system with the top to the west.

Both porphyry and skarn mineralisation occur in the district giving a total known Resource endowment of 24 billion pounds of copper. The Yerington mine operated from 1918 to 1978 to produce 1.9 billion pounds of copper and the Ann Mason (7.7 billion pounds Cu porphyry deposit) and Pumpkin Hollow (Nevada Copper Corp, 9.9 billion pounds Cu skarn deposit) are the largest known but undeveloped deposits.

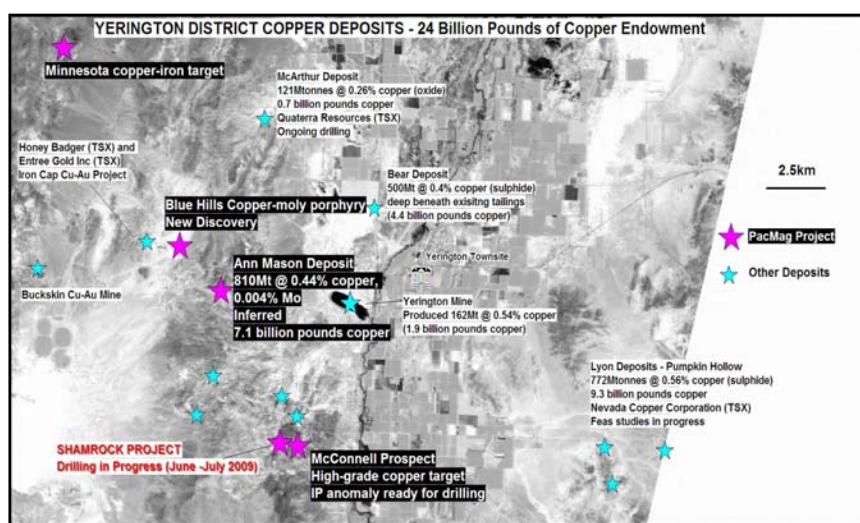


Figure 1-2: Map of the Yerington Copper District showing PacMag prospects and Resource surrounded by other companies projects (From Clifford, 2006)

1.2 Ann Mason

1.2.1 Geology

Ann Mason occurs entirely within the Northern Batholith where it comprises equigranular granodiorites and quartz monzonites. Ten distinct sets of porphyritic dykes control the copper mineralisation and give rise to a typical porphyry sulphide zonation pattern of decreasing sulphide content towards the intrusive centre. Tertiary extensional tectonics have rotated the intrusive package to the west and the Singatze fault, which now forms the hanging wall of the deposit, has down-thrown the covering ignimbrites and hornblende andesites over the mineralisation (Figure 1-3).

1.2.2 Exploration History

The Ann Mason deposit was originally discovered through mapping by Anaconda in the early 1960's. Through the 1960s and 1970s a total of 133,134 ft (40,579 m) of drilling was completed and used to define a large low grade Resource (see section 1.2.2). The next most significant drilling was by MIM in 2002 for 3,000 ft (914 m) and then PacMag in 2006-2008 comprising of an additional 4,701 m. Three recent holes by PacMag have identified a distinct flat lying high grade sulphide lode called the "5000 zone". It has an approximate thickness of 5 m and grades averaging 4.5% copper. It is 100 m wide and open to the northeast and southwest.

1.2.3 Resources

PacMag drilled a single hole at Ann Mason in 2005 and re-assayed selected historical drilling. Using these results a JORC compliant inferred Resource was published in October 2006. No further updated Resources have been completed. Using a copper cut-off of 0.3% Ann Mason has 810 Mt of inferred Resource at 0.4% copper and 0.004% molybdenum giving a total of 7.1 billion pounds of copper.

Subsequent to estimating the Resource PacMag have drilled eight holes to test extensions to the northwest and east. These totalled an additional 3,299m and confirmed continuity with historical Anaconda holes excluded from the earlier estimate. PacMag have not re-estimated the Resource to include these new data.

As part of SRK's assessment of PacMag, the Resource Report (Khosrowshahi and Shand, 2006) relating to PacMag's Ann Mason deposit was reviewed to assess the quality and reasonableness of the published Resource and whether it has been published in accordance with the JORC Code. The Resource was estimated by Golder Associates (Golder) on behalf of PacMag using data and models provided by PacMag. The following elements were considered by Golder as part of the estimate:

- Validity of drillhole database
- Density
- Topographic surveys
- QA / QC of sampling
- Appropriateness of domains using univariate statistics
- Variography by domain
- Unfolding of the geology
- Validation of the estimate
- Resource Classification

The estimate was constrained by a series of 3D models based on the sulphide mineral assemblage –the central bornite zone, a surrounding chalcopyrite zone and a distal pyrite+chalcopyrite zone. Geologically based wireframes were not built as continuity between logged holes was difficult to establish. Variography was performed separately for Cu and Mo and produced modelled variograms with nugget ratios of 15-35% and ranges up to 2350 ft although there were shorter range structures at 270 ft. Due to the concentric nature of the deposit and 3D models the deposit was unfolded for estimation purposes. Estimation was by Ordinary Kriging (OK) with values above 1.2% being locally restricted. A global density of 2.6 was applied to the model. 167 Specific Gravity measurements provided the value of 2.6 and showed little variation even between rock types. The Resource estimate was constrained to within 400 ft of the drilling

SRK's assessment of the Resource has been limited to reviewing the supporting documentation and simple inspection of the drilling and wireframe data in 3D.

It is SRK's opinion that the published Ann Mason Resource is of solid quality and is a reasonable estimate of the deposit.

It is SRK's opinion that the current Ann Mason Resource estimate has been reported correctly in accordance with the current JORC code (2004).

1.2.4 Scoping Study

In February 2007 PacMag completed a scoping study on the Ann Mason project. The study was based around a large open pit with initial production rate of 25 Mtpa rising to 55 Mtpa after 10 years. The current Resource gave a mine life of 34 years. Financial analysis of the project using a three year average copper price of 2.24\$/lb and discount rate of 8% returned a NPV of \$1.7bn. The study recommended that further drilling was required to improve the confidence of the Resource and test the metallurgical characteristics of the ore.

The scoping study was compiled jointly by Metallurgical Project Consultants and PacMag and comprised four key areas:

- Mining – An open pit optimisation was carried out using a cost model based on similar deposits with published data. A slope angle was assumed based on the experience of the PacMag's consultants (Golder), as no geotechnical work has been completed. A conceptual schedule was developed based on a series of open pit shells, however, no pit design work was attempted.
- Processing – A series of sighter test were completed to assess the suitability of the project to standard floatation methods. These formed the basis of a proposed flow sheet.
- Environmental – Gochmour & Associates provided PacMag with an assessment of the environmental and permitting requirements.
- Financial Model – A discounted cashflow model was built for the project. Capital and operating costs were estimated using comparable operations. Other than state royalties no taxation or inflation was considered. The model assumed 100% equity funding of the project.

The purpose of this scoping study was to allow a preliminary economic assessment of the project and to provide justification for continuing the development of the project. The study showed that a large bulk mining operation was potential viable. The uncertainty associated with studies of this nature can vary hugely depending on the level of data available and the purpose of the study. The most notable omissions from the Ann Mason study are geotechnical studies and tax. These elements suggest a preliminary nature as confirmed through discussions with PacMag (Clifford, 2010, per comms).

1.2.5 Environmental Evaluation

1.2.5.1 Introduction

As part of the valuation of this project there is a requirement to evaluate the potential environmental risks associated with 1) the exploration phase and 2) the mining phase of the project.

For this purpose a desk top study has been carried out on the report *MIM (USA), Inc. Ann Mason Exploration Project Lyon County, Nevada, Environmental Assessment, August 2009* (MIM 2009). Note that comments are provided for the purpose of a high-level review only, and are based on the information provided in MIM 2009.

1.2.5.2 Areas of Environmental Concern

The Bureau of Land Management (BLM) identified the following as issues and concerns, which have been the subject of the environmental assessment (MIM 2009):

- Cultural resources
- Noxious weeds
- Wildlife

Other areas of environmental concern are listed in Table 1-1.

1.2.5.3 Legal Setting

The Bureau of Mining Regulation and Reclamation (BMRR) requires that a reclamation permit application is prepared and submitted by the applicant wanting to conduct exploration. The permit application for an exploration project is essentially an exploration plan which details the operations to be carried out.

This combines the information required by both the BLM and the Nevada Division of Environmental Protection (NDEP). The BLM is required to analyse the environmental impacts which might arise from the proposed action, for which purpose the environmental assessment (MIM 2009) report was prepared.

1.2.5.4 Fatal Flaw Comment – Exploration Proposal

The environmental assessment (MIM 2009) highlights a number of impacts which could be incurred during the exploration program, and states how the operator proposes to minimise these impacts (see Table 1-1). Minimal environmental impacts would depend on the efficiency and adequacy of environmental management strategies employed (for example, environmental management plans and systems, monitoring of activities, etc).

If the mitigation strategies outlined in the environmental assessment are carried out in accordance with Best Management Practices, as stated, the risk of encountering an environmental fatal flaw during the exploration program should be low.

1.2.5.5 Fatal Flaw Comment – Mine Operation

Should the proposal be upgraded to a mining operation, many additional environmental risks would result and associated environmental impacts would largely depend on the nature of the proposed mining operations. Mitigation strategies would need to be identified and demonstrated to address these.

A mining operation would greatly expand the footprint of disturbance beyond that which is taken into consideration in the current environmental assessment (MIM 2009).

Permitting would be subject to approval by the BLM and the NDEP which would entail various requirements including environmental impact assessments and operation plans (as a minimum).

The issues identified by the BLM (cultural resources, noxious weeds and wildlife) would likely increase in significance as the magnitude of the proposal expands, and the BLM and NDEP would likely require increased protection and mitigation measures to minimise impacts on these resources. Other issues that may become material that are not currently addressed would include surface and ground water quality impacts, mining waste and tailings management, and air emissions.

The potential for a fatal flaw to be encountered during the approval of a mine development would, for example, depend on:

- 1) The nature of the mining operation proposed and associated environmental issues
- 2) The geochemical nature of the waste and tailings and how they would be managed
- 3) The perception and acceptance of local communities, affected stakeholders, non-government organizations and so on
- 4) The concerns of the BLM and NDEP with respect to the environmental impacts of the proposal
- 5) The time and activity required for the permitting process, including preparation of further impact assessments and plans. These factors are currently unknown since the proposal for the mining operation has as yet not been developed, and therefore cannot be delineated at this stage.

Table 1-1: High-Level Summary of Areas of Environmental Concern, MIM 2009

Environmental Parameter	Potential Environmental Risk	Mitigation proposed by MIM
PHYSICAL ENVIRONMENT		
Air quality	Potential to create dust.	Speed limits enforced, dust suppression, progressive reclamation.
Soils	Soils are susceptible to erosion by wind and water.	Erosion and sediment control, progressive reclamation.
Groundwater	Potential to impact on groundwater reserves during drilling.	Plug holes, drill holes contained and sealed if artesian flow encountered.
Hazardous materials	Potential to pollute.	Licensed landfills will be used, no disposal on site, spill contingency plan to be prepared, use of non-toxic drilling fluids will be employed.
Surface water	No perennial streams or fish habitat identified within the Project Area.	-
Areas of critical environmental concern	Not identified.	-
FLORA & FAUNA		
Vegetation	The quality of vegetation is either low or moderate and contains a mixture of native and non-native species. Potential to disturb vegetation during activities.	Disturbance will be incremental, dispersed and mostly linear (i.e., roads) or patchy (i.e., drill pads). Disturbance is likely to be recolonised by surrounding vegetation.
Invasive, non-native species	Potential for invasive and/or non-native species to colonise the area during disturbance and reclamation of the area.	Preventive Best Management Practices, eradication measures.
Special status species	No federally-listed wildlife or plant species are known to occur in the Project Area. A number of BLM sensitive species exist with potential habitat in or near the Project Area.	Habitat disturbance would be minimal, low intensity, dispersed and temporary. Maximum of 5 drill rigs to be used during various stages of the project and only 3 drill rigs to be used during Phase 1.
General wildlife	Potential to cause temporary habitat disturbance during project activities.	Habitat disturbance would be minimal, low intensity, dispersed and temporary. Sumps constructed with ramps to allow wildlife to exit.
Migratory birds	Potential to cause temporary habitat disturbance during project activities.	Habitat disturbance would be minimal, low intensity, dispersed and temporary. Annual migratory bird nest survey will be conducted within the Project Area. If nesting is observed, a protective buffer would be delineated.
CULTURAL RESOURCES		
Cultural artefacts	Potential to uncover artefacts during activities.	MIM would notify the BLM authorised officer by telephone and with written confirmation immediately.

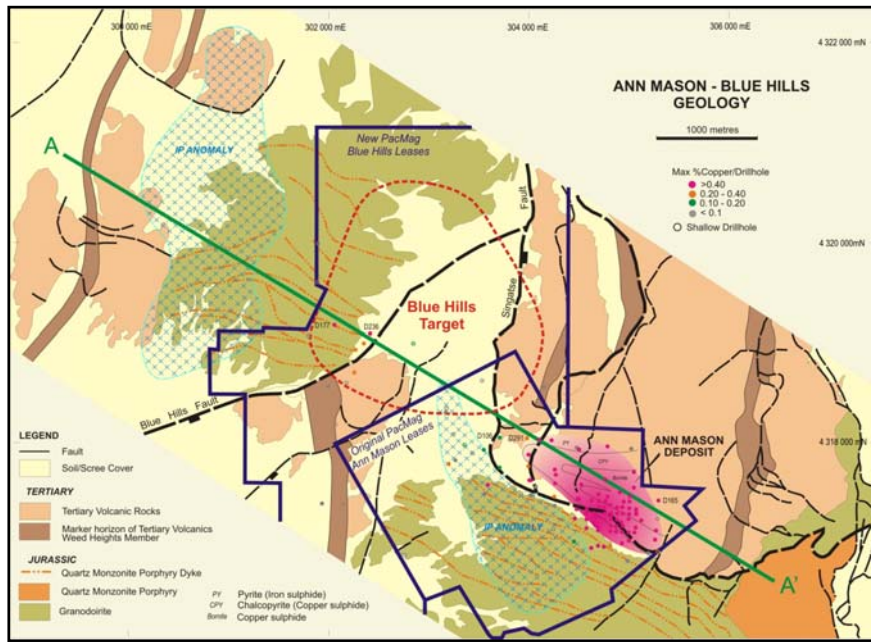


Figure 1-3:Geology map of the Ann Mason Copper project (From PacMag 2009e)

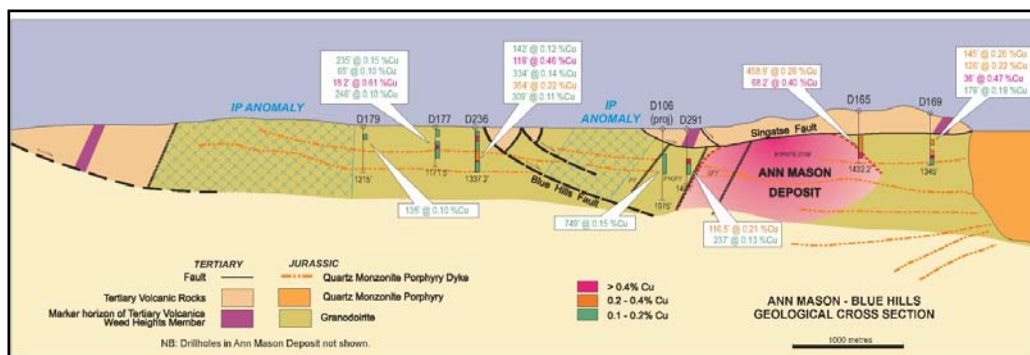


Figure 1-4:Cross section A-A' from Figure 1-3 (From PacMag 2009e)

1.3 Blue Hills

Blue Hills is a copper exploration project located 2.2 km northwest of PacMag's Ann Mason deposit. The geology is similar to Ann Mason's with the exploration target being further porphyry related mineralisation within the Northern Batholith.

As part of their Ann Mason exploration, Anaconda drilled a series of nine holes in the area but potential mineralisation was never followed up. In 2007, PacMag identified a potential mineralisation vector using the sulphide zonation pattern at Ann Mason and existing drilling. They followed this up with three RC holes which terminated in mineralised porphyry due to drill rig limitations. In 2008, PacMag drilled an additional two diamond drillholes which each returned over 300m of 0.3% copper equivalent mineralisation.

Reassessment of previous Anaconda drilling and results from soil geochemistry, and sampling RC pre-collars have indicated the potential for a flat, shallow copper oxide deposit just to the southwest of Blue Hills. Thicknesses range from 20 to 30 m and grades range from 0.20% Cu to 0.46% Cu.

In summary, the Blue Hills project shows considerable potential to host a large copper-molybdenum porphyry system with additional shallow oxide material. Significant drilling is required to delineate the mineralisation and produce an initial Resource.

1.4 Shamrock

The Shamrock project is located 5 km to the southeast of Ann Mason. Exploration drilling by previous holders in the early 1970's identified high grade copper skarn mineralisation at the contact between an andesitic intrusion and host carbonate lithologies. These few drilling intercepts were not followed up at the time. In 2008 PacMag drilled ten RC holes at the Shamrock prospect for a total of 1,545 m. This returned encouraging results including 33.6 m of 1.72% Cu in hole SH09007 from 15.2 m and 12.2 m @ 1.24% Cu in hole SH09001 from 154 m. The current target is the canoe shaped contact between the two lithologies with a length of 500 m and width of 200 m. PacMag have flagged this prospect as a potential low capital cost operation to generate cashflow in support of development of the larger Ann Mason project.

1.5 Other Prospects

The Ann Mason Project also has a number of additional high grade copper skarn targets.

Casting & Ludwig	Historical mining at both deposits returned grades in the order of 4% Cu. Scout drilling by PacMag has confirmed the continuation of mineralisation beneath both sets of workings as well as potential oxide copper at Ludwig. These are early stage exploration projects.
Minnesota	Drilling of this IP derived target showed the presence of alteration typical of distal mineral systems. Remodelling of the geophysics has indicated a deep (>500 m) source for the anomaly. The target is a large skarn system similar to the Pumpkin Hollow project of Nevada Copper Corp in the Yerington district.

2. Sentinel Uranium-Germanium-Molybdenum Project

The Sentinel project is located in southwest North Dakota (Figure 2-1) and comprises 25,000 acres of land holding of prospective Tertiary sediments. A small Resource called the Church deposit has been recently estimated by PacMag.

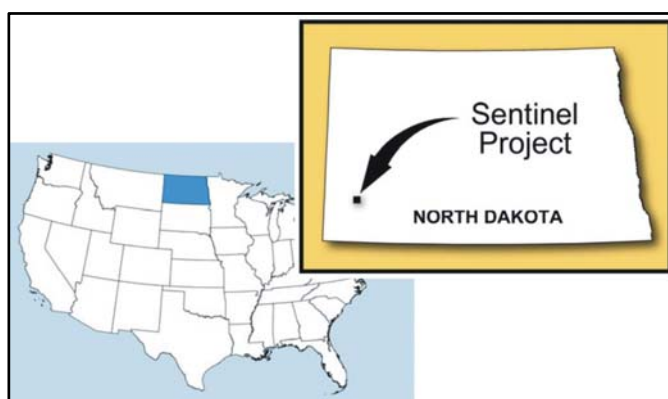


Figure 2-1: Location map showing the Sentinel project

2.1 Geology

The Sentinel project is located on the southwest margin of the large intracratonic sedimentary Williston Basin, which covers eastern Montana, western North and South Dakota and southern Saskatchewan. The basin formed throughout the Paleozoic and Mesozoic eras with significant sediment deposition over the Precambrian basement. Deposition has continued into the Tertiary with the Fort Union Group which contains the lignite host rocks of the Sentinel project. The Williston Basin is a significant oil producing region in North America whereas the slightly younger neighbouring Powder River basin, to the southwest in Wyoming, contains major Coal and Uranium Resources.

The Fort Union group in southwest North Dakota comprises sandstones, siltstones, claystones, lignites and limestones, which dip very shallowly to the northeast. Anomalous uranium concentrations are associated with the lignite units within the group. Models for mineralisation use the previously overlying volcanic sediments as a source of uranium which was leached and transported downwards into the Fort Union Group and precipitated due to chemical changes in the host rocks, typically at the boundaries of the lignite seams. It appears that higher uranium concentrations are found in positions closer to the top of the group.

The Church deposit represents an erosional remnant of a lignite bed, now exposed in a rocky escarpment. Eleven lignite seams have been recognised and although germanium appears to be present throughout the sequence, uranium is confined to the top two seams. The lignites are exposed at surface but locally can be covered by up to 12 m of friable sandstone. Uranium is present in organic complexes.

2.2 Exploration History

Although uranium was found in the district in 1948, the first possibly economic discoveries occurred in 1954. Commercial production of uranium occurred on a small scale between 1962 and 1968 where the lignites were burnt in-situ and the ash transported to pre-existing mills. Total production was estimated to be 77,000 tonnes containing 592,288 pounds of U₃O₈.

Following acquisition of the project in 2008, PacMag completed surface sampling, drilling and trenching programmes (Table 2-1).

A recent prospectivity and stratigraphy study commissioned by PacMag reviewed the exploration of the Federal lands tenements. This report (Moore-Nall, 2009) recommended retaining four of the eleven tenements. In considering this land package all the tenements are treated equally as the preliminary study has not conclusively identified mineralisation and the increase in prospectivity in one set of lands is balanced by the decrease in the other.

Table 2-1: Summary of Sentinel exploration history

Years	No. of drillholes	Type	Total metres	Remarks
2008	399	Open hole	7608 m	Discovery of deposit. Nominal 100 x 100 m grid, local 30 x 10 m grid.
2008	3	Drillcore		Three holes attempted using conventional core drilling system. Only one hole provided complete sample through lignite horizon.
2008	135	Surface Sampling	N/A	Both reconnaissance and detailed, trench style sampling work.
2008	12	Posthole Sampling	9 m	North Fritz pit area, where lignite is exposed at surface, to provide information on local scale variability and continuity for Resource estimate and for mineability. 6 x 3 m spaced holes.
2008	6	Trenching	11.9 m of sampling	To provide cross check against drilling results and to provide metallurgical sample material.

2.3 Resources

In August 2009 PacMag announced an initial inferred Resource for the Church deposit (Table 2-2). Although low grade and small tonnage, PacMag believe there is considerable upside due to selective sampling practices as well as further discoveries on the remainder of their tenure.

Table 2-2: August 2009 Resource for the Church deposit

Cut-off Grade	Wet Tonnes	Dry Tonnes	U ₃ O ₈ (%)	MoO ₃ (%)
50 ppm U ₃ O ₈	3,439,000	2,353,000	0.0165	0.0221
200 ppm U ₃ O ₈	841,000	580,000	0.0350	0.0390

As part of SRK's assessment of PacMag, the Resource Report (Farrell and Pilger, 2009) relating to PacMag's Church deposit was reviewed to assess the quality and reasonableness of the published Resource and whether it has been published in accordance with the JORC Code. The Resource was estimated by Golder on behalf of PacMag using data and models provided by PacMag.

The following elements were considered by Golder as part of the estimate:

- Validity of drillhole database
- Density
- Topographic surveys
- QA / QC of sampling and analytical QA/QC
- Downhole gamma logging and uranium series disequilibrium
- Appropriateness of domains using univariate statistics
- High grade samples (skew of assay population)
- Variography and unfolding
- Validation of the estimate
- Resource Classification

U₃O₈, MoO₃, GeO₂ and As were estimated independently using an Ordinary Kriged method and the final estimate classified as inferred in accordance with the JORC code.

SRK's assessment of the Resource has been limited to reviewing the supporting documentation.

It is SRK's opinion that the published Church Resource is of solid quality and is a reasonable estimate of the deposit. It is SRK's opinion that the estimate has been reported correctly in accordance with the JORC Code (2004).

2.4 Scoping study

Although a full scoping study has not been finalised, initial processing tests have been completed. Test work has demonstrated that dried and calcined material is amenable to leaching. A recent additional test has shown that the ore maybe suitable for heap leach, which would significantly reduce the required development capital.

3. Meadow Valley (Arizona, USA)

The Meadow Valley Project is located in Santa Cruz County, Arizona, within the Cananea-Mission Trend. The project lies within the Canello Hills, east of the Patagonia Range and northeast of Meadow Valley. It is composed of a total of 50 unpatented lode claims, 6 claims optioned to PacMag and subject to royalty agreements and 44 new wholly owned claims (Figure 3-1). The property position was acquired in early 2006 because of known copper and gold mineralisation hosted within Mississippian limestone. The project is considered grass roots. The following is after Gold Invest Inc (2009).

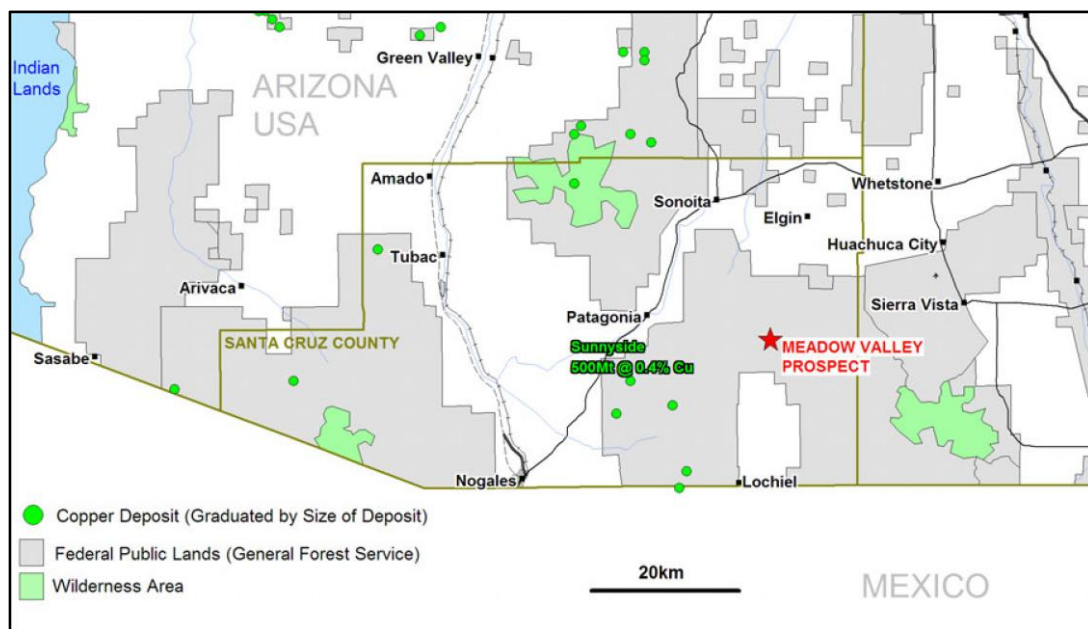


Figure 3-1: Location of Meadow Valley Project in Santa Cruz County, USA

3.1 Regional Setting

The Project lies within the Laramide porphyry copper province of southwestern North America, which extends from Arizona into adjacent parts of New Mexico and Sonora. The 300 km long Arizona corridor, which extends from Phoenix to Nogales, lies wholly within the principal copper metallogenic province of the United States. Arizona accounts for about 65% of total US copper production and value, and about 7% of global production. Mexican production adds another 3%, making a global total of about 10% for the entire province. Total reserves for this region as a percentage of world porphyry copper reserves are Cu 20%, Mo 14%, Ag 4%, Au 9%, Pb 5%, and Zn 10%.

Arizona has a number of active mines, mines on stand-by, and several undeveloped deposits. Foremost among the undeveloped deposits is the recent discovery of the Magma Porphyry (now called Resolution) deposit (1 billion tons @ 1.5% Cu) owned jointly by Rio Tinto and BHP in the Superior district some 200 km northwest of the Meadow Valley prospect.

3.2 Geology

The surface geology comprises porphyritic granodiorite stocks, intruding thickly bedded limestone and shale of Mississippian age. Tactite and skarn are formed along the contact for up to 50 ft within the granodiorite and up to 350 ft in the limestone. Copper oxides and abundant iron oxides are apparent in trenches and pits along a zone approximately 3000 ft along strike and up to 200 ft in width. The skarn zones are oxidised and no sulphides are present in workings or in trenches or noted in drill cuttings. The entire zone is covered to the north by post mineral agglomerate material. To the south, the zone appears to be offset or cut off by an easterly fault zone. The zone is poorly exposed except where trenches and old workings expose the skarn. There is very little technical data available for this property. It includes a 1:12,000 reconnaissance map and surface sample data provided by MinQuest.

3.3 Previous Exploration

The Meadow Valley porphyry copper project was discovered in 1974. It was very sparsely drilled with only 8 diamond core holes. Of the 8 holes, 5 or 6 hit copper sulphides (chalcopyrite, chalcocite and minor bornite).

MinQuest acquired the property in 2006 to explore for skarn copper-gold mineralisation in association with a porphyritic granodiorite

Historic sampling by Gold Invest Inc (2009) and the US Bureau of Mines found copper grades to 5%, zinc grades to 6%, silver to 1 ounce per tonne, and gold to 0.06 ounce per tonne within endo and exoskarn along the contact of a porphyritic granodiorite stock and limestone.

Copper-gold-zinc-silver mineralisation was obtained from sampling of trenches and dumps. The mineralisation can be followed over a distance of 3000 ft and is up to 400 ft wide.

4. Rainbow Canyon (Nevada, USA)

The Rainbow Canyon epithermal gold-silver Project is located in Nevada, USA. The project comprises 80 unpatented lode mining claims and is situated within the Walker Lane structural belt, host to major gold and silver deposits including the bonanza gold vein-type deposits of the Comstock Mine (13 million ounce gold equivalent production), Aurora Mine and Tonopah Goldfield, as well as the large bulk-mineable gold-silver deposits such as the Rawhide Mine (1.5 Moz Au), Paradise Peak and Borealis gold mines (Figure 4-1).

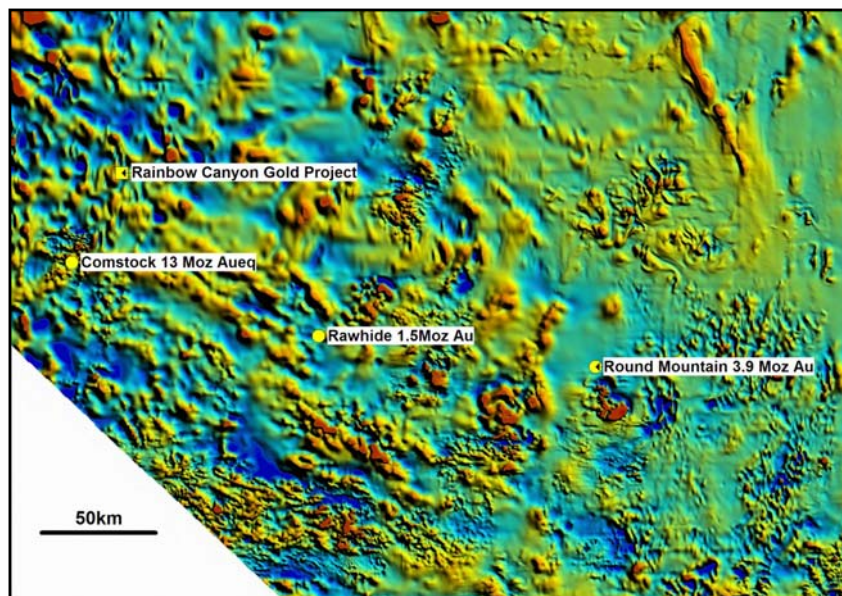


Figure 4-1: Rainbow Canyon Gold Project Location and Major Western Nevada Gold Deposits on Image of Magnetics (PacMag, 2009a)

4.1 Geology

The geology at Rainbow Canyon comprises gently north-northwest dipping Tertiary volcanic sequences with a basal unit, the Hartford Hill Rhyolite, overlain by the Alta Formation (unit Ta – Figure 5-1), basalt, andesite flows, breccias, and pyroclastic rocks. The majority of the project area is overlain by Quaternary scree and alluvium (PacMag, 2009a).

4.2 Previous Exploration

Reconnaissance mapping and rock chip sampling by PacMag geologists has identified gold enrichment in epithermal quartz veins associated with historic prospecting pits over an area of ~4 km². The sampling returned results including; 20.8 g/t, 13.8 g/t, 11.3 g/t and 10.9 g/t gold with 22 samples returning results greater than 0.5 g/t gold from a total of 44 samples collected (Figure 5-1). The quartz veins exposed at surface range in width from fine mineralised fractures to individual quartz veins up to 1.2 m (average 6 cm), with strike lengths up to 100 m. Although the mapped veins are not continuous over large areas at surface they are characterised by chalcedonic to opaline quartz and have a trace element geochemical signature indicating that the present level of exposure of the epithermal gold mineralisation is in the upper portion of the system. There is no evidence of previous drill testing of the gold vein system (PacMag, 2009a).

5. Blue Rose/Olary (South Australia)

The Olary project is located 300 km northeast of Adelaide, and comprises two Exploration Licences EL3848 and EL3849 (formerly 2938 and 2939 respectively) owned 51% by PacMag Metals Limited and 49% by Giralia Resources NL. The licences are subject to the Blue Rose Joint Venture, whereby the manager, PacMag Metals Limited, and Giralia are currently funding exploration activities.

Exploration Licences 3848 and 3849 cover an area of approximately 1000 km², and are located north and south of the Barrier Highway between the townships of Mannahill and Olary (Figure 5-2). PacMag entered into a joint venture with Giralia to explore the project in late 2005. PacMag is the manager of the joint venture.

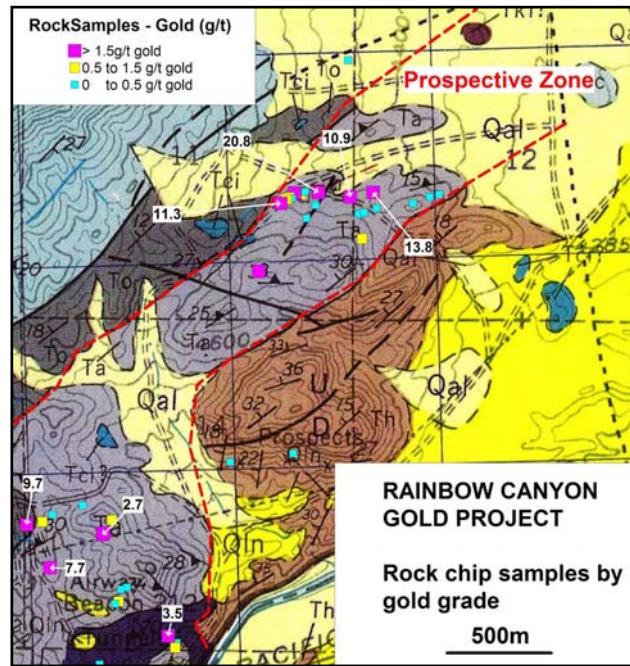


Figure 5-1: Rainbow Canyon Project (PacMag, 2009a)

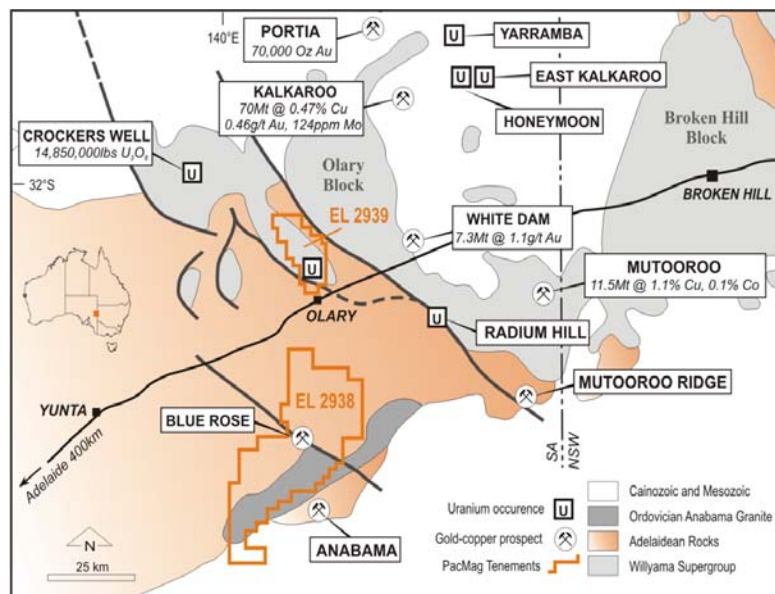


Figure 5-2: Blue Rose Project location and Regional Setting

The tenements are situated along the southern flank of the Proterozoic Curnamona Craton (Olary Block) and the adjoining Nackara Arc. Several mineralisation models are applicable and have been pursued in exploration. These include intrusive related copper-gold-molybdenum mineralisation associated with high level Ordovician intrusives, iron oxide copper-gold (IOCG) mineralisation, and silver-lead-zinc mineralisation of the Broken Hill and Cannington styles (Clifford and Moreau, 2009).

The project is hosted within the Anabama Adamellite and adjacent Adelaide Geosynclinal rock sequences approximately 300 km northeast of Adelaide. The tenement lies on the Olary 1:250,000 Sheet and is situated within the Anabama 1:100,000 Sheet.

The following is adapted from Clifford and Moreau (2009).

5.1 Regional Setting

Exploration licence EL 3848 is dominantly underlain by the Late Precambrian Adelaidean sequence comprising 800 to 700 Ma clastic and carbonate sediments. Four groups are recognised comprising the early rift phase Callana and Burra Groups, and later sag phase Umberatana and Wilpena Groups. The Adelaidean Sequence, at least in part, unconformably overlies the Early Proterozoic Willyama Supergroup of the Olary Block/Domain – part of the Curnamona Craton. This 1700 Ma sequence underlies EL 2939, covering the Outalpa Inlier, and comprises medium high grade regionally metamorphosed and deformed sedimentary, minor volcanic and abundant intrusive rocks. The sequence is intruded by extensive volumes of mid-Proterozoic S-type granitoids with minor mafic dykes.

Tectonism of the approximate 500 Ma Cambro-Ordovician Delamarian Orogeny produced doubly plunging anticlines and synclines, with northwest directed thrusts. Proterozoic growth and transfer fault architecture was probably reactivated during this period. The Delamarian Anabama-Cornwell Granite complex truncates the southern limb of the Wadnaminga anticline. This high level oxidising granite complex and associated greisens intrudes along the south-eastern margin of EL 3848 - it is associated with proximal copper-gold-molybdenum and distal lead-zinc-silver mineralisation. The main Anabama Granite has been dated as follows, K-Ar 455±7 Ma, Rb-Sr 463±3 Ma, 458±62 Ma.

The Adelaidean Sequence in the district hosts several small gold mining centres, which together produced some 180 ounces of gold from alluvial and reef workings. This represents some 90% of the gold production recorded for the Nackara Arc. It is likely that this mineralisation is related to the Delamarian Orogeny with fluid movement and deposition related to the interplay of reactivated Proterozoic structures and thrust faulting.

The Willyama Group within the Outalpa Inlier on EL3849 is host to numerous small silver-base metal and lesser gold workings.

5.2 Previous Exploration

Drilling by former owner Giralia and more recently by PacMag has intersected enriched copper and gold grades within a sedimentary rock sequence adjacent to an altered Ordovician granite body (Anabama Granite) that is similar in age to the world class Cadia-Ridgeway deposits in New South Wales. Both secondary and primary mineralisation has been discovered at Blue Rose, with better intersections including 46 m @ 2.2% copper and 0.8 g/t gold from 11 m depth, (including 28 m @ 3.0% copper and 0.8 g/t gold), 41 m @ 1.62% copper from 9 m depth, (including 24 m at 2.14% copper, 0.12 g/t gold), 48 m @ 0.82% copper, 1.01 g/t gold from 84 m, 27 m @ 1.41% copper, 0.33 g/t gold from 73 m and 48 m @ 1.04% copper, 0.22 g/t gold.

Preliminary metallurgical test work indicates the copper oxide mineralisation is amenable to conventional acid leaching. Beneath the oxide zones drilling has intersected copper-gold-molybdenum sulphide mineralisation, which is open to extension along strike.

Induced polarisation (IP) geophysical surveying in August 2007 defined a very strong (10–30ms), large (3 km long by 1 km wide x 400 m deep) IP chargeability anomaly below strongly anomalous copper and molybdenum results intersected in historic shallow percussion drill holes at Netley Hill.

Copper and molybdenum grades in previous drillholes increase at depth and are open ended for all holes drilled above the IP anomaly. Notably, the IP and geochemical anomalies lie at the centre of intense surface alteration within a 5 km diameter (bulls-eye) magnetic anomaly in Ordovician age granite rocks intruded by porphyritic dykes.

The results from the geophysical survey integrated with the geology, previous drilling and magnetics were combined to define an outstanding drill target that will be tested in the current drill program. The Company has commenced an initial four hole diamond drilling program, with two fences of two holes to a planned depth of approximately 350 m to test the central portion of this exciting target. The drill program will be approximately 5-6 weeks in duration.

Reconnaissance mapping and rock chip sampling by PacMag geologists has identified high-grade iron associated with magnetite-rich units of the Braemar Iron Formation (host to the Razorback Ridge Project with an exploration target of 500 million tonne to 1,000 million tonne @ 28% to 65% Fe) within the Blue Rose JV area, along strike of the Razorback Ridge target recently optioned by Royal. The northern magnetite rich units exposed at surface show variable but locally very high-iron content, up to 50.8% Fe (

Figure 5-3), with two additional discrete, southern iron formation units interpreted to occur beneath alluvium based on the presence of strong aeromagnetic anomalies (PacMag, 2009).

Mapping indicates that there are at least two discrete magnetite units in the western portion of the Blue Rose project that dip gently north and have locally tight folding, with shallow west plunging fold noses giving zones of major iron unit thickening. The magnetite is medium-grained and occurs as discrete units with high-magnetite content inter-bedded with units of siltstone and tillite. The southwestern magnetic anomalies identified on detailed aeromagnetic data have broader magnetic signatures potentially indicative of thicker iron formation units concealed beneath the surface cover (PacMag, 2009).

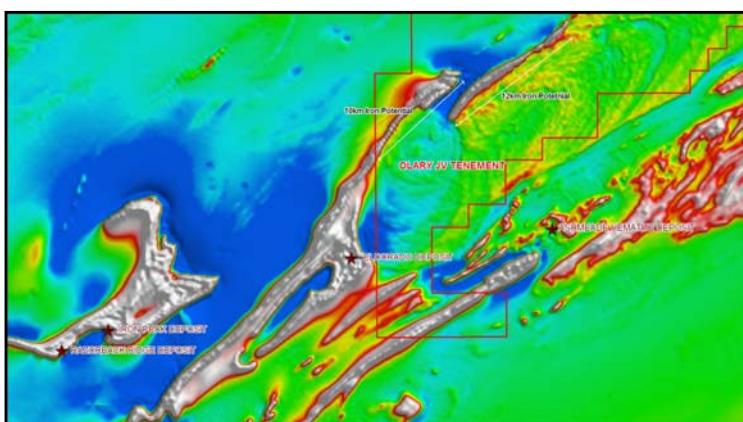


Figure 5-3: Blue Rose JV Project aeromagnetic image with location of Fe samples (Map provided by PacMag)

6. Western Australian Exploration

6.1 Northling JV (West Australia)

The Northling copper project, located 170 km north of Wiluna in Western Australia, occurs in an area of limited rock outcrop immediately outside the north-western margin of the Earraheedy Basin (Figure 6-1). The following is taken from PacMag, 2009b.

6.1.1 Geology

The project covers an area described on regional geological maps as predominantly Archaean granites (Figure 6-1). Within the area a number of discrete aeromagnetic anomalies have been targeted by previous diamond explorers. Several of these magnetic anomalies have subsequently been identified as kimberlites (diamondiferous host rocks such as the Nabberu 1 Pipe, located immediately west of the project area). Other magnetic anomalies were not explained, with shallow RAB drilling intersecting altered sedimentary rocks interpreted as possibly outliers of the Earraheedy Basin sequence or granitic rocks.

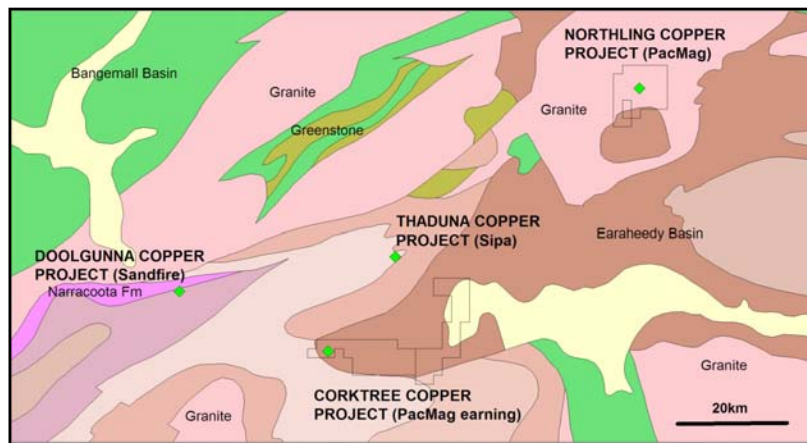


Figure 6-1: PacMag's Northling project location and surrounding projects (PacMag 2009b)

6.1.2 Previous Exploration

Geological reconnaissance mapping and sampling by PacMag discovered undrilled strongly anomalous copper samples in fine grained chlorite rich rocks in an area of limited outcrop (Niton XRF results to 0.16% copper) adjacent to the area previously drilled (1994) as part of an exploration program targeting diamonds. The previous drilling (6 short holes) targeting diamonds, focused on discrete magnetic anomalies and was either not assayed for copper or only sampled at the end of the holes. One such drillhole (DH3) returned copper mineralisation grading 4 m @ 2.43% copper from 58 – 62 m at the end of the hole (Figure 6-2).

Niton XRF analysis by PacMag geologists of a handful of remnant drill chips found at the collar of one of the historic drillholes returned up to 3.1% and 2.4% copper in samples with strong disseminated visible chalcopyrite (copper sulphide) mineralisation. The visual recognition of copper sulphides along with the Niton XRF results provides confirmation of the presence of copper mineralisation within the previous drilling. Furthermore, petrography shows the copper host rock to be chlorite + sericite schist typical of alteration associated with copper sulphide volcanic systems.

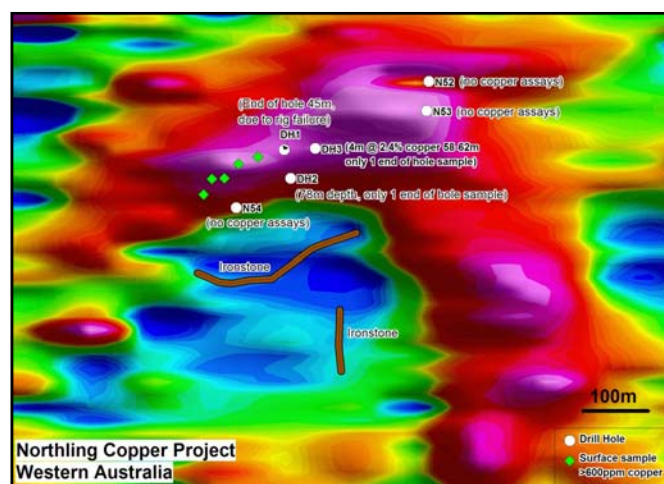


Figure 6-2: Northling Copper Target – Drill collars and surface sampling on ground magnetics image (PacMag 2009b)

6.2 Mystique (West Australia)

The Mystique project is located in the Fraser Range province, 240 km ESE of Kalgoorlie, Western Australia. The tenement package comprises two exploration licence applications covering 434 km². The province contains the recently discovered AngloGold Ashanti - Independence Group Tropicana Gold Project (5.01 million ounces of gold) as well as numerous high-quality exploration projects that are being advanced by companies such as Dominion Mining Limited and Newmont-Sipa Resources (Figure 6-3).

6.2.1 Geology

Regionally, the project is located within the Albany - Fraser Belt which is a Proterozoic collision zone between the Archean Yilgarn and Gawler Cratons. The rocks in the belt are generally high-grade metamorphics including mafic and felsic granulites and garnetiferous metasediments, which represent both reworked Archean protoliths and Proterozoic sediments and intrusives. Outcrop is generally poor and covered by aeolian sands and carbonates, and the eastern edge of the Belt is covered by rapidly thickening sedimentary units of the Tertiary Eucla Basin, including gravels, sands, silts and lignites. Despite this extensive cover, geophysics, particularly aeromagnetics, have allowed detailed geological interpretations to be made (Black Fire Minerals, 2009).

Locally the project area has little to no outcrop, however historic aircore drilling has indicated the presence of interleaved felsic and mafic granulites overlain by 10-80 m (thickening eastwards) of Eucla Basin sediments. Within the cover sequences, distinct bands of geochemically significant lignite (effectively very low grade coal) have been identified. Notably, the project is located on the western edge of a distinct aeromagnetic low and straddles the projected "exit" of a number of Tertiary palaeodrainages from the Yilgarn Craton to the west (Black Fire Minerals, 2009).

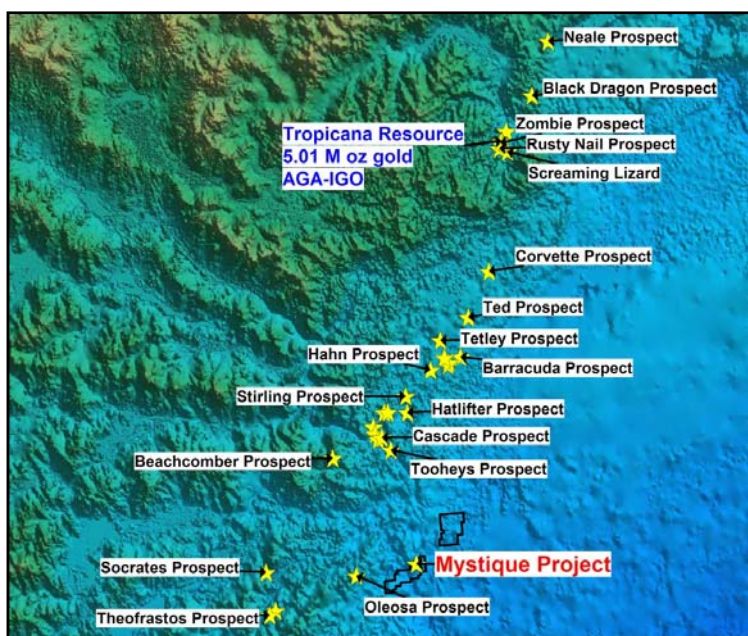


Figure 6-3: Mystique Project Location - Regional Gold Prospects (various companies) on Digital Terrain Model (PacMag, 2009c)

6.2.2 Previous Exploration

The following is after PacMag (2009c).

Historic exploration in the Mystique area during the late 1900's defined a number of gold in soil anomalies, the most significant of which is 4 x 2 km at greater than 10 ppb gold, peaking at 0.6 g/t gold. The soil anomaly has been followed up by previous workers with aircore drilling to refusal on 200 x 100 m centres.

Vertical aircore drilling of a portion of this anomaly on 200 x 100 m centres by the Geographe-Homestake JV in the late 1990's and Sipa Resources in early 2000's returned numerous +1g/t Au intersections both from within transported overburden (Tertiary Eucla Basin sediments) and Proterozoic bedrock. Very limited (3 holes) follow-up RC drill testing has returned some similar +1g/t results.

Based on a comprehensive review of the previous results by PacMag geologists, the previous drilling is interpreted as two discrete zones of gold mineralisation; a 3 x 1 km blanket style zone with greater than 0.1 g/t gold in a transported cover sequence, and a second zone measuring 1.3 x 0.5 km that contains multiple bedrock gold intersections. Best results to date include 3 m @ 2.9g/t Au and 3m @ 0.97g/t Au. Bedrock drill intersections are open to the south and southeast with several large open soil geochemical anomalies located 1 km to the south. These historic aircore drilling gold results are of a similar magnitude to those reported by the Tropicana joint venture in early reconnaissance aircore drilling programs over the Tropicana prospect, with the subsequent discovery of the primary gold zones only identified by deeper RC and core drilling (Figure 6-4).

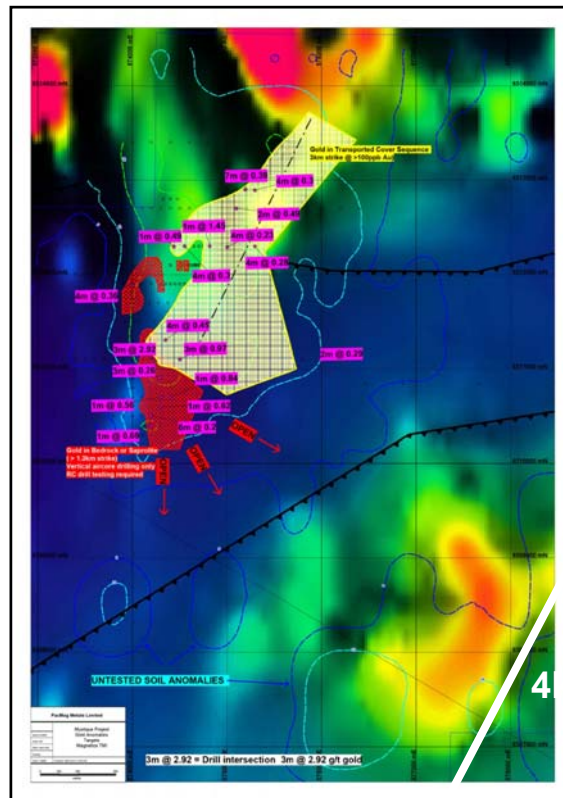


Figure 6-4: Mystique Gold Zones and Soil Anomalies on Background Image of Magnetics (PacMag, 2009c)

The zone of bedrock gold mineralisation at Mystique remains open to the south and has not yet been followed up by deeper RC drill testing. Furthermore, there are large untested gold in soil anomalies to the south of the area drilled, that have been identified by broad spaced soil sampling that are an immediate aircore drill target.

Within the large landholding (434 km²) there are numerous additional strong gold soil anomalies identified in regional geochemical sampling (up to 20 ppb gold), that are located within a large fault zone that is demagnetised (Figure 6-5).

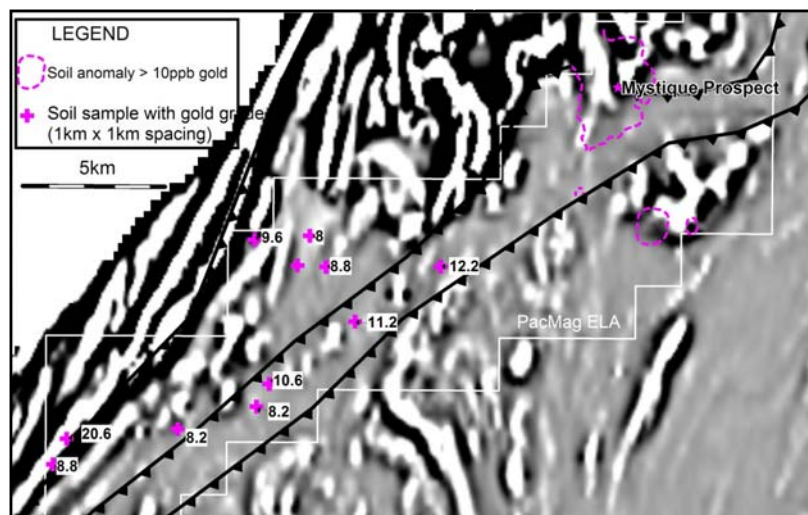


Figure 6-5: Mystique Prospect – Soil Anomalies on Background Image of Aeromagnetics (PacMag, 2009c)

6.3 Arrino ELA

The Arrino prospect is located in the Irwin sub-basin, 250 km north of Perth. Known copper mineralisation within the area has previously been subjected to exploration by MIM, BHP and CRA, including geophysics and limited drilling (better intersections include 4.5 m @ 2.35% copper). A substantial aeromagnetic anomaly and partly coincident gravity feature east of known copper mineralisation remains unexplained and untested. A surface copper in soil anomaly is coincident with the up-dip projection of the western edge of the magnetic feature, and drilling in this area recorded native copper and malachite disseminations.

The following is an extract from Kendall, 2009.

6.3.1 Geology

The EL's occupy an area of the Irwin sub-basin, a portion of the Perth Basin. The Irwin sub-basin is bound to the east by the Darling Fault and the Urella Fault to the west and south. The sub-basin extends northwards and has an ill-defined relationship with the southernmost part of the Carnarvon Basin east of the North Hampton Block.

The prospective Proterozoic Yandanooka Group is a series of well laminated to massive pelitic siltstone, wacke and turbidite with interbedded lenses of sandstone and volcanic pebble conglomerate which unconformably overlie the gneissic rocks of the Mullingarra Inlier. The overall orientation of the Yandanooka Group and basement gneiss (Mullingarra Gneiss) is that of a monoclinical structure dipping east at an average angle of 50°.

Mineralised Areas can be roughly divided into four areas:

- Arrino Area (centred on the Arrino Township)
- Mount Muggawa (~10km N of Arrino Township)
- Mt Scratch (~12 km NNE of Arrino Township)
- Beaconsfield (~3km NE Yandanooka Township)

6.3.2 Previous Exploration

Previous exploration has been concentrated on historic workings in the Project area. Kennecott Exploration Pty Ltd worked around the 'Baxters' area in 1966/1967. The company completed regional stream/sediment sampling, soil and blast hole sampling and drilled 11 holes. Drillcore assays returned some anomalous Cu concentrations. Mineralisation was interpreted to be both stratiform and fracture controlled.

Minefields Exploration (very little work completed) covered the area from Baxter's to Muggawa during 1969-1976. A regional soil sampling program revealed a Cu anomaly north of Arrino. CEC held a similar area from 1976-1982, while Goldfields (1979-1982) covered an area north of Muggawa. BHP explored an area south of Arrino with the majority of the work south of Pacific Magnesium's EL's. Between 1990 and 1993 CRA explored south of Pacific Magnesium's EL's up to Yandanooka.

6.4 Corktree (West Australia)

The Corktree Bore Project (E 52/2056) is located 120 km north-northwest of Wiluna in Western Australia, on the Peak Hill 1:250,000 geological map sheet (SG50-8). The tenement is one of two licences (E52/2056 and E52/2057) subject to the Corktree joint venture, whereby PacMag Metals is earning an interest from Giralia Resources NL.

The main access is provided by the Great Northern Highway via Meekatharra, then by graded road to Neds Creek Station with station tracks to the main prospect area. E 52/2056, with an area of 33 graticular blocks, was granted to Southern Magnesium Pty Ltd on 19 September, 2008. PacMag Metals Limited has the right to earn 75% equity in the project.

The following information is after PacMag (2009d).

6.4.1 Geology

The Corktree Bore tenement is located close to the western extremity of the Mid-Proterozoic Earraheedy Basin. Rocks of the basal Yelma Formation of the Earraheedy Group comprise clastics and dolomites, largely exposed as chert breccias and silcretes, and underlie most of the tenement area, although outcrop is very poor and surface exposures are mainly alluvial and colluvial material. A strong gravity gradient marks the boundary between Yelma Formation dolomites and basement Thaduna Formation greywackes (Figure 6-6). The area has previously been explored by WMC and CRA, who's drilling returned samples including 24 m @ 0.22% copper, 16 m @ 0.26% copper, and 3 m @ 1.6% copper.

The primary source of the widespread secondary copper mineralisation at Corktree has not yet been found, nor has the near-surface anomaly been closed off. The location of the prospect at the edge of a mid-Proterozoic sedimentary basin abutting a basement high, and the presence of metalliferous inclusions in hydrocarbons, suggest potential for sediment hosted base metals mineralisation. Diamond drilling in 1992 by CRA Exploration showed that the carbonate sequence at Corktree is over 300 m thick. Correlations have been drawn between the dolomite sequence at Corktree and the newly named Sweetwaters Well member of the Yelma Formation, which hosts primary MVT style Pb-Zn mineralisation in the main Earraheedy Basin to the east.

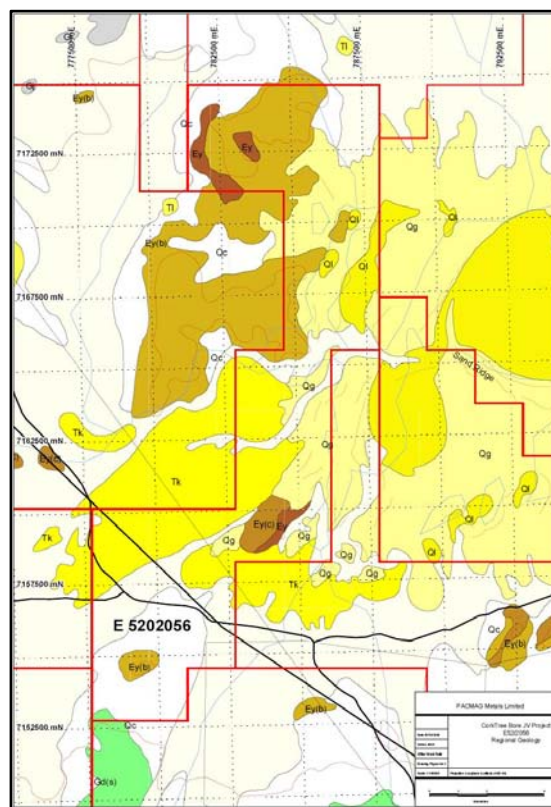


Figure 6-6: Regional geology at Cork Tree Bore (PacMag 2009d)

6.4.2 Previous Exploration

Widespread near surface copper anomalism at Corktree was first noted by Western Mining Corporation Limited (WMC) in 1969-72 during exploration around the Thaduna copper mine (located around 15 km north-east). WMC conducted extensive soil geochemical surveys, along with gossan search, which identified strong, high contrast geochemical anomalies, with ironstones assaying up to 1.42% Cu. Vacuum and percussion drilling follow up intersected significant copper anomalism in deeply weathered dolomites (angular quartz 'sands' in clay matrix and ironstone breccias). The best intersection in percussion holes was 2.3% Cu over 5 ft in silica-dolomite and ironstone.

Esso (1981-82) explored a postulated sub-basin on the western side of the Wiluna Arch, defined by a gravity survey. Several RAB traverses and percussion holes intersected pyritic, black shales and dolomites.

CRA explored the Corktree area in 1987-95 and independently recognised the copper anomaly at Corktree through regional lag sampling, with auger geochemical follow up. Previous WMC work was not referred to by CRA. RAB drilling on a 50 x 500 m pattern outlined extensive copper anomalism in regolith over dolomite (28 m @ 0.21% Cu, 8 m @ 0.48% Cu, 16 m @ 0.26% Cu). CRA drilled two diamond drillholes to test beneath the near surface mineralisation. These holes intersected a thick sequence of dolomites overlain by surficial clays, cherts, silcretes and haematitic ironstones. The diamond holes reproduced the secondary copper intersections (26 m @ 0.17% Cu), and also encountered quartz-sulphide veins with anomalous copper at depth (hydrocarbons with base metal inclusions were noted).

Recently, reconnaissance mapping and sampling was undertaken to assess the potential for Lead Zinc deposits.

7. References

Black Fire Minerals, 2009. <http://www.blackfireminerals.com.au/>.

Clifford, M, 2006. Ann Mason Copper-molybdenum-gold project Nevada – USA Resource Input Report. July 2006, PacMag internal report.

Clifford, M and Moreau, X, 2009. Olary Project Blue Rose JV, South Australia, Exploration licences EL3848, 3849, Second annual technical report to PIRSA for the period ending 19 July, 2009 (Report # CR 446).

Gold Invest Inc, 2009. Meadow Valley Copper Project- Santa Cruz Arizona, unpublished memo for PacMag Metals Limited.

Kendall, S, 2009. Arrino Copper Project, unpublished report for PagMag Metals, 8 pp.

PacMag, 2009. ASX Announcement, Extension to major iron ore project identified on Blue Rose JV, South Australia, 14 October 2009.

PacMag, 2009a. ASX Announcement, New Epithermal Gold Project Secured in Nevada-USA, 12 October 2009.

PacMag, 2009b. ASX Announcement, Northling Copper Project Joint Venture, 30 September 2009.

PacMag, 2009c. ASX Announcement, Mystique Gold Project Joint Venture, 9 September 2009.

PacMag, 2009d. Corktree Bore Project, Exploration Licence E52/2056 Annual Technical Report to the Department of Minerals and Petroleum for the Period ending 18 September 2009.

PacMag, 2009e. Blue Hills Project April 2009, internal unpublished report.

Appendix 2: PacMag Tenement Schedule and Certificates

Table 1: PacMag Australian exploration tenements

ID	Type	Location	Project	Area	App Date	Granted	Expiry Date	Commitment	Rent
SA EL3849	Exploration	SA	Blue Rose	128km ²		19-Jul-07	18-Jul-12	A\$255000	A\$972
SA EL3848	Exploration	SA	Blue Rose	996km ²		19-Jul-07	18-Jul-12	A\$750000 (total)	A\$7,569
52 E2057	Exploration	WA	Corktree	34 blocks	02-Feb-07	19-Sep-08	18-Sep-13	A\$34,000	A\$3,870
52 E2056	Exploration	WA	Corktree	33 blocks	02-Feb-07	19-Sep-08	18-Sep-13	A\$33,000	A\$3,757
70 ELA3259	Application	WA	Arrino	52 blocks	06-Jul-07				
28 ELA1915	Application	WA	Mystique	70 blocks	06-Feb-09			A\$70,000	A\$7,245
28 EL1916	Exploration	WA	Mystique	78 blocks	06-Feb-09	29-Jan-10	28-Jan-15	A\$78,000	A\$8,073
52 EL2314	Exploration	WA	Northling	32 blocks	01-Dec-08	14-Jan-10	13-Jan-15	A\$32,000	A\$3,312

Table 2: PacMag Nevada and Arizona tenement list

Name	Project	Claim Group	No. of Claims	Acreage	Owner	County, State	Type
Ann Mason	Ann Mason	Ann 1-62	62	1,240	MIM (USA), Inc.	Lyon County, NV	Lode
		# 147-150, # 176-183	12	240	MIM (USA), Inc.	Lyon County, NV	Lode
Ludwig		BW 1-6	6	120	MIM (USA), Inc.	Lyon County, NV	Lode
Ann South		LC 1-17	17	340	MIM (USA), Inc.	Lyon County, NV	Lode
McConnell		AS 1-14	14	280	MIM (USA), Inc.	Lyon County, NV	Lode
Minnesota		MC 1-18	18	360	MIM (USA), Inc.	Lyon County, NV	Lode
Buckskin North		MM 1-16	16	320	MIM (USA), Inc.	Douglas County, NV	Lode
Part of Ann Mason		BN 1-32	32	640	MIM (USA), Inc.	Lyon & Douglas, NV	Lode
Part of Ann Mason		Nick 1-12, 16-26	23	460	PALOSKY TRUST	Lyon County, NV	Lode
Part of Ann Mason		Bachelor et al, MS 2704	4	59	PALOSKY TRUST	Lyon County, NV	Patented
Part of Ann Mason		Dewey, et al, MS 2884	8	145	PALOSKY TRUST	Lyon County, NV	Patented
Part of Ann Mason		Edwin No 3, MS 4081	1	20	PALOSKY TRUST	Lyon County, NV	Patented
Blue Hills		Blue Hills	AM 1-161	161	3,220	MIM (USA), Inc.	Lyon County, NV
Rainbow Canyon	Rainbow Canyon	RC 2-81	80	1,600	GOLD (USA) INVEST	Washoe County, NV	Lode
Meadow Valley	Meadow Valley	MV 1-44	44	880	GOLD (USA) INVEST	Santa Cruz Co, AZ	Lode
Meadow Valley		CH 1-6	6	120	MINQUEST INC.	Santa Cruz Co, AZ	Lode

Table 3: PacMag North Dakota tenement list (Sentinel Project)

BLM Reference Number	Description of Lands	Area (acres)	Date Granted	Holder	Min Expenditure	Bond (Cash)	Expiry Date	Rent (\$)	Status
NDM97199	Township 138 North, Range 100 West, 5th P.M.	2095	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	1,126	Granted
NDM97200	Township 138 North, Range 100 West, 5th P.M.	2091	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	1,203	Granted
NDM96957	Township 137 North, Range 100 West, 5th P.M.	480	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	480	Granted
NDM97314	Township 136 North, Range 100 West, 5th P.M.	943	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	1,057	Granted
NDM97313	Township 136 North, Range 100 West, 5th P.M.	1574	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	1,293	Granted
NDM97314 part 2	Township 136 North, Range 101 West, 5th P.M.	1120	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	n/a	Granted
NDM97313 part 2	Township 136 North, Range 101 West, 5th P.M.	960	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	n/a	Granted
NDM97919	Township 133 North, Range 103 West, 5th P.M. Acres	2399	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	1,225	Granted
NDM97920	Township 133 North, Range 104 West, 5th P.M.	1360	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	705	Granted
NDM97917	Township 134 North, Range 101 West, 5th P.M.	941	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	1,214	Granted
NDM97917 part 2	Township 134 North, Range 102 West, 5th P.M.	1440	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	n/a	Granted
NDM97918	Township 134 North, Range 103 West, 5th P.M.	1911	1-Dec-08	Formation Resources Inc	Nil	\$1,000	1-Dec-10	1,216	Granted

Appendix 3: Comparable Transaction Summaries

Table 1: Description of recent copper exploration transactions in North America
(Input data © Copyright by Metals Economics Group 2010. All rights reserved.)

Project	Location	Owner	Previous exploration	Date	Transaction	Reference
Cascadero	British Columbia	Cascadero Copper	geological mapping, and prospecting since the 1970's	Mar 2009	Goldfields can earn 51% interest by spending C\$5M over three years	Cascadero PR 6/3/2009
Chisna	Alaska	International Tower Hill Mines (ITHM)	grass roots surface discoveries	Nov 2009	Ocean Park Ventures can earn 51% of the project by spending \$20M over five years of which \$5M must be spent in the first year	ITHM PR 5/11/2009
Indata Lake	British Columbia	Eastfield Resource	soil geochemistry, IP, two drillholes shown narrow mineralisation	Jun 2008	Max Resource Corp resources can earn 60% in the project by spending C\$1.15M before 2011	Eastfield PR 09/06/2008
Pebble South	Alaska	Full Metal Minerals	Surface mapping and geophysical surveys. Drill targets outlined	Nov 2007	Freeport-McMoRan can earn 60% of the project by spending \$1.8M in the first year, which they subsequently did	Full Metal Minerals PR 30/11/2007
Peg Leg	Arizona	Quaterra Resources	5 holes drilled in 80's with anomalous copper and a large untested IP anomaly	Aug 2009	Freeport-McMoRan can earn 70% of the project by spending \$3M by the end of 2012 and paying the tenement maintenance fees	Quaterra RP 27/08/2009
Quesnel Trough	British Columbia	Rimfire Minerals	detailed geophysical survey	Apr 2009	Xstrata can earn 51% by spending C\$3M by the end of 2013 with at least C\$0.25M per year	Rimfire PR 28/4/2009
Red Hills	Arizona	Geo Minerals Ltd	minor drilling indicating good alteration, highly prospective geological trend	Nov 2009	Inmet Mining can earn 70% by paying C\$0.675M in cash and spending C\$2M over five years	Geo PR 17/11/2009
Hamlin	Ontario	East West and Mega Uranium	Encouraging drilling with significant intercepts of Cu mineralisation. Contains 7km long series of breccias related to IOCG	Jan 2008	Xstrata can ear 51% by spending \$3M over four years	East West PR 02/01/2008

Table 2: Valuation of comparable North American copper exploration transactions
(Input data © Copyright by Metals Economics Group 2010. All rights reserved.)

Project	Transaction type	Period (yrs)	% purchased	Tenement value – full term ¹	Implied tenement value at transaction date (100%)	Area (km ²)	Value per km ²
Cascadero	JV	3	51%	\$3,522,721	\$880,680	300	\$2,936
Chisna	JV	5	51%	\$17,426,014	\$1,829,731	353.7	\$5,173
Indata Lake	JV	3	60%	\$856,206	\$181,944	29.9	\$6,085
Pebble South	JV		60%	\$1,800,000	\$3,000,000	480	\$6,250
Peg Leg	JV	3	70%	\$2,723,248	\$496,020	28.5	\$17,404
Quesnel Trough	JV	4	51%	\$2,101,361	\$395,895	~345	\$1,148
Red Hills	JV	5	70%	\$85,850	\$1,015,310	30.2	\$33,620
Hamlin	JV	4	51%	\$2,659,463	\$398,919	24.21	\$16,477

¹ Discount rate of 5% applied; where not specific expenditure pro-rata over the duration of the contract

Table 3: Description of recent gold exploration transactions in the US
(Input data © Copyright by Metals Economics Group 2010. All rights reserved.)

Project	Location	Owner	Previous exploration	Date	Transaction	Reference
Alaska Joint Venture	Alaska	Gold Crest Mines Inc	Grass roots	May-2008	Newmont Mining can earn 51% interest in the claims by spending \$3M before the end of 2011	Gold Crest PR 08/05/2008
Horse Mountain	Nevada	Miranda Gold Corp	Covers 5.2km ² zone of hydrothermally altered chert/quartzite, dykes and anomalous Au, As, Sb and H.	May-2008	Newcrest Mining can earn 60% by spending \$3.25M on exploration over four years including \$0.5M in year one.	Miranda PR 29/05/2008
Red Rock	Nevada	Nevada Eagle Resources LLC	Drilling confirmed the presence of mineralization controlled by intersecting structures with gold mineralization confined to irregular shaped bodies	Mar-2007	Escape Gold agreed to issue 1.5M shares, pay \$350k in cash and spend \$2.5M on exploration over five years. There are also pre-existing commitments on the property not considered in this analysis	Escape AR 21/03/2007
Thunder Mountain	Nevada	Midway Gold	Recent drilling returned 3-4g/t intercepts over 3-4m from four holes	Jul 2006	Kinross Gold can earn a 75% interest by spending \$3M over five years including at least \$500k by August, 2010.	Midway PR 16/07/2008
Gold Coin	Arizona	Various	Geological mapping and soil geochem – property is adjacent to another Aurelio property	Apr 2007	Aurelio signed an option to acquire the tenements with \$20k cash and an additional \$1.5M over four years.	Aurelio PR 27/04/2007
Scraper Springs	Nevada	Columbus Gold	13 holes drilled to a vertical depth of 198 m. Hole SS-1 returned a better result of 26 m grading 0.28 g/t Au from 25 m. (Columbus Gold PR 9/20/07)	Sep-2007	Newmont can earn 51% by spending \$5M over five years	Columbus PR 20/09/2007

Table 4: Valuation of comparable US gold exploration transactions
(Input data © Copyright by Metals Economics Group 2010. All rights reserved.)

Project	Transaction type	Period (yrs)	% purchased	Tenement value – full term ²	Implied tenement value at transaction date (100%)	Area (km ²)	Value per km ²
Alaska Joint Venture	JV	3	51	\$1,945,794	\$521,029	80.06	\$6,513
Horse Mountain	Earn in	4	60	\$2,853,629	\$363,838	11	\$33,076
Thunder Mountain	Earn in	5	75	\$2,597,686	\$185,475	7.7	\$23,871
Gold Coin	Purchase Option	4	100	\$1,329,731	\$121,724	6.23	\$19,538
Red Rock	Earn in	5	100	\$3,046,281	\$163,128	17.98	\$9,073
Scrapper Springs	Earn in	5	51	\$4,329,477	\$454,171	27.10	\$16,759

² Discount rate of 5% applied; where not specific expenditure pro-rata over the duration of the contract

Table 5: Valuation of PacMag's Western Australian exploration projects – All values in AUD

Project	Transaction type	Period (yrs)	% purchased	Tenement value – full term³	Implied tenement value at transaction date (100%)
Mystique	Earn in	5	\$2,500,000	\$2,920,000	\$190,000
Northling	Earn in	5	\$750,000	\$940,000	\$72,000
Corktree	Earn in	2	\$200,000	\$770,000	\$194,000

³ Discount rate of 5% applied; where not specific expenditure pro-rata over the duration of the contract

Table 6: Comparable transaction, range of commodities
(Input data © Copyright by Metals Economics Group 2010. All rights reserved.)

Project Name, Joint Ventures	Commodity	Transaction date	Earn-in party or operator	Area (km ²)
Warburton	Copper, Nickel, Platinum, Palladium	3/2009	Vale SA	522
Yeneen	Copper, Uranium	11/2009	Encounter Resources Ltd	1500
Gnaweeda	Gold	6/2009	Kent Exploration Inc	190
Golden Mile South	Gold	6/2009	Mawson West Ltd	112
Wilga	Gold	9/2008	AngloGold Ashanti Ltd	12
Woodline	Gold	7/2009	Sipa Resources Ltd	1785
Mortlock	Gold, Copper	7/2007	Quasar Resources Pty Ltd (Heathgate)	1000
Musgrave	Gold, Copper, Nickel, Platinum, Palladium	12/2008	Traka Resources Ltd	
Birringudu	Uranium	9/2009	Toro Energy Ltd	
Gunbarrel Basin	Uranium	11/2009	Aura Energy Ltd	2760
Kunderong and Kennedy	Uranium	11/2008	Dioro Exploration NL	741
Robinson Range	Uranium	8/2008	Montezuma Mining Co Ltd	3000
Uaroo	Uranium, Gold, Copper	9/2008	Scimatar Resources	
Erayinia	Zinc, Lead, Copper, Silver	6/2008	ABM Resources NL	275
Bonaparte	Zinc, Lead, Silver, Copper	8/2009	JOGMEC	

Project Name, Purchases	Commodity	Transaction date	Purchaser	Area (km ²)
Holleton	Gold	1/2007	Independence Group NL	
Lake Way	Uranium	11/2009	Toro Energy Ltd	
Mundong Well	Uranium	10/2009	Artemis Resources Ltd	2367
Narnoo	Uranium	11/2009	Unnamed Company	
Uaroo	Uranium	6/2007	Atomic Resources Ltd	

Table 7: West Australian exploration transactions
(Input data © Copyright by Metals Economics Group 2010. All rights reserved.)

Project Name	Transaction type	Period (yrs)	Commitment (AUD)	% purchased	Cumulative probability	Cash at Purchase	Minimum expenditure	Tenement value – full term	Implied tenement value at transaction date		Tenement area (km ²)
								Successful JV	Full term risk-adjusted	Y1 spend commitment (adjusted)	
Birindudu	Earn in	2	\$1,000,000	50.10%	25.50%			\$1,860,000	\$473,000	\$848,000	
Bonaparte	Earn in	3	\$2,000,000	40%	13%		\$430,000	\$4,500,000	\$1,610,000	\$1,075,000	
Erayinia	Earn in			51%			\$910,714			\$1,520,000	275
Gnaweeda	Earn in	4	\$3,000,000	70%	8%	\$50,000		\$3,870,000	\$362,000	\$982,000	190
Golden Mile South	Earn in	5	\$5,000,000	70%	5%		\$1,000,000	\$6,180,000	\$1,690,000	\$1,210,000	112
Gunbarrel Basin	Earn in	3	\$3,000,000	50%	13%			\$5,450,000	\$694,000	\$1,700,000	2760
Kunderong and Kennedy	Farm-In	4	\$4,000,000	60%	8%		\$800,000	\$5,910,000	\$1,700,000	\$1,130,000	741
Mortlock	Farm-in	4	\$3,500,000	70%	8%		\$450,000	\$4,430,000	\$990,000	\$643,000	1000
Musgrave		3	\$3,000,000	51%	13%	\$350,000		\$6,030,000	\$1,370,000	\$2,353,000	
Warburton	Farm-in	3	\$3,000,000	51%	13%		\$1,000,000	\$5,340,000	\$2,410,000	\$1,670,000	3200
Wilga	Earn-in	4	\$4,000,000	75%	8%			\$4,730,000	\$362,000	\$1,130,000	12
Woodline	Earn-in	2.5	\$4,500,000	70%	26%	\$450,000	\$1,000,000	\$6,550,000	\$2,150,000	\$1,860,000	1785
Yeneena	Earn-in	5	\$3,000,000	75%	5%			\$3,460,000	\$185,000	\$680,000	1500
Holleton	Purchase			95%		\$250,000				\$263,000	
Lake Way	Purchase		\$900,000	100%						\$900,000	
Mundong Well	Purchase					\$400,000				\$400,000	169
Naroo	Purchase		\$300,000							\$300,000	
Uaroo	Purchase uranium rights		\$1,800,000	100%						\$1,800,000	

Table 8: Description of recent Chinese and Ex Soviet country base and precious metal transactions
(Input data © Copyright by Metals Economics Group 2010. All rights reserved.)

Project	Location	Owner	Previous exploration	Date	Transaction	Reference
Bogunay (Au)	Siberia	OOO Artel	Trenching, soil geochem and drilling of a couple of targets with poor results	Apr 2009	Kola Mining signed an agreement to acquire OOO Artel Staratelei Angarskaya Proizvodstvennaya Kompania (from parent AngloGold Ashanti) for \$722k, the project included debts of \$1.1M	Kola Mining PR 13/04/2009
Da Hong Shan (Cu)	Xinjiang	Zijin Mining	Trending, IP surveys and very limited drilling	Jan 2008	Staged option arrangement to acquire 50% of the project over three years for a total of \$3.5M with initial year commitment of only \$200k.	Midas PR 24/01/2008
Huangnan (Cu-Au)	Qinghai	Western Mining	Prospecting. Soil geochem surveys and surface trenching. Soil anomalies identified.	May 2007	Maxy Gold Copr can earn a 50% interest by spending \$2M over 2 years	Maxy Gold PR 15/01/2007

Table 9: Valuation of comparable recent Chinese and Ex Soviet country base and precious metal transactions
(Input data © Copyright by Metals Economics Group 2010. All rights reserved.)

Project	Transaction type	Period (yrs)	% purchased	Tenement value – full term ⁴	Implied tenement value at transaction date (100%)	Area (km ²)	Value per km ²
Bogunay	Purchase	1.5	100	\$1,616,674	\$1,616,674	475	\$3,404
Da Hong Shan	Earn-in	3	50	\$1,859,410	\$327,180	302	\$1,083
Huangnan	Earn-in	2	50	\$2,138,430	\$474,150	203	\$4,671

⁴ Discount rate of 5% applied; where not specific expenditure pro-rata over the duration of the contract

Appendix 4: Entrée Project Descriptions

Description of Entrée Gold Inc Geology Projects

Entrée Gold (Entrée) is a TSX listed exploration company with a focus on gold, copper, molybdenum and coal. It has projects in the USA, Canada, Mongolia and China, as shown in Table 0-1. This appendix describes the geological assets of Entrée, covering the geology of each project, its exploration history and any published Resources.

Table 0-1: Entrée's Exploration Projects

Name	Ownership	Location	Commodity	Stage
Lookout Hill		Mongolia		
Hugo North	20%		Porphyry related Cu	Resource
Heruga	20%		Porphyry related Cu	Resource
Exploration projects	100%		Various	early stage exploration
Nomkhana Bohr	100%		Coal	early stage exploration with minor drilling
Huaixi	Earning Up to 78%	Zhejiang Province, China	Cu	early stage exploration with minor drilling
Lordsburg	Earning up to 80%	Arizona USA	Porphyry related Cu	early stage exploration
Bisbee	Earning up to 80%	New Mexico USA	Porphyry related Cu	early stage exploration
Yerington	Earning up to 80%	Nevada USA	Porphyry related Cu	early stage exploration
Crystal Property	Earning up to 100%	British Columbia Canada	Porphyry related Mo	early stage exploration

1. Mongolia

Entrée holds the Lookout Hill project in Mongolia. The Lookout Hill project hosts two deposits with NI 43-101 compliant mineral Resources: Hugo North Extension copper-gold porphyry and Heruga copper-gold-molybdenum porphyry. These deposits were discovered by Ivanhoe Mines under an earn-in agreement and then a joint venture agreement with Entrée. The Lookout Hill property consists of three licences, Shivee Tolgoi, Javhlant and Togoot. The eastern portion of the Shivee Tolgoi Licence and 100% of the Javhlant licence are part of the joint venture agreement with Ivanhoe Mines while the remaining western portion of Shivee Tolgoi and Togoot licences are 100% Entrée ground. Since 2003 a number of targets have been explored through mapping, geochemistry, geophysics and drilling. The most recent discovery on the 100% Entrée ground is the Nomkhon Bohr coal deposit (www.entreegold.com/properties/).

1.1 Lookout Hill

The Lookout Hill project in southern Mongolia consists of three Mineral Exploration Licences (MEL) totalling 179,590 ha. The eastern portion of the Shivee Tolgoi MEL and the Javhlant MEL surrounds Ivanhoe Mines' (Ivanhoe) Oyu Tolgoi (OT) property and is subject to the JV between Entrée and Ivanhoe. Entrée have between 20% and 30% of the JV depending on the depth of the mineralisation. The remaining tenements are 100% owned by Entrée and are collectively known as the Western Mineral Exploration Licences (Western MELs). The following description is based on Vann et al., (2009) and references therein.

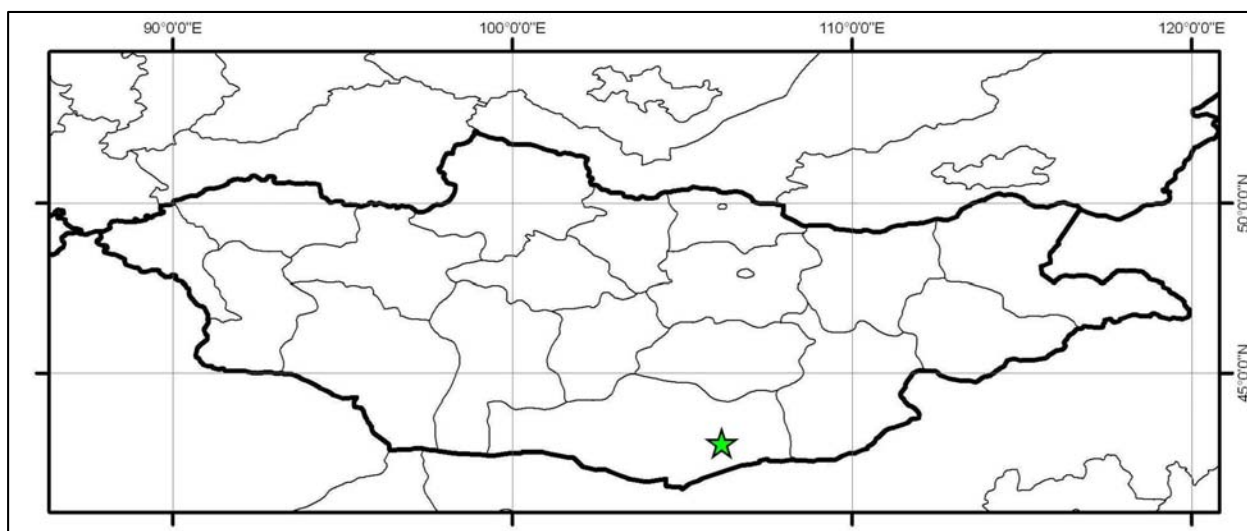


Figure 1-1: Location map of Lookout Hill

The Lookout Hill project lies within the Altaid orogenic collage, comprising of the Devonian accretionary and ocean arc assemblages of the Gurvansayhan Terrain. Locally the host rocks to mineralisation are structurally deformed basaltic volcanic and volcanic sediments which have been intruded by hornblende granitoids. This sequence is overlain by Carboniferous to Cretaceous volcanic and sediments.

1.1.2 Shivee Tolgoi Joint Venture

Entrée acquired their tenements in Mongolia in 2002 and then Ivanhoe discovered the OT deposit late in that year. In 2004 Ivanhoe signed an earn-in agreement with Entrée to spend \$35M over four years to earn 80% in the project. This was completed in 2008 and a formal JV was established. Ivanhoe operate the project.

The joint venture contains two published Resources. Hugo North is part of the mineralisation at OT and extends north across the JV boundary where it is called the Hugo North Extension (HNE) Resource. The Heruga Resource is a separate copper-gold porphyry in the south of the JV. Within the JV area there are a number of additional targets which are at an early exploration stage.

1.1.2.1 Hugo North Extension

Hugo North Extension is the northerly extension of Ivanhoe's Hugo North deposit. The mineralised system is copper-gold and related to an early quartz monzodiorite intrusion. It is north-south elongated with between 900 and 1200 m of barren cover. Mineralisation typically occurs as stockworks and sheeted quartz-copper sulphide veins. A high grade core contains grades up to 5% copper and is associated with bornite, in more distal parts the assemblage changes to chalcopyrite.

The 2007 HNE Resource was estimated (Peters et al 2007) as part of the main Hugo North deposit as they are geologically the same deposit. At the time 82 holes had been drilled into the deposit for a total of 43,283 m. The Resource estimate is shown in Table 1-1. For comparison the Hugo North Resource in 2005 totalled 1,162Mt @ 1.5%Cu and 0.37g/t Au

Table 1-1: Hugo North Extension Mineral Resource at a cut-off of 0.6% CuEq

Category	Tonnage (t)	Cu (%)	Au (g/t)	CuEq (%)	Contained metal (CuEq ('000 lb)
Indicated	117,000,000	1.80	0.61	2.19	5,649,000
Inferred	95,500,000	1.15	0.31	1.35	2,842,000

As part of the Shivee Tolgoi JV the HNE project is operated by Ivanhoe. In November 2006 Ivanhoe commissioned AMEC to update the Hugo North Resource estimate which was then reported to the TSX in March 2007 (effective date 20 February, 2007) as a NI43-101 compliant report (Peters et al, 2007). Although subsequently re-reported by Ivanhoe as part of their annual disclosure, there has been no change in the Resource since the 2007 release. In 2008 Entrée commissioned Perth based Quantitative Group (QG) to conduct a detailed audit of the AMEC Resource estimate. A description of the original estimate and results of the audit are presented in the Entrée's June 10, 2009 NI43-101 Technical Report (Vann et al., 2009). Vann et al., (2009) concluded that the reported in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Mineral Resource and Mineral Reserve definitions. As part of this review SRK has reviewed the supporting documentation for the 2007 HNE Resource estimate (Peters et al 2007) and the subsequent audit (Vann et al., 2009) in assessing its quality and reasonableness and whether it can be reported in accordance with the JORC Code.

As part of the assessment of Entrée, SRK has reviewed both Peters et al (2007) and Vann et al (2009) to assess the quality and reasonableness of the Resource and whether it conforms to the JORC Code. The entire Hugo North Resource was estimated by AMEC on behalf of Ivanhoe which incorporated the HNE part of the deposit. The following aspects were addressed during the estimate

- Validity of drillhole database
- QA / QC of sampling and assaying
- Review of the Ivanhoe 3D geological model
- Definition and appropriateness of domains using univariate statistics
- Variography by domain
- Validation of the estimate
- Resource Classification

The Resource was estimated using ordinary kriging in which the influence of outliers was controlled. Density was estimated using an inverse distance to the power 3 method. Classification was based on drillhole spacing with an approximate 125m by 70m spacing required for the indicated category. The reported Resource was restricted to within 150m of drilling. The final model was split between the Hugo North (100% Ivanhoe) section and the HNE (20% Entrée) section.

It is SRK's opinion that the current HNE Resource is of solid quality and is a reasonable estimate of the deposit.

The current HNE Resource estimate was prepared in accordance with the CIM guidelines. However, It is SRK's opinion that the estimate is appropriate to be reported in accordance with the JORC code and can be considered to conform to the JORC code.

1.1.2.2 Heruga

The Heruga copper-gold porphyry is comparable to the Ivanhoe's Southern Oyu Deposits which form part of the OT project. The host rocks, intrusions and alteration are the similar to HNE, however, the grades are lower and there is an association with molybdenum.

The Heruga Resource was estimated in 2008. 40 holes for a total of 53,822 m were used. The published Resource is shown in Table 1-2.

Table 1-2: Heruga Mineral Resource at a cut-off of 0.6% CuEq

Category	Tonnage (t)	Cu (%)	Au (g/t)	Mo (ppm)	CuEq (%)	Contained metal (CuEq ('000 lb)
Inferred	760,000,000	0.48	0.55	142	0.91	15,190,000

As part of the Shivee Tolgoi JV the Heruga project is operated by Ivanhoe. In 2008 Ivanhoe completed an estimate of the Heruga Resource with J. Vann of OQ acting as the CP. This was reported by Entrée as a NI 43-101 Compliant Technical Report on June 10, 2009. As part of the assessment of Entrée, SRK has reviewed the Heruga Resource report to assess the quality and reasonableness of the Resource and whether it is would conform to the JORC Code.

The following aspects were addressed during the estimate:

- Validity of drillhole database
- QA / QC of sampling and assaying
- Review of the Ivanhoe 3D geological model
- Definition and appropriateness of domains using univariate statistics
- Top-cuts of assay data prior to compositing
- Variography by domain
- Validation of the estimate
- Resource Classification

The Resource was estimated using ordinary kriging in which the influence of outliers was controlled. Density was estimated using an inverse distance to the power 3 method. Classification was based on drillhole spacing less than 150 m being inferred. It is SRK's opinion that the current Heruga Resource is of solid quality and is a reasonable estimate of the deposit.

The current Heruga Resource estimate was prepared in accordance with the CIM guidelines. However, It is SRK's opinion that the estimate is appropriate to be reported in accordance with the JORC code and can be considered to conform to the JORC code.

1.1.2.3 Other exploration targets

Within the JV there are a number of other targets. The Ulaan Khud prospect was drilled extensively by Ivanhoe and, although mineralisation was present, higher grade areas could not be located.

1.1.3 Western MELs

The main focus of exploration in the Western MELs is coal. There are however, some base metal targets which Entrée have worked on.

1.1.3.1 Base Metal Exploration

A number of base metal prospects have been identified within the Shivee Tolgoi and Togoot MELs. The geology is very similar to that described above, although the thickness of cover is less with Devonian rocks outcropping. Details of each prospect are shown in Table 1-3.

Table 1-3: Summary of prospects in the Western MELs

Prospect	Description
Altan Khulan	Quartz veins returning moderate gold grades are observed at surface and correlate to a gold-in-soil anomaly. Two drillholes in 2008 did not contain any significant gold results.
Tom Bogd	Anomalous copper and molybdenum in soil is coincident with a large IP chargeability anomaly. A single hole in 2008 did not reach the target.
Ring Dyke	Geophysics, mapping and drilling has identified a sulphide-rich epithermal or high level porphyry system. To date, sulphide minerals have been limited to pyrite.
Baruun Khatnil Guya	This is a significant molybdenum-in-soil anomaly.

1.1.3.2 Nomkhon Bohr Coal Project

The Nomkhon Bohr coal Project is located within the northwestern area of the Togoot licence. The following is after Vann et al. (2009).

Geology

The Nomkhon Bohr sedimentary basin (Figure 1-2) is dominated by fine-grained clastic sedimentary rocks with minor intercalated limestone and dolostone. The base of the sequence is marked by a coarse basal conglomerate similar to those within the volcanic sequence, overlain in apparent conformity by an intermittently-outcropping limestone. Sandstones in the sedimentary basin are generally fine-grained to very fine-grained and well laminated, but generally lack current structures or other way-up criteria. Interbedded with sandstones are beige to olive green siltstones of similar composition, thin (<30 cm) limestone beds and fine grained conglomerate.

Also within the basin are rocks believed to be Permian volcanics. These are monomictic conglomerates or reworked lapilli tuffs (volcaniclastics). Unlike volcanics assigned to the Carboniferous, the clasts lack feldspar phenocrysts. Individual units tend to be thinly bedded and poorly to moderately sorted, with a maximum clast size of two centimetres.

There are two types of intrusive rocks in the Nomkhon Bohr basin. The first comprises small recessively-weathering bodies of medium-grained equigranular diorite to gabbro, intruded as sills with relatively short strike length. Second are positively weathering narrow sills of feldspar-porphyrific mafic, intermediate and felsic composition with multi-kilometre strike length. Either type of intrusive can cut across stratigraphy in fold noses before continuing along strike as stratabound sills.

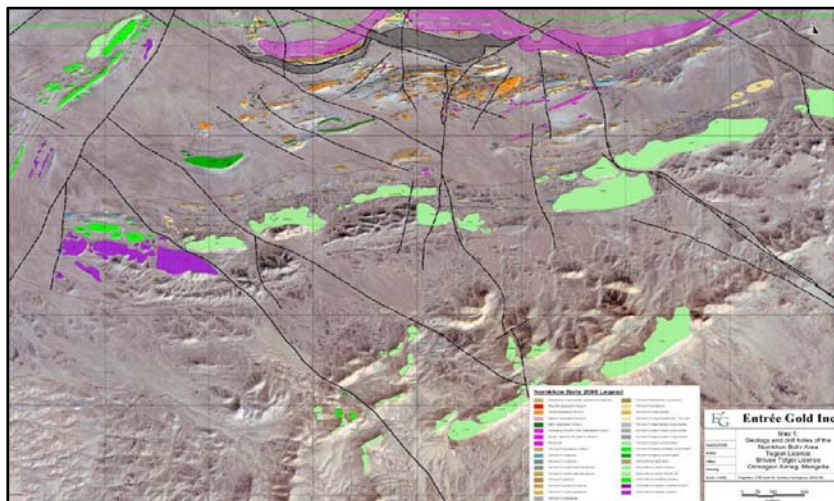


Figure 1-2: Geology and drill hole location of Nomkhon Bohr (Vann et al., 2009)

Mineralisation

Coal has been exposed by excavator trenching and in core on the Nomkhon Bohr target. The coal is bituminous to anthracite in rank, occurring as seams up to several metres thick or as plies of less than 0.5 m within carbonaceous mudstones. Rock types associated with the coal-bearing stratigraphy for each target include claystones (likely altered airfall tuffs), shales, siltstones, sandstones, and several types of conglomerate and/or reworked lapilli tuffs.

Coal exposed in trenches is oxidised, highly friable, deformed and well banded with ash partings. Due to oxidisation, it is not always possible to identify individual coal plies within carbonaceous mudstones that invariably accompany the coal. Trenching also shows that, despite the complete lack of coal outcrops or coal debris on surface, the coal can be encountered at depths of less than a metre below surface. Coal seams and plies are readily identified in core. Cleating is not well developed.

Although the Nomkhon Bohr target has been traced in trenches and by drilling for approximately 1,300 m, individual seams or plies cannot be traced consistently from hole to hole, on section and along strike because of problems with incomplete or failed intercepts through the coal-bearing stratigraphy and lack of downhole geophysical surveys. In addition, the degree of deformation, while complex, is not sufficiently understood to determine if the coal seams seen in drill core are significantly thickened or thinned from their pre-deformational thicknesses.

Previous Exploration

Previous exploration at Nomkhon Bohr includes mapping at various scales, diamond and RC drilling and extensive ground magnetic and IP surveys. Exploration was also conducted using excavator trenching for prospecting and for geological mapping.

The northwest corner of the Togoot Licence was mapped at various scales in 2008. Pantelyev (2008) mapped three areas (North West Togoot, North Central Togoot, Togoot) in the northwest quarter of the Togoot Licence, at 1:10,000 and 1:20,000 scales, concentrating mainly on volcanic and volcaniclastic units. Further detailed mapping at 1:2,000 scale by Entrée geologists focussed on east-northeast-trending clastic sedimentary stratigraphy in a basin (the "Nomkhon Bohr basin") interpreted to be Permian in age.

Eleven excavator trenches were completed on the Nomkhon Bohr target to assist in tracing the coal bearing stratigraphy. No samples were taken from the trenches as the coal and carbonaceous sediments were generally well oxidised and not suitable for sampling. The trenches were used for geology only.

Entrée Gold contracted Geosan LLC of Ulaanbaatar to undertake geophysical surveys on the Nomkhon Bohr and Coking Flats Targets. The surveys consisted of Induced Polarisation (IP) plus Resistivity (83.9 line-km of dipole-dipole array surveying), and Magnetics (558.90 line-km). Grids were established using hand-held GPS units. On Nomkhon Bohr, resistivity and chargeability anomalies identified appear to be associated with massive sandstone beds and mafic sills respectively.

The core drilling program for coal tested three targets in the northwest corner of the Togoot Licence: Nomkhon Bohr, Coking Flats, and Khar Suul. A total of 4,979 m of core drilling in 40 holes was completed on the Togoot Licence in 2008. A further 4,814 m of reverse-circulation (RC) drilling in 34 holes was completed by Entrée on the Licence in the same year.

Downhole geophysical logging was done on most RC holes. Holes were logged for density (both long normal and short normal density), gamma ray, self potential, resistivity, and in open-hole calipers. Results were used for seam definition and for stratigraphic correlation.

Analyses to date indicate the Nomkhon Bohr coal is predominantly low- to medium-volatile bituminous in rank with some analyses indicating anthracite coal rank as determined by applying the PARR formula. The coal is high in ash with variable sulphur. Coal-bearing horizons in drillholes can be up to 57 m in apparent thickness; within these, multiple high-ash coal seams are usually present, ranging in apparent thickness from 0.20 m to 4.35 m. True thicknesses are uncertain due to possible repetition of the host stratigraphy. The coal can be considered to have potential for heating or power generation, but not for metallurgical purposes.

2. United States

In the USA, Entrée is exploring for porphyry copper targets in Arizona, New Mexico and Nevada. In southeast Arizona and in southwest New Mexico, Entrée is currently exploring four properties through agreements with Empirical Discovery. In Nevada, Entrée has optioned two adjoining properties in the historic Yerington porphyry copper district through agreements with HoneyBadger Exploration and Bronco Creek Exploration. Entrée will explore the Blackjack and Roulette properties for porphyry copper targets (www.entreegold.com/properties/).

2.1 Lordsburg

The Lordsburg claims cover 3,885 ha (9,600 acres) adjacent to the historic Lordsburg copper-gold-silver district, New Mexico, USA (Figure 2-1). The claims were originally acquired under the 2007 Empirical Discovery agreement.



Figure 2-1: Location of Entrée's Lordsburg Project in Arizona/New Mexico (Entrée website)

In 2008, Entrée drill tested three geophysical, geochemical and geological targets outlined under the Empirical exploration program. Diamond drilling to test the principal targets included four widely-spaced diamond drillholes totalling 2,563 m (8,405 ft). The most encouraging results (in hole EGL- 08-002) included 310 m @ 0.14% copper and 0.08 g/t gold with intervals of higher grade mineralisation up to 0.33% copper and 0.26 g/t gold. The remaining three holes did not intersect significant mineralisation.

Additional drilling was recently completed at Entrée's Lordsburg Project. Potassic alteration and copper mineralisation had been intersected in six holes, located within a 400 by 600 m area.

Drilling in 2009 continued to successfully expand the mineralised zone at the Lordsburg copper-gold discovery. Six additional drillholes were completed. Significant copper and gold intervals were intersected in four of the six drillholes. One hole (EG-L-09-012) returned potentially economic grades of 0.25% copper and 0.15 g/t gold (0.35% copper equivalent) over 94 m. Furthermore, this same interval hosts a higher grade zone of 60 m @ 0.31% Cu and 0.21 g/t Au (Canada NewsWire, 2009).

Potassic alteration and sulphide-quartz veining are associated with feldspar porphyry intrusive cutting andesitic volcanics. Mineralisation appears best developed in the contact zone between the porphyry and volcanics, where it is hosted in part by an intrusive breccia. Follow-up drilling is planned to define the full extent of near-surface mineralisation, better characterise structural controls and test other parts of the system for higher-grade mineralisation.

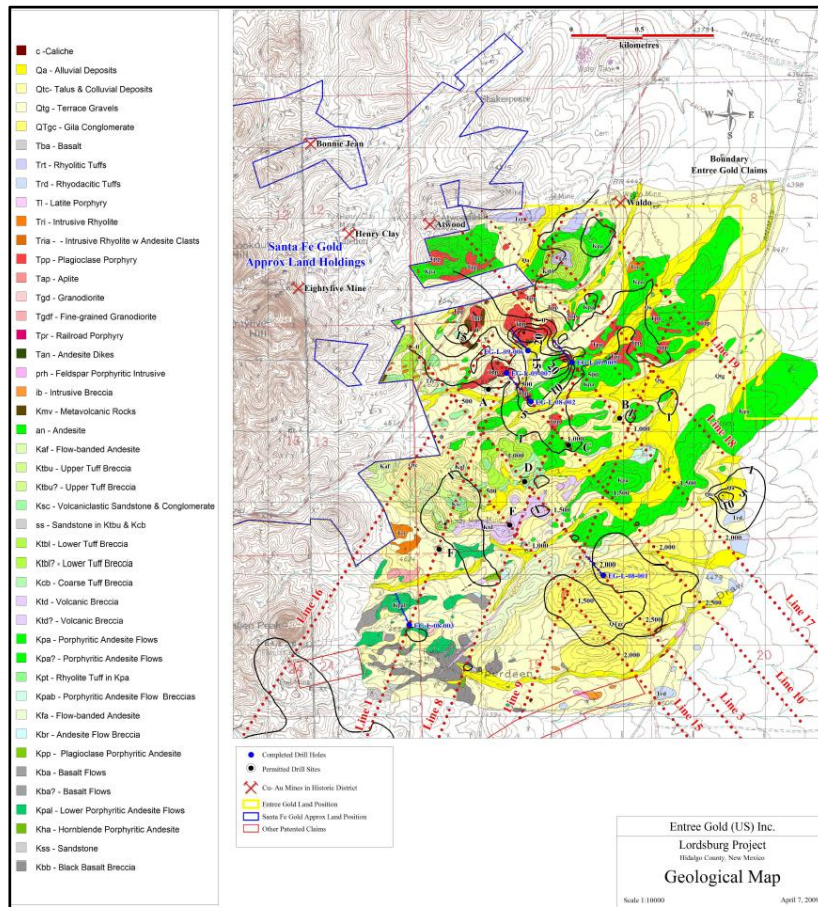


Figure 2-2:Lordsburg Project geological map with drill hole and RTP Mag and IP line locations overlaid (Map provided by Entrée)

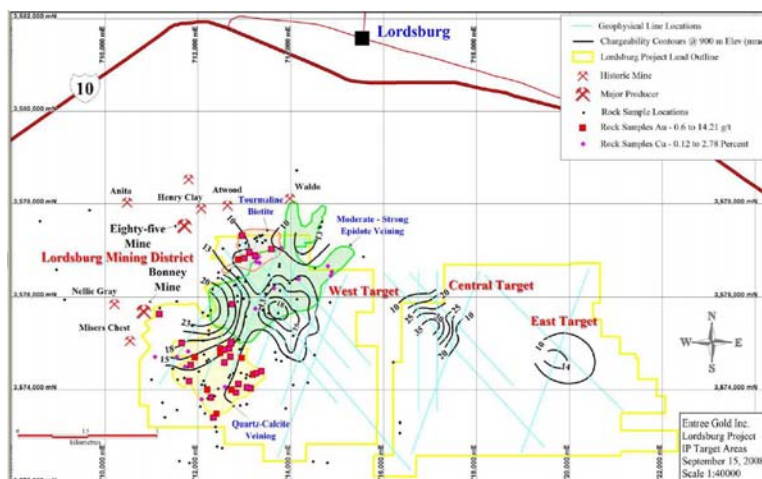


Figure 2-3:Lordsburg Project area amidst historic mines (Map provided by Entrée)

2.2 Yerington

In Nevada, Entrée has optioned two adjoining properties in the historic Yerington porphyry copper district through agreements with HoneyBadger Exploration and Bronco Creek Exploration. Entrée will explore the Blackjack and Roulette properties for porphyry copper targets (www.entreegold.com/properties/).

The Blackjack Property consists of 484 claims covering almost 10,000 acres (4,000 hectares) of ground centred about 8 miles (13 kilometres) west of the town of Yerington, Nevada, while the adjoining Roulette Property contains 186 claims for approximately 3,720 acres of ground (<http://www.honeybadgerexp.com>).

2.2.1 Geology

Post-mineral Tertiary rocks form the bulk of the bedrock units exposed in the project area and are interspersed with smaller windows of Jurassic rocks. Portions of the Tertiary volcanic stratigraphy form prominent and/or recognisable marker horizons. Jurassic rocks in the project area include quartz monzonitic to granodioritic rocks of the Yerington batholith and cross-cutting porphyry dykes and the coeval and compositionally similar Andesite of Artesia Lake. As described above, these

rocks are interspersed with Tertiary rocks units and are chiefly exposed in windows in the Wishart Hill area and a few areas southeast of Lincoln Flat. The Jurassic rocks in the project have undergone moderate to strong alteration nearly everywhere in the mapped areas, with few exceptions.

Major alteration types include sodic to sodic-calcic assemblages, characterised by Na-rich feldspar and Mg-bearing alteration products such as actinolite and chlorite. Also present are hydrolytic (acidic) styles of alteration that range from quartz-sericite-pyrite assemblages to highly acidic advanced argillic assemblages. Zones of chlorite (+/- quartz)-sericite-pyrite assemblages are also seen in many places, and these may represent transitional assemblages between the acid and sodic-calcic alteration types.

Nearly everywhere at the surface, hypogene (hydrothermally deposited) sulfides have been oxidised to iron (\pm copper) oxides, most commonly goethite. Jarosite occurs in zones of oxidation in acid altered rocks, and/or where abundant sulfides had once been present. Fresh sulphides are observed in many drill cuttings on drill pad sites as well as in several shallow prospect pits and shafts, which indicates that the level of oxidation is not very deep in the majority of the mapped area.

Underlying the project, the Jurassic aged Yerington batholith consists of various granitoids ranging from gabbro through granite that intrude a series of Mesozoic sedimentary and volcanic rocks as well as a coeval volcanic pile. The last major intrusive unit and the principal phase associated with copper mineralisation is the Luhr Hill granite. During crystallisation of the Luhr Hill granite, a series of cupolas and associated dyke swarms formed along upper rock/magma contact (<http://www.honeybadgerexp.com>).

2.2.2 Previous Exploration

Extensive geologic work was undertaken by Anaconda geologists in the 1960's, 70's and 80's. They produced structural and geologic models for the district (<http://www.broncocreek.com>).

In 2008, Honey Badger completed a high-resolution magnetic and time-domain electromagnetic (TEM) airborne survey over the Yerington West project. A total of 1,321 line kilometres were flown at 100 m spacing with a fixed-wing aircraft utilising the GEOTEM time-domain EM system (<http://www.honeybadgerexp.com>).

Recently, HoneyBadger undertook prospecting and a multi-element soil geochemical survey in the Project area. Soil pH identified four features at Blackjack with characteristics consistent with sulphide mineralisation potential at depth. Detailed Structural mapping was also undertaken to determine the alteration and structural relationships in the area.

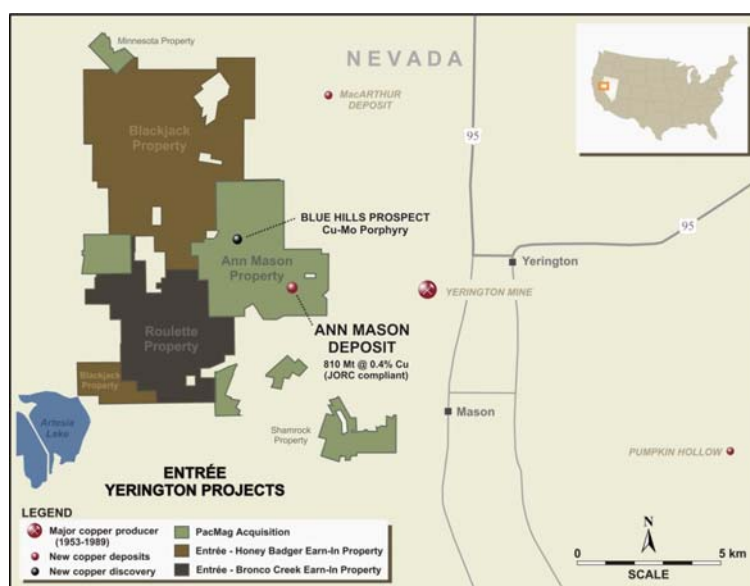


Figure 2-4: Entrée's Yerington Projects (Map provided by Entrée)

Exploration and drill programs are being prepared for 2010 on these properties.

2.3 Bisbee

In January 2008, the Company entered into a second agreement with Empirical Discovery LLC to explore for and test porphyry copper targets in a specified area north of Bisbee, Arizona. Bisbee is located within a copper district that produced over 8 billion pounds of copper and 3 million ounces of gold in the last century. The Company intends to use the proprietary geophysical interpretation techniques developed by the principals of Empirical to locate possible buried porphyry copper targets. The Project area is ~4,370 ha (Entrée, 2009).

Entrée's ground position covers the area to the north and northeast of the former Bisbee Mine. North-northeast trending structures are reported to be an important control to mineralisation in this area. These structures extend from Bisbee to the north under Cretaceous, post-mineral cover.

In February 2009, a ~9 line-km test Audio-MagnetoTelluric (AMT) survey was completed over the target areas. The survey defined two target areas for further investigation (Figure 2-5).

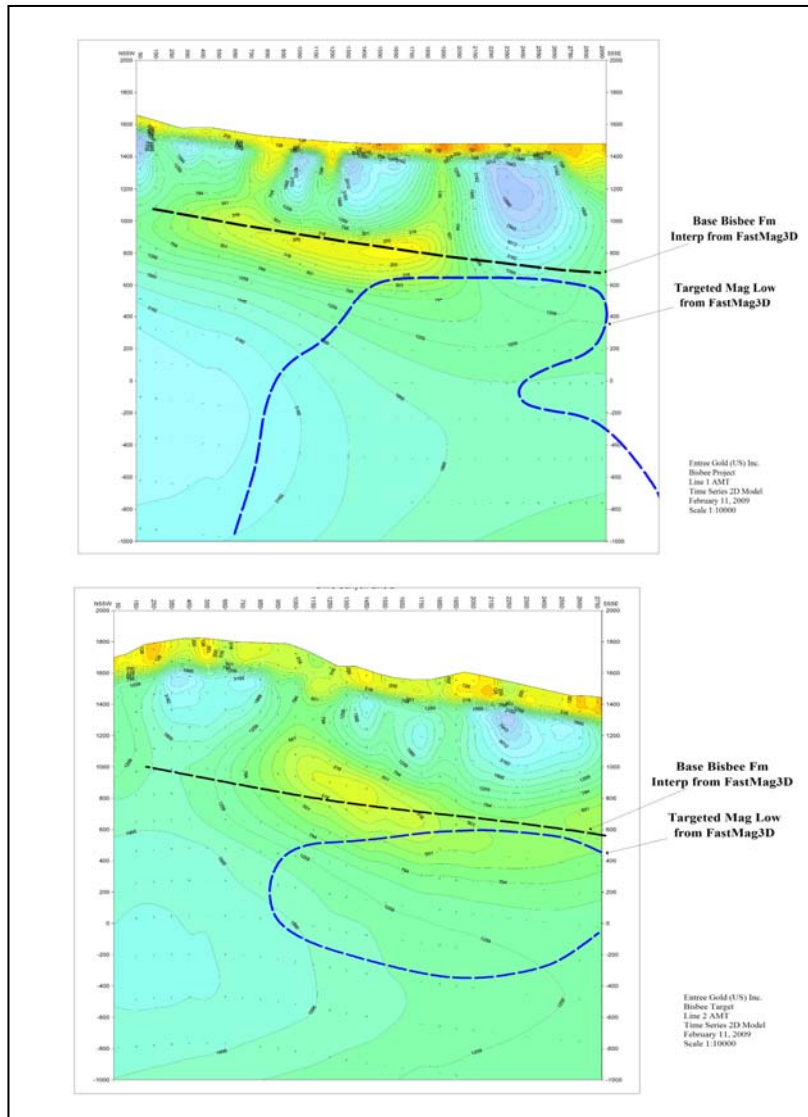


Figure 2-5: Targets defined by AMT at Bisbee Project (Map provided by Entrée)

3. Canada

3.1 Crystal Property, British Columbia

In Canada, Entrée has completed an agreement with Taiga Consultants Ltd to acquire the Crystal Property, an early stage molybdenum-copper prospect in central British Columbia. Located approximately 120 km west-southwest of Prince George, the Crystal Property comprises ten contiguous claims covering almost 4,800 hectares. The centre of the property is located as latitude 54°42' N and longitude 124°32'W (Figure 3-1).

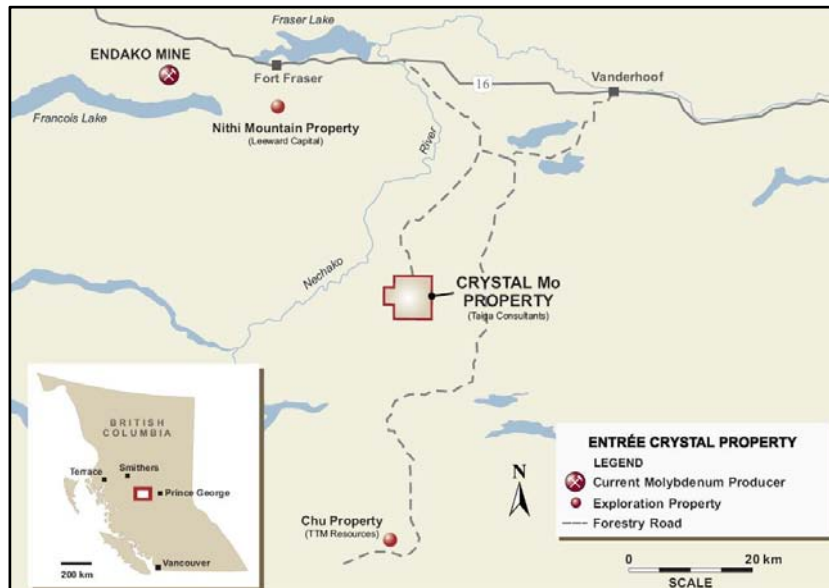


Figure 3-1: Location of Crystal Property in British Columbia, Canada (Millinoff, 2009)

3.1.1 Geology

The following is after Millinoff (2009). Little is published about the local geology. Older published maps indicate that the property is underlain by early Jurassic Topley granite to diorite (Tipper, 1963); however, during Entrée’s 2009 field programme the principal lithology encountered was hornblende diorite with minor basalt dykes.

There is a significant quantity of magnetite within the diorite making most compass reading unreliable. Mineralisation noted so far, has a spatial relationship to fractures and faults as is typical of porphyry style mineralisation. Structurally, the property is cut by two dominant fault orientations. One set consists of numerous northeast trending faults, parallel or sub-parallel to the glacial direction, and the other forms a north-south trend. This pattern is typified by the cruciform shape exhibited by Crystal Lake.

The linear northeast course of the Nechako River indicates the presence of a major regional northeast trending fault. The apparent throw along this fault is down to the southeast. The local geology of the Crystal Property is shown in

Figure 3-2.

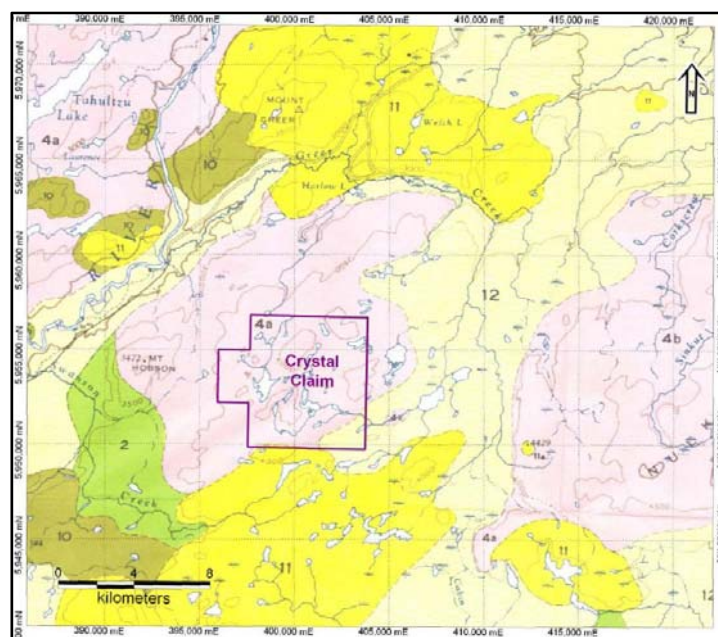


Figure 3-2: Local geology of the Crystal Property (Millinoff 2009)

3.1.2 Previous Exploration

Due to the lack of bedrock exposures in easily accessible portions of this area, previous prospecting has been largely unproductive. Past exploration in the region has been carried out for base metals and uranium. Only one showing of Cu/Mo mineralisation is noted in the MINFILE for the area, however, this showing could not be relocated. In general, the broader region has been actively explored for Cu/Mo and Moly deposits. The original molybdenum showings at Endako were discovered in 1922, but Endako was not fully explored and brought into production until 1965. Other deposits currently being explored in the immediate area include the Nithi Mountain Moly project adjacent to the Endako Mine and the polymetallic Chu deposit located towards the south of the Crystal property.

The area was briefly explored by E&B Exploration, Shell Minerals, and Denison Mines for uranium in the late 1970's. This work consisted of radiometric surveys and geochemical sampling.

Initial exploration by Entrée confirmed the presence of porphyry style mineralisation via rock chip and soil sampling programmes. Copper enrichment was found in altered diorite samples in outcrop and as angular float. Further soil sampling and prospecting is planned for 2010.

4. China

4.1 Huaixi

The Huaixi property in southeast China is an early-stage project targeting copper mineralisation within an extensive alteration system. This work is being done through an agreement with the Zhejiang No. 11 Geological Brigade.

The property consists of three contiguous exploration licenses, totalling approximately 61 km² and includes a 20 km² zone of advanced argillic alteration hosting peripheral, small scale, past producing copper-gold and pyrite mines.



Figure 4-1: Location of Huaixi project in Zhejiang Province, China

4.1.1 Geology

Cretaceous volcanic rocks underlie most of the area. These units are divided into three principal units (Heberlein, 2009). The oldest consists of a sequence of rhyolitic to dacitic porphyry flows and intrusions that are overlain by volcanoclastic sediments and tuffs of similar composition. Tuffaceous sandstones and rhyolitic tuffs overlie this unit. These grade upwards to coarser grained volcanoclastic sediments including conglomerates and tuffaceous sandstones with subordinate rhyolite tuff horizons.

4.1.2 Previous Exploration

Preliminary surface mapping and alteration studies have identified widespread quartz-sericite-pyrite alteration hosted in Cretaceous volcanic rocks. Extensive geochemical testing in late 2008 identified several copper and gold anomalies and mineralisation consistent with the distal extensions of a deeply buried copper porphyry deposit.

Geophysical investigations conducted mid 2009, consisting of 122 line kilometres of induced polarisation and ground magnetic surveys, identified several new deeply buried anomalies as well as reconfirmed the results of previous geochemical surveys. Three high priority targets were identified (Targets 3, 4 & 5; Figure 4-2).

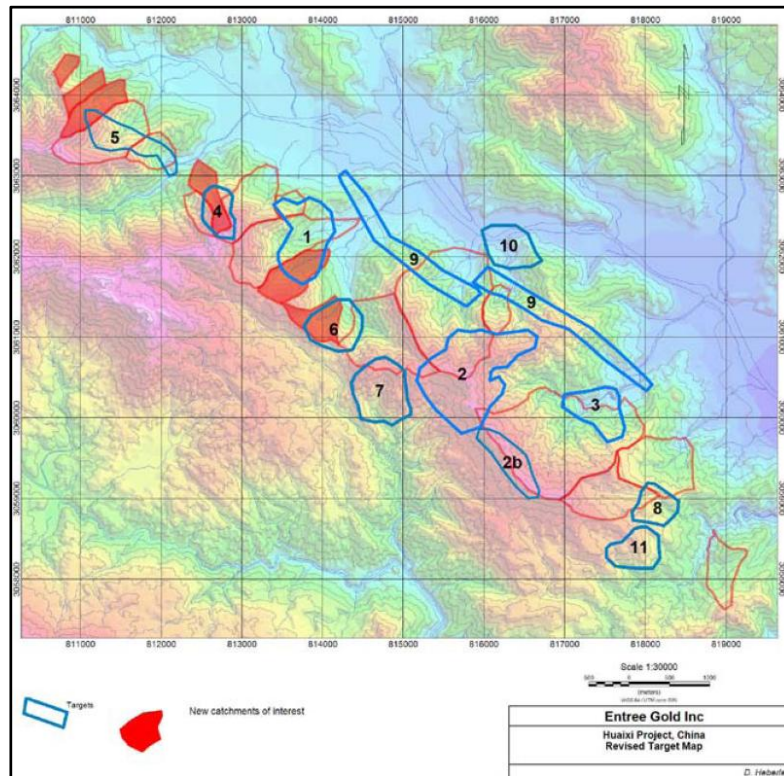


Figure 4-2: Exploration targets at Huaixi (Heberlein, 2009)

A drill program to test geochemical and geophysical anomalies commenced early in November 2009 and is ongoing. Four holes have been completed for a total of approximately 1,700 m of the planned 2,700 m. Assay results are pending but scattered base metal mineralisation has been visually identified in hole three (Canada NewsWire, 2009).

Entree's exploration to date has been successful in outlining a 7 km long northwest-trending structural corridor with a strong, multi-element porphyry signature. This was done primarily through extensive soil and stream sediment sampling in 2008 and followed up with magnetic and IP geophysical surveys (Canada NewsWire, 2009).

5. References

- Canada NewWire, 2009. News Release Entrée Gold 2009 Exploration and Corporate Update; 21/12/09.
- Entrée, 2007. News Release by Entrée Gold: Entrée Gold Enters Into Agreement to Explore for Porphyry Copper in Southwestern USA, 18/07/2007.
- Entrée, 2009. Entrée Gold Inc Management Discussion and Analysis for the 6 Months Ended June 30, 2009, unpublished Company Report, 22 pp.
- Heberlein, D, 2009. Huaixi Project, China: An Interpretation of Stream Sediment and Soil Sample Data for Entrée Gold Inc.
- Millinoff, T, 2009. Prospecting and Geochemical Report on the Crystal Property, report for Entrée Gold Inc
- Panteleyev, A, 2008. Report on June/July 2008 Geological Mapping, Togoot Licence, Lookout Hill (Shivee Tolgoi) Property, Omnogovi Aimag, South Gobi Region, Mongolia - Geologic Mapping of Volcanic Terrane in Northern Togoot Licence Area unpublished report prepared for Entrée Gold Inc., 25p.
- Peters, B, Parker, H, Cinits, R, Haines, A and David, D, 2007. Oyu Tolgoi Technical Report, GRD Minproc report, 279 pp
- Tipper, HW, et al., 1963. Nechako River Map Area, British Columbia; Geol. Survey Canada, Memoir 324
- Vann, J, Jackson, S, Cullingham, P, Dean, D, Cann, R M and Foster, J R, 2009. NI43-101 Compliant Technical Report on the Lookout Hill Project Omnogovi Aimag, Southern Mongolia, prepared for Entrée Gold Inc, 226 pp.

Appendix 5: Entrée Tenement Schedule and Certificates

Table 1: Entrée tenement list

ID	Type	Location	Project	Area (ha)	Granted	Most recent extension date	Expiry Date	Total Commitment (\$) (2010)	Comment
15226A (formerly 3148X)	Mining	Mongolia	Shivee Tolgoi	54,760	27/10/2009	27/10/2009		821,400	Converted from an exploration licence 3148X
15225A (formerly 3150X)	Mining	Mongolia	Javhlant	20,346	27/10/2009	27/10/2009		305,190	Converted from an exploration licence 3150X
3136X	Exploration	Mongolia	Togoot	104,484	30/03/2001	1/06/2007	30/03/2010	156,726	



АШИГТ МАЛТМАЛ, ГАЗРЫН ТОСНЫ ХЭРЭГ
ЭРХЛЭХ ГАЗАР

АШИГТ МАЛТМАЛЫН ХАЙГУУЛЫН ТУСГАЙ
ЗӨВШӨӨРӨЛ

Дугаар 3136Х

Ашигт малтмалын тухай Монгол Улсын хуулийн 19 дүгээр
зүйлийг үндэслэн

Омлогово аймаг /хот/-ийн

Баян-Овоо, Хандоог сум /дүүрэг/-ын

Жогоот нэртэй газарт орших

104484 гектар талбайг хамарсан хайгуулын талбайд

хуульд заасан нөхцөл, шаардлагын дагуу ашигт малтмал хайхыг

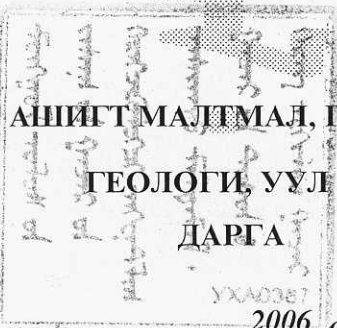
зөвшөөрч улсын бүртгэлийн 9019004126 төөт гэрчилгээтэй

„ОЖТРЭ“, „ХХК“ -д

энэхүү тусгай зөвшөөрлийг 2008-03-30 дуусгал жилийн

хугацаагаар олгов.

Тусгай зөвшөөрөл хавсралтгүй бол хүчингүй.



АШИГТ МАЛТМАЛ, ГАЗРЫН ТОСНЫ ХЭРЭГ ЭРХЛЭХ ГАЗАР

ГЕОЛОГИ, УУЛУУРХАЙН КАДАСТРЫН АЛБАНЫ

ДАРГА

Т. ЗАНАШИР

2006 оны 12 сарын 14 өдөр

Улаанбаатар хот

3136X

**АШИГТ МАЛТМАЛЫН ХАЙГУУЛЫН..... ТООТ
ЛИЦЕНЗИЙН ГЭРЧИЛГЭЭНИЙ 1 ДҮГЭЭР ХАВСРАЛТ**

ТУСГАЙ ЗӨВШӨӨРЛИЙН (гэрчилгээгүй бол хүчингүй)

Лицензээр олгогдсон талбайн хэмжээ болон лицензийн эзэмшилд орсон өөрчлөлт

д/д	Лицензэд орох өөрчлөлтийн үндэслэл	Өргөдлийн бүртгэлийн дугаар	Хасагдах талбайн хэмжээ /га-гаар/	Үлдсэн талбайн хэмжээ /га-гаар/
1.	Анх олгосон	4036X	-	АШИГТ МАЛТМАЛЫН ХАЙГУУЛЫН ЭРХЛЭГ 104484 КАДАСТРЫН АЛБАН УХАА 2001-03-30
2.	Лицензийн хоёр дахь жилийн төлбөрөө төлөв.			АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН АЛБАН 104484 2002-03-28
3.	ГУУКА-ны даргын 2002 оны 475 тоот шийдвэрээр лицензийг 26/1573 тоот улсын бүртгэлийн гэрчилгээтэй "Баяраам" ХХК-д шилжүүлэв.	1063X		104484 АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН АЛБАН 2002-06-25
4.	ГУУКА-ны даргын 2002 оны 563 тоот шийдвэрээр лицензийг 26/3128 тоот улсын бүртгэлийн гэрчилгээтэй "Эм Жи Пи" ХХК-д шилжүүлэв.	1105X		АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН АЛБАН 104484 2002-07-31
5.	Лицензийн гурав дахь жилийн төлбөрөө төлөв.			АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН АЛБАН 104484 2003-04-14
6.	Лицензийг улсын бүртгэлийн 25/8105 тоот гэрчилгээтэй "ОНТРЭ" ХХК-д шилжүүлснийг ГУУКА-ны даргын 2003 оны 968 тоот шийдвэрээр бүртгэв.	1819X		АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН АЛБАН 104484 2003-09-30
7.	ГУУКА-ны даргын 2004 оны 228 тоот шийдвэрээр лицензийн хугацааг 2006.03.30 хүртэл 2 жилийн хугацаагаар сунгав.	651X		АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН АЛБАН УХАА 104484 2004-02-16
8.	Лицензийн дөрөв дахь жилийн төлбөрөө төлөв.			АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН АЛБАН 104484 2004-02-02
9.	Лицензийн 5 дахь жилийн төлбөрөө төлөв.			АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН АЛБАН 104484 2005-03-07
10.	Лицензийн зургаа дахь жилийн төлбөрөө төлөв			АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН АЛБАН 104484 2006-02-08
11.	ГУУКГ-ын даргын 2006 оны 271 тоот шийдвэрээр лицензийн хугацааг 2008-03-30 хүртэл 2 жилийн хугацаагаар сунгав.	1575X		АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН ГАЗАР 104484 2006-03-14
12.	Тусгай зөвшөөрлийн 7 дахь жилийн төлбөрөө төлөв			АМХЭГ-ын Геологи, уул уурхайн КАДАСТРЫН АЛБАН 104484 2007-03-27

Тусгай зөвшөөрлийг шинэчлэн бүртгэв.
АМГТХ
2006 оны 12 сарын 11 өдөр

3136X

АШИГТ МАЛТМАЛЫН ХАЙГУУЛЫН ТООТ
ТУСГАЙ ЗӨВШӨӨРЛИЙН 1 ДҮГЭЭР ХАВСРАЛТ

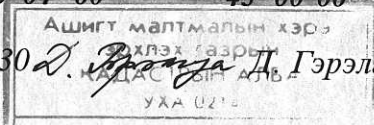
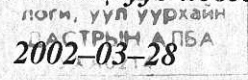
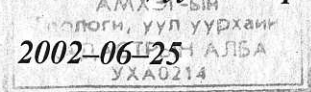

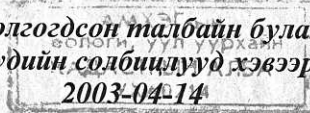
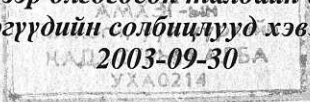
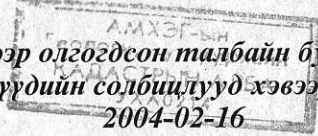

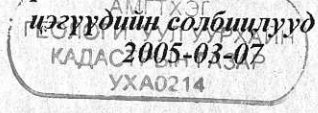
(тусгай зөвшөөрөлгүй бол хүчингүй)

Тусгай зөвшөөрлөөр талбайн хэмжээ болон тусгай зөвшөөрлийн эзэмшилд орсон өөрчлөлт

д/д	Тусгай зөвшөөрөлд орох өөрчлөлтийн үндэслэл	Өргөдлийн бүртгэлийн дугаар	Хасагдах талбайн хэмжээ (га-аар)	Үлдсэн талбайн хэмжээ (га-аар)
13	Тусгай зөвшөөрлийн найм дахь жилийн төлбөрөө төлөв			104484
14.	КБТ-ын даргын 2007 оны 1799 тоот шийдвэрээр тусгай зөвшөөрлийн хугацааг 2010-03-30 дуустал 3 жилийн хугацаагаар сунгав.	2379X		2007-06-08 104484 КАДАСТРЫН 2007-07-02


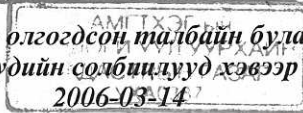
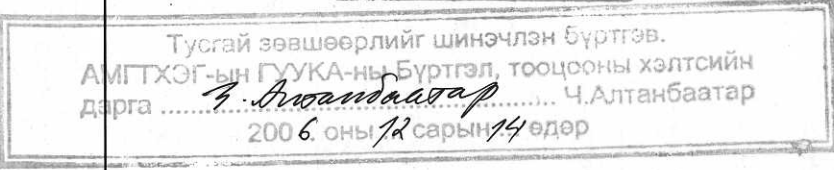
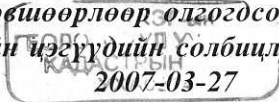


**АШИГТ МАЛТМАЛЫН ХАЙГУУЛЫН . . 3136Х ТООТ
ЛИЦЕНЗИЙН ГЭРЧИЛГЭЭНИЙ 2 ДУГААР ХАВСРАЛТ
ТУСГАЙ ЗӨВШӨӨРЛИЙН (гэрчилгээгүй бол хүчингүй)**

Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлын өөрчлөлтүүд

д/д	Солбицлууд өөрчлөгдөх үндэслэл	Хүчин төгөлдөр солбицлууд
1.	Талбайн анхны солбицлууд	<p>1. 106° 04' 00" 43° 16' 00"</p> <p>2. 106° 30' 00" 43° 16' 00"</p> <p>3. 106° 30' 00" 43° 00' 00"</p> <p>4. 106° 04' 00" 43° 00' 00"</p> <p>2001.03.30 <i>Д. В. Гэрэлгуа</i></p> 
2.	Лицензийн хоёр дахь жилийн төлбөрөө төлөв.	<p>Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр.</p> 
3.	ГУУКА-ны даргын 2002 оны 475 тоот шийдвэрээр лицензийг 26/1573 тоот улсын бүртгэлийн гэрчилгээтэй "Баяраам" ХХК-д шилжүүлэв.	<p>Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр.</p> 
4.	ГУУКА-ны даргын 2002 оны 563 тоот шийдвэрээр лицензийг 26/3128 тоот улсын бүртгэлийн гэрчилгээтэй "Эм Жи Пи" ХХК-д шилжүүлэв.	<p>Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр.</p> 
5.	Лицензийн гурав дахь жилийн төлбөрөө төлөв.	<p>Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр.</p> 
6.	Лицензийг улсын бүртгэлийн 25/8105 тоот гэрчилгээтэй "ОНТРЭ" ХХК-д шилжүүлснийг ГУУКА-ны даргын 2003 оны 968 тоот шийдвэрээр бүртгэв.	<p>Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр.</p> 
7.	ГУУКА-ны даргын 2004 оны 228 тоот шийдвэрээр лицензийн хугацааг 2006.03.30 хүртэл 2 жилийн хугацаагаар сунгав.	<p>Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр.</p> 
8.	Лицензийн дөрөв дахь жилийн төлбөрөө төлөв.	<p>Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр.</p> 
9.	Лицензийн 5 дахь жилийн төлбөрөө төлөв.	<p>Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр.</p> 

АШИГТ МАЛТМАЛЫН ХАЙГУУЛЫН . . . **3136Х** . . . ТООТ
 ЛИЦЕНЗИЙН ГЭРЧИЛГЭЭНИЙ 2 ДУГААР ХАВСРАЛТ
 ТУСГАЙ ЗӨВШӨӨРЛИЙН (гэрчилгээгүй бол хүчингүй)

Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлын өөрчлөлтүүд

д/д	Солбицлууд өөрчлөгдөх үндэслэл	Хүчин төгөлдөр солбицлууд
10.	Лицензийн зургаа дахь жилийн төлбөрөө төлөв	Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр  2006-02-08
11.	ГУУКГ-ын даргын 2006 оны 271 тоот шийдвэрээр лицензийн хугацааг 2008-03-30 хүртэл 2 жилийн хугацаагаар сунгав.	Лицензээр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр  2006-03-14
		
12.	Тусгай зөвшөөрлийн 7 дахь жилийн төлбөрөө төлөв	Тусгай зөвшөөрлөөр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр  2007-03-27
13	Тусгай зөвшөөрлийн найм дахь жилийн төлбөрөө төлөв	Тусгай зөвшөөрлөөр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр  2007-06-08
14.	КБТ-ын даргын 2007 оны 1799 тоот шийдвэрээр тусгай зөвшөөрлийн хугацааг 2010-03-30 дуустал 3 жилийн хугацаагаар сунгав.	Тусгай зөвшөөрлөөр олгогдсон талбайн булангийн цэгүүдийн солбицлууд хэвээр  2007-07-02



АШИГТ МАЛТМАЛЫН ГАЗАР

АШИГТ МАЛТМАЛ АШИГЛААЛТЫН ТУСГАЙ
ЗӨВШӨӨРӨЛ

Дугаар 15225А

Ашигт малтмалын тухай Монгол улсын хуулийн 26 дугаар
зүйлийг үндэслэн

Олноогово аймаг /хот/-ийн
Баян-Овоо, Хандбогд сум /дүүрэг/-ын
Жавхланта нэртэй газарт орших
20346.14 гектар талбай бүхий уурхайн талбайд хуульд
заасан нөхцөл, шаардлагын дагуу ашигт малтмал ашиглахыг
зөвшөөрч улсын бүртгэлийн 9019004126 тоот гэрчилгээтэй
„ОЖТРЭ“ ХХК -д
энэхүү тусгай зөвшөөрлийг 30 жилийн
хугацаагаар олгов.

Тусгай зөвшөөрөл хавсралтгүй бол хүчингүй.

ДАРГА

Д. БАТХУЯГ

2009 оны 10 сарын 27 өдөр

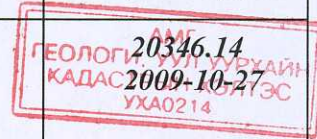
Улаанбаатар хот

15225A

АШИГТ МАЛТМАЛ АШИГЛАХ ТООТ
ТУСГАЙ ЗӨВШӨӨРЛИЙН 1 ДҮГЭЭР ХАВСРАЛТ
(тусгай зөвшөөрөлгүй бол хүчингүй)

Тусгай зөвшөөрлөөр талбайн хэмжээ болон тусгай зөвшөөрлийн эзэмшилд орсон өөрчлөлт

д/д	Тусгай зөвшөөрөлд орох өөрчлөлтийн үндэслэл	Өргөдлийн бүртгэлийн дугаар	Хасагдах талбайн хэмжээ (га-аар)	Үлдсэн талбайн хэмжээ (га-аар)
1.	Анх олгосон	24095A		20346.14 2009-10-27



АШИГТ МАЛТМАЛ АШИГЛАХ **15225А** ТООТ
 ТУСГАЙ ЗӨВШӨӨРЛИЙН 2 ДУГААР ХАВСРАЛТ
 (тусгай зөвшөөрөлгүй бол хүчингүй)

Тусгай зөвшөөрлөөр олгогдсон талбайн булангийн цэгүүдийн солбицлын өөрчлөлтүүд

д/д	Солбицлууд өөрчлөгдөх үндэслэл	Хүчин төгөлдөр солбицлууд												
		Талбайн солбицлууд												
	№	град	мин	сек	град	мин	сек	№	град	мин	сек	град	мин	сек
1.	Талбайн солбицлууд													
	1	106	36	0	42	0	0	9	106	55	0	42	57	30
	2	106	47	30	42	0	0	10	106	51	30	42	57	30
	3	106	47	30	42	58	30	11	106	51	30	42	55	30
	4	106	55	0	42	58	30	12	106	44	0	42	55	30
	5	106	55	0	43	0	0	13	106	44	0	42	57	0
	6	107	0	0	43	0	0	14	106	38	0	42	57	0
	7	107	0	0	42	55	30	15	106	38	0	42	55	30
	8	106	55	0	42	55	30	16	106	36	0	42	55	30

2009-10-27



Э.Заяабат



АШИГТ МАЛТМАЛЫН ГАЗАР

АШИГТ МАЛТМАЛ АШИГЛАЛТЫН ТУСГАЙ
ЗӨВШӨӨРӨЛ

Дугаар 15226А

Ашигт малтмалын тухай Монгол улсын хуулийн 26 дугаар зүйлийг үндэслэн

Омногово аймаг /хот/-ийн
Баян-Овоо, Хандбогд сум /дүүрэг/-ын
Шивээ толгой нэртэй газарт орших
54760.05 гектар талбай бүхий уурхайн талбайд хуульд
заасан нөхцөл, шаардлагын дагуу ашигт малтмал ашиглахыг
зөвшөөрч улсын бүртгэлийн 9019004126 тоот гэрчилгээтэй
„ ОЖПРЭ „ ӨӨХ -д
энэхүү тусгай зөвшөөрлийг 30 жилийн
хугацаагаар олгов.

Тусгай зөвшөөрөл хавсралтгүй бол хүчингүй.

ДАРГА

Д. БАТХУЯГ

2009 оны 10 сарын 27 өдөр

Улаанбаатар хот

15226A

АШИГТ МАЛТМАЛ АШИГЛАХ ТООТ
ТУСГАЙ ЗӨВШӨӨРЛИЙН 1 ДҮГЭЭР ХАВСРАЛТ
(тусгай зөвшөөрөлгүй бол хүчингүй)


Тусгай зөвшөөрлөөр талбайн хэмжээ болон тусгай зөвшөөрлийн эзэмшилд орсон өөрчлөлт

д/д	Тусгай зөвшөөрөлд орох өөрчлөлтийн үндэслэл	Өргөдлийн бүртгэлийн дугаар	Хасагдах талбайн хэмжээ (га-аар)	Үлдсэн талбайн хэмжээ (га-аар)
1.	Анх олгосон	24094A		54760.05 2009-10-27

АМГ
ГЕОЛОГИ УҮЛ ХАРХАЙН
КАДАСТРЫН ЗӨЛӨГ
2009-10-27

15226A
 АШИГТ МАЛТМАЛ АШИГЛАХ ТООТ
 ТУСГАЙ ЗӨВШӨӨРЛИЙН 2 ДУГААР ХАВСРАЛТ
 (тусгай зөвшөөрөлгүй бол хүчингүй)

Тусгай зөвшөөрлөөр олгогдсон талбайн булангийн цэгүүдийн солбицлын өөрчлөлтүүд

д/д	Солбицлууд өөрчлөгдөх үндэслэл	Хүчин төгөлдөр солбицлууд																																																																						
1.	Талбайн солбицлууд	<table border="1"> <thead> <tr> <th>No</th> <th>град</th> <th>мин</th> <th>сек</th> <th>град</th> <th>мин</th> <th>сек</th> <th>No</th> <th>град</th> <th>мин</th> <th>сек</th> <th>град</th> <th>мин</th> <th>сек</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>106</td> <td>30</td> <td>0</td> <td>43</td> <td>0</td> <td>0</td> <td>5</td> <td>106</td> <td>55</td> <td>0</td> <td>43</td> <td>0</td> <td>0</td> </tr> <tr> <td>2</td> <td>106</td> <td>30</td> <td>0</td> <td>43</td> <td>8</td> <td>0</td> <td>6</td> <td>106</td> <td>55</td> <td>0</td> <td>43</td> <td>3</td> <td>0</td> </tr> <tr> <td>3</td> <td>107</td> <td>0</td> <td>0</td> <td>43</td> <td>8</td> <td>0</td> <td>7</td> <td>106</td> <td>47</td> <td>30</td> <td>43</td> <td>3</td> <td>0</td> </tr> <tr> <td>4</td> <td>107</td> <td>0</td> <td>0</td> <td>43</td> <td>0</td> <td>0</td> <td>8</td> <td>106</td> <td>47</td> <td>30</td> <td>43</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	No	град	мин	сек	град	мин	сек	No	град	мин	сек	град	мин	сек	1	106	30	0	43	0	0	5	106	55	0	43	0	0	2	106	30	0	43	8	0	6	106	55	0	43	3	0	3	107	0	0	43	8	0	7	106	47	30	43	3	0	4	107	0	0	43	0	0	8	106	47	30	43	0	0
No	град	мин	сек	град	мин	сек	No	град	мин	сек	град	мин	сек																																																											
1	106	30	0	43	0	0	5	106	55	0	43	0	0																																																											
2	106	30	0	43	8	0	6	106	55	0	43	3	0																																																											
3	107	0	0	43	8	0	7	106	47	30	43	3	0																																																											
4	107	0	0	43	0	0	8	106	47	30	43	0	0																																																											
		<p style="text-align: center;">2009-10-27  Э.Заяабат</p>																																																																						

**FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S
REPORT TO OPTIONHOLDERS**

PacMag Metals Limited

12 March 2010





BDO Corporate Finance (WA) Pty Ltd
38 Station Street Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 6382 4600
Fax 61 6382 4601
bdo@bdo.com.au
www.bdo.com.au

ABN 27 124 031 045
AFS License No 316158

Financial Services Guide

12 March 2010

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (“**BDO**” or “**we**” or “**us**” or “**ours**” as appropriate) has been engaged by PacMag Metals Limited (“**PacMag**”) to provide an independent expert’s report to option holders on the proposed merger between PacMag and Entrée Gold Inc (“**Entrée**”) whereby certain PacMag options will be cancelled and option holders will be issued with shares in Entrée and cash consideration. The merger will be implemented by a scheme of arrangement (“**the Option Scheme**”). You will be provided with a copy of our report as a retail client because you are a option holder of PacMag.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“**FSG**”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate partnerships and entities. The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, Commissions and Other Benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement and the independent experts report on the share scheme is approximately \$40,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from PacMag for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth, WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (“FOS”). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

PACMAG METALS LIMITED
INDEPENDENT EXPERT'S REPORT
TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	SUMMARY AND OPINION	1
3.	SCOPE OF THE REPORT	4
4.	OUTLINE OF THE OPTION SCHEME	5
5.	PROFILE OF PACMAG METALS LIMITED	8
6.	PROFILE OF ENTRÉE GOLD INC.....	13
7.	ECONOMIC ANALYSIS	19
8.	INDUSTRY ANALYSIS	22
9.	VALUATION APPROACH ADOPTED	27
10.	VALUATION OF THE OPTIONS	28
11.	VALUATION OF CONSIDERATION	38
12.	IS THE OPTION SCHEME FAIR?.....	46
13.	IS THE OPTION SCHEME REASONABLE?	47
14.	CONCLUSION.....	52
15.	SOURCES OF INFORMATION	52
16.	INDEPENDENCE	52
17.	QUALIFICATIONS	53
18.	DISCLAIMERS AND CONSENTS.....	53

APPENDIX 1 - GLOSSARY

APPENDIX 2 - VALUATION METHODOLOGIES

APPENDIX 3 - OPTION VALUATION METHODOLOGIES

12 March 2010

The Directors
PacMag Metals Limited
PO Box 1569
WEST PERTH WA 6872

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. INTRODUCTION

On 30 November 2009, PacMag Metals Limited ("**PacMag**" or "**the Company**") announced that it had entered into a scheme implementation agreement ("**SIA**") with Entrée Gold Inc ("**Entrée**") whereby PacMag options will be cancelled and certain PacMag option holders will be issued with shares in Entrée and cash consideration. If approved by option holders the SIA will be implemented by a scheme of arrangement ("**the Option Scheme**").

This report considers only those PacMag options which are to be cancelled pursuant of the Option Scheme ("**the Options**"). PacMag shares and PacMag options issued under the term of PacMag's Employee Share Option Plan ("**ESOP Options**") will be subject to separate offers which are not considered in this report.

2. SUMMARY AND OPINION

2.1 Purpose of the report

The directors of PacMag have requested that BDO Corporate Finance (WA) Pty Ltd ("**BDO**") prepare an independent expert's report ("**our Report**") to express an opinion as to whether or not the Option Scheme is in the best interests of PacMag option holders ("**Option Holders**").

Our Report is prepared pursuant to section 411 of the Corporations Act in order to assist the Option Holders in their decision whether to approve the Option Scheme.

Our Report is to be included in the scheme booklet for PacMag to be sent to all Option Holders to assist them in deciding whether to approve the Option Scheme.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("**ASIC**") Regulatory Guide 111 ("**RG 111**"), 'Content of Expert's Reports' and Regulatory Guide 112 ("**RG 112**") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the Option Scheme as outlined in the body of this report. We have considered:

- How the value of an Option compares to the value of the consideration offered to Option Holders;
- The likelihood of a superior alternative offer being available to PacMag;
- Other factors which we consider to be relevant to Option Holders in their assessment of the Option Scheme; and
- The position of Option Holders should the Option Scheme not proceed.

2.3 Opinion

We have considered the terms of the Option Scheme as outlined in the body of this report and have concluded that the Option Scheme is not fair but reasonable and in the best interests of Option Holders.

In our opinion, the Option Scheme is not fair to the Option Holders of PacMag as the preferred value of each series of Options is greater than the preferred value of the consideration offered to Option Holders. However, we consider the Option Scheme to be reasonable because the advantages of the Option Scheme for Option Holders are greater than the disadvantages as summarised in Section 2.5 and detailed more fully in Section 13. In particular, the merger will result in a financially stronger entity with a more diversified portfolio of assets and greater operating efficiency.

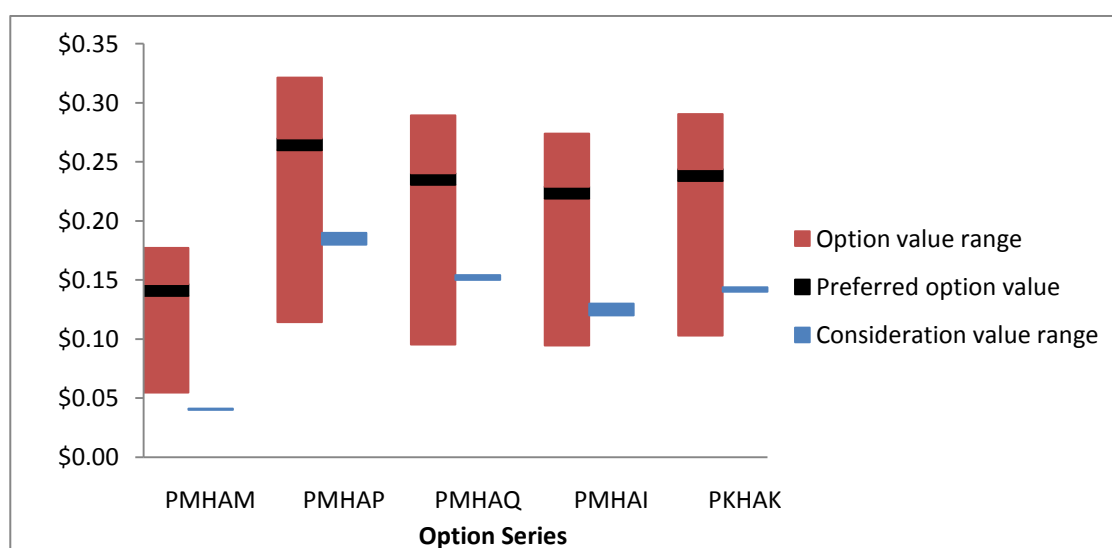
As such, in our opinion the Option Scheme is in the best interests of Option Holders.

2.4 Fairness

In Section 12 we determined that the Option Scheme consideration for each series of Options compares to the value of a Option, as detailed below.

Item	PMHAM	PMHAP	PMHAQ	PMHAI	PMHAK
Valuation per Option Series					
Value of a PacMag Option (Low)	\$0.05	\$0.11	\$0.10	\$0.09	\$0.10
Value of a PacMag Option (High)	\$0.18	\$0.32	\$0.29	\$0.27	\$0.29
Value of a PacMag Option (Preferred)	\$0.14	\$0.26	\$0.24	\$0.22	\$0.24
Total Value of Consideration					
Value of Consideration (Low)	\$0.04	\$0.18	\$0.15	\$0.12	\$0.13
Value of Consideration (High)	\$0.04	\$0.19	\$0.15	\$0.13	\$0.14
Value of Consideration (Preferred)	\$0.04	\$0.19	\$0.15	\$0.13	\$0.14

The above valuation ranges are graphically presented as follows:



The above pricing indicates that, in the absence of any other relevant information, the Option Scheme is not fair for Option Holders as the preferred value of an Option is greater than the consideration offered.

2.5 Reasonableness

We have considered the analysis in Sections 13 of this report, in terms of both

- advantages and disadvantages of the Option Scheme; and
- alternatives, including the position of Option Holders if the Option Scheme does not proceed.

In our opinion, the position of Option Holders if the Option Scheme is approved is more advantageous than the position if the Option Scheme is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Option Scheme is reasonable for Option Holders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	Diversification of business risk	13.2.1	The Option Scheme is not fair
13.1.2	Greater trading liquidity	13.2.2	Dilution of Option Holders' interests
13.1.3	Financial strength from dual listing and greater ability to attract capital	13.2.3	Risks of loss of corporate knowledge when integrating the businesses
13.1.4	Additional coverage by research analysts		
13.1.5	The Option Scheme is a means for investors to realise the potential value of PacMag's assets		
13.1.6	Gain support from Entrée's corporate and institutional investors		
13.1.7	Potential for significant uplift from North American market exposure		
13.1.8	Exposure to Entrée's assets		

13.1.9	Access to operating synergies	
13.1.10	Gain exposure to Entrée's aggressive exploration program	
13.1.11	Experienced management team	

Other key matters we have considered include:

Section	Description
13.3.1	We are not aware of any alternative proposal
13.3.2	Should the Option Scheme be rejected PacMag will continue as a standalone entity listed on the ASX.
13.3.3	The share prices of PacMag and Entrée have increased since the announcement of the proposal suggesting that the market views the transaction favorably.

3. SCOPE OF THE REPORT

3.1 Purpose of the Report

The Option Scheme is to be implemented pursuant to Section 411 of the Corporations Act 2001 Cth ("the Act"). Part 3 of Schedule 8 to the Corporations Act Regulations prescribes the information to be sent to option holders in relation to schemes of arrangement pursuant to Section 411 of the Act ("Section 411").

Schedule 8 of the Act requires an independent expert's report if:

- The corporation that is the other party to the scheme of arrangement has a common director or directors with the company which is the subject of the option scheme; or
- The corporation that is the other party is entitled to more than 30% of the voting shares in the subject company.

The criteria above do not apply to the Option Scheme. Accordingly, there is no statutory requirement for this report.

Notwithstanding the fact that there is no legal requirement to engage an independent expert to report on the Option Scheme, the directors of PacMag have requested that BDO prepare this report as if it were an independent expert's report pursuant to Section 411, and to provide an opinion as to whether the Option Scheme is in the best interest of Option Holders.

3.2 Regulatory guidance

In determining whether the Option Scheme is in the best interests of Option Holders, we have had regard to the views expressed by the ASIC in RG111. This Regulatory Guide suggests that an opinion as to whether the Option Scheme is in the best interests of Option Holders should entail consideration of all the circumstances of the Option Scheme as if it was a takeover under Chapter 6 of the Act.

Such consideration includes a comparison of the likely advantages and disadvantages for Option Holders if the Option Scheme is accepted, with the advantages and disadvantages to Option Holders if they are not.

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, “in the best interests” must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgment on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposed transaction and form an overall view as to whether option holders are likely to be better off if the proposed transaction is implemented than if it is not. This assessment is the same as that required for a ‘fair and reasonable’ assessment in the case of a takeover. If the expert would conclude that a proposal was ‘fair and reasonable’; if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of shareholders. An opinion of ‘in the best interests’ does not imply the best possible outcome for shareholders.

3.3 Adopted basis of evaluation

RG 111 states that an offer is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of an Option prior to the Option Scheme and the value of the consideration offered for each Option being acquired (fairness - see Section 12 “Is the Option Scheme Fair?”); and
- An investigation into other significant factors to which Option Holders might give consideration, prior to approving the Option Scheme, after reference to the value derived above (reasonableness - see Section 13 “Is the Option Scheme Reasonable?”).

4. OUTLINE OF THE OPTION SCHEME

On 30 November 2009, PacMag announced that it had entered into an SIA to merge with Entrée. The merger will be implemented via a scheme of arrangement whereby Entrée will acquire all of the issued shares of PacMag and all PacMag options other than the ESOP Options. The ESOP Options will be subject to separate offers.

If the Option Scheme is approved, PacMag Option Holder’s will receive Entrée shares (“Equity Consideration”) and cash consideration (“Cash Consideration”) as detailed below.

Series	Conversion Ratio
PMHAM	0.0107 new Entrée shares and C\$0.0125 for each Option
PMHAP	0.0481 new Entrée shares and C\$0.0562 for each Option
PMHAQ	0.0392 new Entrée shares and C\$0.0458 for each Option
PMHAI	0.0325 new Entrée shares and C\$0.0379 for each Option
PMHAK	0.0367 new Entrée shares and C\$0.0429 for each Option

The terms of the Option Scheme are such that the Cash Consideration is denominated in Canadian dollars but payable to Option Holders in Australian dollars. The exchange rate for

the Cash Consideration payable to Option Holders will be determined by the latest nominal noon rate (“the Exchange Rate”) published by the Bank of Canada at 12.30pm Canadian Eastern Standard time on the date that the Option Scheme court orders are issued with ASIC, should the Option Scheme be approved. Key conditions of the Option Scheme include:

- The Option Scheme is conditional on the approval of the share scheme and cancellation of the ESOP Options;
- ASX, TSX, NYSE-AMEX, ASIC and court approvals as required to implement the Option Scheme;
- Option Holder approval of the Option Scheme in accordance with Section 411 of the Corporations Act;
- No material adverse changes occurring which could have a material adverse effect on the profitability of PacMag or Entrée;
- Neither PacMag nor Entrée is subject to a prescribed occurrence;
- This report concludes that the Option Scheme is in the best interests of Option Holders and the share scheme is in the best interests of PacMag shareholders;
- No alternative proposal for PacMag is announced;
- All representations and warranties made by PacMag and Entrée under the SIA are true and correct;
- There being no adverse change in control in PacMag;
- All ESOP Options being acquired, cancelled or exercised and PacMag obtaining all necessary waivers from the ASX to action this condition; and
- TSX conditionally approving the listing of the Equity Consideration to be issued to Option Holders and PacMag shareholders as consideration under the Option Scheme and share scheme.

The SIA also includes no shop and no talk provisions and a break fee which are customary for transactions of this nature. These include the following:

- PacMag must not invite or initiate any enquiries or continue in any negotiations which may lead to an alternative proposal for PacMag. Similarly, PacMag must not permit another entity to undertake due diligence investigations without Entrée’s written consent; and
- A break fee of C\$350,000 is payable should either party terminate the agreement.

The exercise price, expiry dates and quantities of the Options are set out in the table below.

Series	Exercise Price	Expiry Date	Quantity of Options
PMHAM	A\$1.102	29 February 2012	1,291,585
PMHAP	A\$0.152	17 November 2010	1,000,000
PMHAQ	A\$0.202	17 November 2010	1,000,000
PMHAI	A\$0.30	30 June 2011	2,083,336
PMHAK	A\$0.252	16 June 2011	3,000,000
Total			8,374,921

The Option Scheme and share scheme will result in the following share structure:

Entrée Share Structure	Pre Option Scheme		Proposed structure	
	No. of Shares	%	No. of Shares	%
Current PacMag Shareholders	-	-	15,677,031	13.96%
The Options	-	-	279,016	0.25%
ESOP Options	-	-	14,690	0.01%
Entrée shareholders	96,322,000	100%	96,322,000	85.78%
TOTAL	96,322,000	100%	112,292,737	100%

The table above indicates that if the Option Scheme is approved then PacMag shareholders will hold approximately 14% and Option Holders will hold approximately 0.25% of Entrée shares. The table above does not include Entrée options.

5. PROFILE OF PACMAG METALS LIMITED

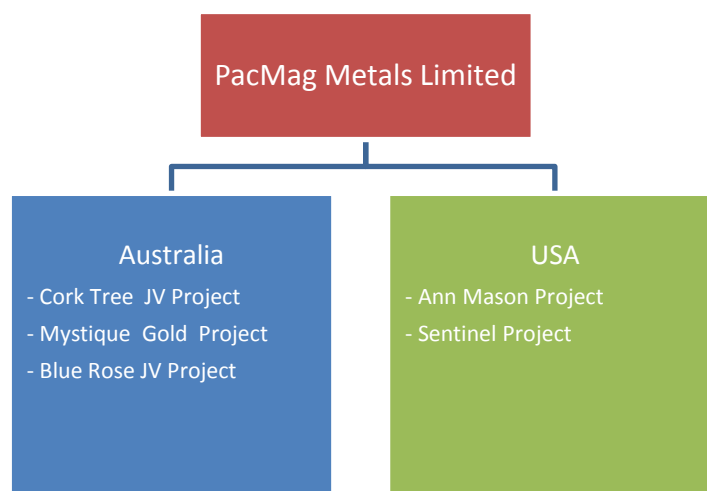
5.1 History

PacMag is an Australian mineral exploration company focused on copper, gold, molybdenum and uranium exploration. The Company listed on the ASX in 1995 under the name Golden Triangle Resources NL with a focus on the exploration and development of magnesium projects. In July 2005 the Company entered into an agreement with Giralia Resources NL (“Giralia”) to acquire a 100% interest in the Blue Rose Copper Gold Molybdenum Project and the Ann Mason Project. The agreement also included an earn-in agreement to enter into a JV for the Arrino Copper Project and the Corktree Copper Project in Western Australia.

In June 2006 the Company completed a capital raising of A\$5,732,886. The funds were used to continue the exploration and development of the Company’s projects and to satisfy working capital requirements. Consequently, the Company changed its name to PacMag Metals Limited. In May 2008 PacMag announced the acquisition of the Sentinel Project which the Company considers prospective for uranium and molybdenum. The Ann Mason and Sentinel Projects remain the focus of PacMag’s operations.

5.2 Key Projects

Full details of PacMag’s projects are provided in Appendix 3. We have set out a brief summary of PacMag’s key projects below:



5.2.1 The Ann Mason District

The Ann Mason Project, Shamrock Project and Blue Hills Project are located in the Yerington District of Nevada, USA. Other than the Shamrock Project which is subject to an option to purchase 100% equity, these projects are 100% owned by PacMag. Exploration activity and project investment has been high in this area following renewed interest in copper by a number of companies.

The Ann Mason Project was one of the projects acquired from Giralia in July 2005. The project has been the focus of the Company’s operations since acquisition. PacMag plans to further explore this site and submitted an environmental assessment to the Federal Bureau of Land Management which was recently approved. Additional demands from the Federal Bureau of Land Management have been met by PacMag and are currently being reviewed.

The Shamrock Project is located 5 kilometres to the south east from the Ann Mason Project but is a much smaller scale project. PacMag commenced drilling of the

Shamrock Project in June 2009, with a total of 12 RC holes completed. Drilling identified a new zone of near surface copper mineralisation that was not identified by the drilling efforts of previous tenement holders. PacMag believes this project could potentially be a low capital cost operation to support the Ann Mason Project.

PacMag acquired the Blue Hills project in November 2006. The Company believes that the Blue Hills Copper Project is a large porphyry copper-molybdenum system but the project's size has not yet been determined. Blue Hills is located approximately 2.2 kilometres northwest of the Ann Mason Project. Significant drilling is required to produce an initial resource at this project.

5.2.2 Sentinel Project

PacMag secured 100% of the Sentinel project in May 2008. The project is located in North Dakota, USA and is prospective for uranium, molybdenum and germanium. Since acquiring the project, PacMag's exploration efforts have focused on the drilling of the Church prospect, which represents only one fifth of the total prospective project area. Drilling results indicate a deposit of low grade and small tonnage but PacMag believe that there is significant upside potential for this project. Metallurgical test work suggests that extraction of uranium, molybdenum and germanium may be possible at low capital cost. The future focus of the Company will now be to try and define additional resources in the land holdings that surround the Church Prospect. The Company also hopes to secure a development partner to accelerate the assessment of the project.

5.2.3 Cork Tree Joint Venture Project

PacMag has the right to acquire a 51% ownership in the Cork Tree Project after satisfying the requirements of an earn-in agreement with Giralia, stipulating that PacMag contribute \$500,000 exploration expenditure over 3 years. The project is located in the Earraheedy Basin of Western Australia. Previous exploration and reconnaissance mapping and sampling indicate a widespread copper mineralisation. The project is currently awaiting a grant of tenure.

5.2.4 Mystique Gold Project

The Mystique Gold Project was acquired by PacMag in May 2009 and is located in the Fraser Range region of Western Australia, a district containing the Anglogold Ashanti - Independence Group Tropicana Gold Project and several highly prospective exploration projects. In September 2009 PacMag entered into an earn-in agreement with Black Fire Energy Limited ("Black Fire") whereby Black Fire can earn up to 75% interest in the project by contributing \$2.5 million exploration expenditure over 5 years. Therefore, while PacMag currently has a 100% interest in the project, the Company's ownership is likely to be diluted under this agreement. Previous exploration efforts have identified well defined RC drilling targets. Exploration is planned to commence early this calendar year.

5.2.5 Blue Rose Joint Venture Project

PacMag is the manager of the Blue Rose joint venture Project. PacMag currently holds a 51% interest in the project whilst Giralia retains a 49% interest and is currently funding exploration activities. The project is located in the Olary region of South Australia, 300km north east of Adelaide and is prospective for copper, gold and molybdenum. The two tenements that make up the project cover a total area of approximately 1,000 square kilometres.

Drilling programs by both Giralia and more recently by PacMag have intersected copper and gold mineralisation. The joint venture plans further drilling for two additional targets that have been located in the area.

5.3 Historical Balance Sheet

PacMag Metals Limited	Unaudited as at 30 Sep 2009 A\$	Audited as at 30 Jun 2009 A\$	Audited as at 30 Jun 2008 A\$
CURRENT ASSETS			
Cash and cash equivalents	2,229,458	2,461,902	4,562,345
Trade and other receivables	212,484	268,096	518,176
TOTAL CURRENT ASSETS	2,441,942	2,729,998	5,080,521
NON-CURRENT ASSETS			
Available for sale financial assets	2,159,493	1,225,644	1,487,416
Property, plant and equipment	1,384	1,042	2,022
Exploration and evaluation expenditure	9,548,913	9,087,935	8,151,511
Deferred tax asset	-	600,066	623,021
Intangibles	-	-	1,525
TOTAL NON-CURRENT ASSETS	11,709,790	10,914,687	10,265,495
TOTAL ASSETS	14,151,732	13,644,685	15,346,016
CURRENT LIABILITIES			
Trade and other payables	236,546	169,881	598,910
TOTAL CURRENT LIABILITIES	236,546	169,881	598,910
NON-CURRENT LIABILITIES			
Provisions	2,501	2,350	1,745
Deferred tax liabilities	170,376	600,066	669,632
TOTAL NON-CURRENT LIABILITIES	172,877	602,416	671,377
TOTAL LIABILITIES	409,423	772,297	1,270,287
NET ASSETS	13,742,309	12,872,388	14,075,729
EQUITY			
Issued Capital	14,793,654	14,793,654	14,793,654
Option reserve	2,613,953	1,910,290	1,493,036
Accumulated losses	(3,644,031)	(3,831,556)	(2,210,961)
Minority Interest	(21,267)	-	-
TOTAL EQUITY	13,742,309	12,872,388	14,075,729

Source: Management accounts for the three months ended 30 September 2009 and audited annual report for the year ended 30 June 2008 and 2009

The Company's net asset position fell from \$14,075,729 to \$13,742,309 during the 15 months to 30 September 2009 ("the Period"), primarily due to a \$1,620,595 loss for the year ended 30 June 2009 ("FY2009").

Total assets decreased from \$15,346,016 to \$14,151,732 during the Period. Operating costs and ongoing exploration expenditure reduced the Company's cash assets and total current assets fell from \$5,080,521 to \$2,441,942 during FY2009 as a result. The increase in the carrying value of PacMag's non-current assets over the Period is primarily the result of capitalising exploration expenditure and evaluation.

Total liabilities decreased from \$1,270,287 to \$409,423 over the 15 month Period which consists of trade and other payables, employee provisions and deferred tax liabilities. This was primarily due to a reduction in the value of trade and other payables and deferred tax liabilities.

We have not performed a review of the 30 September 2009 management accounts in accordance with Australian Auditing Standards. However, we have reviewed the management accounts to a sufficient level that we are satisfied that there are no irregularities or omissions. In particular, BDO has agreed cash balances as at 30 September 2009 to bank statements and reconciliations. Investments in financial assets were reviewed to confirm that these had been recorded at fair value. Exploration expenditure was not verified as we have engaged an independent specialist to value this for the purpose of our report.

5.4 Historical Income Statements

PacMag Metals Limited	Unaudited for 3 months ended 30 Sep 2009 A\$	Audited for year ended 30 Jun 2009 A\$	Audited for year ended 30 Jun 2008 A\$
Revenue			
Revenue from continuing operations	191,424	250,073	624,443
Total Revenue	191,424	250,073	624,443
Expenses			
Administration expenses	(48,990)	(280,520)	(322,970)
Impairment loss on available for sale assets	-	(719,789)	(2,189,719)
Employee benefit expenses	(19,814)	(102,425)	(112,642)
Exploration expenditure incurred	(78,687)	(43,816)	(82,794)
Impairment on exploration expenditure	-	(946,836)	-
Other expenses	(8,870)	(2,718)	(19,152)
Total Expenses	(156,361)	(2,096,104)	(2,727,277)
Profit / (Loss) before income tax expense	35,063	(1,846,031)	(2,102,834)
Income tax (expense) / benefit	131,195	225,436	753,566
Net gain / (loss)	166,258	(1,620,595)	(1,349,268)

Source: Management accounts for the three months ended 30 September 2009 and audited annual report for the year ended 30 June 2008 and 2009

PacMag's revenue of \$250,073 for FY2009 consisted predominantly of interest income but also included foreign exchange gains and gains on the sale of financial assets. Expenses incurred by the Company for FY2009 totaled \$2,096,104. Expenses include impairment of \$1,666,625, administration expenses, employee benefit expenses, exploration expenses and other expenses. PacMag made a net gain for the period ended 30 September 2009 primarily due to the Company not having any impairment charges for this period.

5.5 Capital Structure

The share structure of PacMag as at 23 February 2010 is outlined below:

	Number
Total Ordinary Shares on Issue	144,667,639
Top 20 Shareholders	71,249,575
Top 20 Shareholders - % of shares on issue	49.25%

Source: Link Market Services

The range of shares held in PacMag as at 23 February 2010 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	%Issued Capital
1-1,000	193	90,077	0.06%
1,001-5,000	537	1,595,980	1.10%
5,001-10,000	306	2,402,362	1.66%
10,001-100,000	692	25,671,789	17.75%
100,001 - and over	185	114,909,431	79.43%
TOTAL	1,913	144,669,639	100.00%

Source: Link Market Services

The ordinary shares held by the most significant shareholders as at 23 February 2010 are detailed below:

Name	No of Ordinary Shares Held	%Issued Capital
Giralia Resources NL	15,008,441	10.37%
Yandal Investments Pty Ltd	7,763,567	5.37%
HSBC Custody Nominees (Australia) Limited	6,543,309	4.52%
The Riley Super Fund A/C	5,374,700	3.72%
Total Top 4	34,690,017	23.98%
Others	109,977,622	76.02%
Total Ordinary Shares on Issue	144,667,639	100.00%

Source: Link Market Services

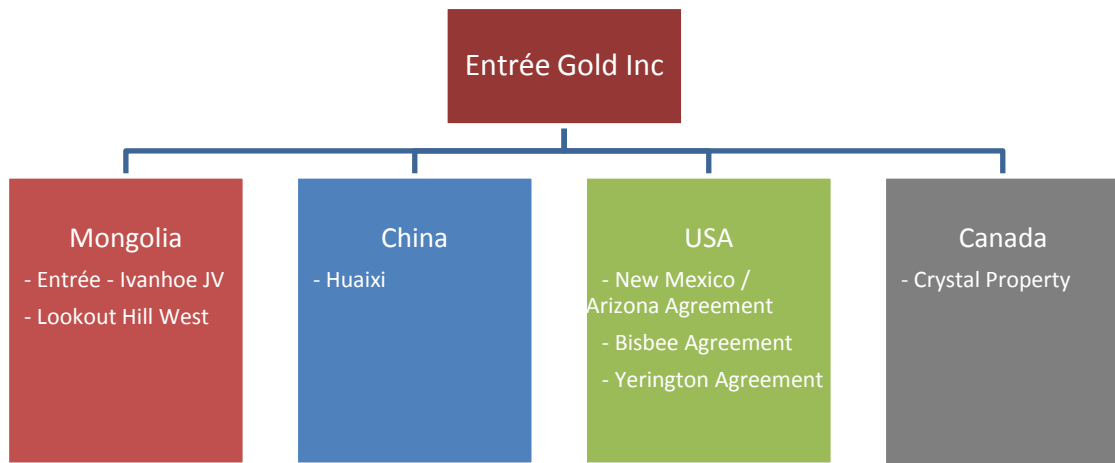
6. PROFILE OF ENTRÉE GOLD INC

6.1 History

Entrée is a Canadian based resource exploration company with tenements prospective for gold, copper, molybdenum and coal. Entrée is listed on the Toronto Stock Exchange (“TSX”), New York Stock Exchange Amex (“NYSE Amex”) and Frankfurt Stock Exchange (“FSE”). Since its inception in 2002, the company has acquired a portfolio of projects in emerging markets such as Mongolia and China as well as in the USA. Significant mineralisation discoveries have attracted Ivanhoe Mines Limited (“Ivanhoe”) and Rio Tinto Limited (“Rio Tinto”) to become some of Entrée’s largest shareholders.

6.2 Key Projects

The chart below highlights Entrée’s projects by country. We have set out a brief summary of these projects below. Further information is contained in an independent specialist’s report at Appendix 3.



6.2.1 Mongolia

Entrée’s Mongolian interests host known copper, gold, and molybdenum resources and are prospective for coal. Entrée’s Mongolian interests consist of two mining licences (Shivee Tolgoi and Javhlant) and one exploration licence (Togoot). Entrée has developed two projects in Mongolia under these licences being the Entrée-Ivanhoe Joint Venture and Lookout Hill West. Altogether, these projects form Entrée’s flagship Lookout Hill project, consisting of over 179,000 hectares of prospective ground.

6.2.1.1 Entrée - Ivanhoe Joint Venture

Entrée entered into an earn-in agreement with Ivanhoe in October 2004 under which Ivanhoe was required to spend US\$35 million over an 8 year period in order to earn a 70% or 80% interest in the specified project area. Ivanhoe satisfied the earn-in requirements in June 2008, and the project became a joint venture. Under the agreement the proceeds of production will be shared dependant on the depth of the mineralisation. Entrée is entitled to 20% of proceeds if the ore is mined below a depth of 560 metres, otherwise Entrée is entitled to 30%. Entrée can elect to be carried through to production by way of loans from Ivanhoe, accruing interest at prime plus 2%, with no repayments except out of 90% of production proceeds. Thus Entrée is not required to raise capital for the development of its Joint Venture assets and cannot be diluted. Deposits that have been identified to date lie below 560 metres within

Lookout Hill. Mining at Oyu Tolgoi is expected to begin in 2013 with a mine life ranging from 60 to 100 years.

The Entrée - Ivanhoe Joint Venture Project forms part of Entrée's flagship Lookout Hill Project and consists of the eastern portion of the Shivee Tolgoi mining license and the Javhlant mining license. The joint venture hosts two deposits with mineral resources, being the Hugo North Extension copper-gold porphyry deposit and the Heruga copper-gold-molybdenum porphyry deposit. The Entrée - Ivanhoe Joint Venture Project completely surrounds Ivanhoe Mines Oyu Tolgoi Project which hosts some of the largest and richest porphyry deposits in the world.

On 6 October 2009 Entrée's partners, Ivanhoe and Rio Tinto, signed an Investment Agreement with the Mongolian government with regard to the development of the Oyu Tolgoi copper-gold deposits. Ivanhoe's interest in the Entrée - Ivanhoe Joint Venture Project, which includes an 80% interest in both the Hugo North Extension copper-gold porphyry and the Heruga copper-gold-molybdenum porphyry deposits, is held through its subsidiary Oyu Tolgoi LLC. This subsidiary, Oyu Tolgoi LLC, will be subject to a 34% ownership by the Mongolian government, once the conditions precedent related to the Investment Agreement have been met. One of the conditions precedent of the Investment Agreement was the conversion of the Shivee Tolgoi and Javhlant exploration licenses, which host Entrée's deposits, to mining licenses. The agreement is important to Entrée as the securing of the mining licenses over its principle resources gives long term stability to its legal title. The Investment Agreement, which will impact Entrée's key assets through its Joint Venture with Ivanhoe, further stipulates the terms for royalties and taxation payable to the Mongolian government for an initial 30 year term with a 20 year potential extension. This is very important for the development and operational issues relevant to the Oyu Tolgoi Project, including Entrée's key assets.

Financing agreements between Rio Tinto and Ivanhoe are also extremely important to the ongoing development of the Oyu Tolgoi deposits. In October 2006, Rio Tinto agreed to invest up to US\$1.5 billion into Ivanhoe Mines for the development of the projects. This was to be done in stages, with an initial tranche of US\$303 million to be followed by a second payment of US\$388 million upon procurement of an Investment Agreement with the Mongolian government. The balance of the US\$1.5 billion was tied to warrant exercises and open market transactions, allowing Rio Tinto to acquire up to a 33.35% interest in Ivanhoe.

The Investment Agreement was delayed until 2009, but in the interim, Ivanhoe Mines required additional funds to continue building the infrastructure at Oyu Tolgoi, including shaft sinking. Rio Tinto advanced Ivanhoe an additional US\$350 million, upon the proviso that Rio Tinto would be allowed to acquire up to a 46.65% interest in the company. After signing of the Investment Agreement, Rio Tinto made the second tranche payment. Rio Tinto now owns just under 20% of Ivanhoe. With additional warrant exercises and open market transactions Rio Tinto can acquire up to 46.65% of Ivanhoe. Upon completion of these transactions, Rio Tinto's total investment into Ivanhoe will exceed US\$2.5 billion, with the bulk of these monies being put towards the development of Oyu Tolgoi. It is expected that Entrée's joint venture deposits will be part of these development plans. Entrée is awaiting an updated Integrated Development Plan from Ivanhoe and Rio Tinto which will outline the development strategies for these deposits. This plan is expected in mid 2010.

6.2.1.2 Lookout Hill West

The Lookout Hill West prospects are tenements owned by Entrée outside of the joint venture area of Lookout Hill. Entrée has been actively exploring these areas since 2003. In mid 2008 Entrée discovered a coal system in the northwest corner of Lookout Hill known as Nomkhon Bohr.

Two additional coal targets known as Coking Flats and Khar Hill have been identified within Lookout Hill West. Entrée is currently in the process of determining the extent, quality and economic significance of these targets. Entrée is in the process of preparing an application in order to convert the Togoot exploration license into a mining license.

Some of the Lookout Hill West Project is included in the Shivee Tolgoi mining license which was granted under the Entrée - Ivanhoe Joint Venture.

6.2.2 China

Entrée entered into an earn-in agreement on the Huaixi copper project located in the Zhejiang Province in southeast China, with Zhejiang No. 11 Geological Brigade in November 2007. Under the agreement, Entrée is required to spend US\$3 million over a four year period to earn up to a 78% interest in the Project.

The Huaixi Project totals approximately 61 square kilometres. Previous exploration using modern exploration techniques was limited. Entrée's exploration efforts have defined several coincident geochemical and geophysical targets, several of which were recently drilled. Drilling results are currently being evaluated.

6.2.3 United States of America

Entrée has interests in three separate areas in the USA, being:

- An agreement with Empirical Discovery LLC (“**Empirical**”) to explore an area of 3.6 million acres across New Mexico and Arizona;
- An agreement with Empirical to explore an area of interest consisting of several claims near Bisbee, Arizona; and
- Option agreements with HoneyBadger Exploration Inc (“**HoneyBadger**”) and Bronco Creek Exploration Inc (“**Bronco Creek**”) (acquired by Eurasian Minerals Inc.) to explore adjoining properties in the Yerington copper district in Nevada.

6.2.3.1 New Mexico and Arizona Agreement

Entrée entered into an agreement with Empirical in July 2007 to explore for and develop porphyry copper targets in an area covering 3.6 million acres in southeastern Arizona and adjoining southwestern New Mexico. The agreement stipulates that Entrée has the option to acquire an 80% interest in any project in the exploration area by incurring US\$1.9 million in exploration costs over 5 years and issuing 300,000 common shares. Upon exercising the option, Empirical may elect to retain its 20% participating interest in the project or convert it to a 2% net smelter royalty (“**NSR**”).

Entrée has identified four targets including a discovery near Lordsburg, New Mexico. Several of the drill holes at Lordsburg intersected a copper-gold porphyry system that could be of potential economic significance. Lordsburg has a mining history and is located in close proximity to infrastructure. Entrée plans to further explore the area. Geophysical surveys have been conducted on the remaining three targets to develop a prioritised drilling program.

6.2.3.2 Bisbee Agreement

Entrée entered into a separate agreement with Empirical in January 2008 to explore a 10,800 acre site near Bisbee, Arizona. Entrée has the option to acquire an 80% interest in any project in the exploration area by incurring US\$1.9 million in exploration costs over 5 years and issuing 150,000 common shares. Upon exercising the option, Empirical may elect to retain its 20% participating interest in the project or convert it to a 2% NSR. The district has a history of producing copper, gold and silver mineralisation.

6.2.3.3 Yerington Copper District

Entrée entered into separate option agreements with HoneyBadger in July 2009 and Bronco Creek in September 2009 to explore the adjoining Blackjack and Roulette properties in the Yerington copper district in Nevada. The Blackjack property covers an area of 12,500 acres and the Roulette property covers an area on 4,350 acres and lies immediately west of PacMag's Ann Mason property.

Entrée may acquire a maximum interest of 80% in the Blackjack Property by incurring exploration expenditure of US\$0.9 million, issuing 412,500 shares and making cash payments to HoneyBadger totaling US\$581,250. Similarly, Entrée may acquire a maximum interest of 80% in the Roulette property by incurring exploration expenditure of US\$1 million, issuing 85,000 shares and making cash payments to Bronco Creek totaling \$140,000. Both agreements outline that these conditions are to be satisfied over a 3 year period.

The Yerington district has a history of successful copper-gold exploration and mining, having been explored and mined extensively by Anaconda Copper Mining Company between 1960 and 1980. Entrée plans to begin exploration of these properties in 2010.

6.2.4 Canada

In September 2009 Entrée entered into an agreement with Taiga Consultants Ltd to acquire 10 early stage molybdenum-copper claims in British Columbia, collectively known as the Crystal Property. The Crystal Property covers an area of 4,800 hectares. The Property is located 50 kilometres southeast of the Endako Mine owned by Thompson Creek Metals Company, which has been producing molybdenum for the past 40 years. Under the agreement, Entrée may acquire a 100% interest subject to exploration expenditure of \$500,000. Taiga Consultants Ltd is entitled to receive a 1% NSR. Entrée's exploration activity at this site has been minimal and it is currently planning an exploration program.

6.3 Historical Balance Sheet

Entrée Gold Inc	Unaudited as at	Unaudited as at
	30 Sep 2009	31 Dec 2008
	A\$	A\$
CURRENT ASSETS		
Cash and cash equivalents	47,227,000	64,759,000
Receivables	260,000	891,000
Prepaid expenses	492,000	385,000
TOTAL CURRENT ASSETS	47,979,000	66,035,000
NON-CURRENT ASSETS		
Investments	2,298,000	1,905,000
Mineral Property Interest	57,640,000	53,899,000
Equipment	849,000	963,000
TOTAL NON-CURRENT ASSETS	60,787,000	56,767,000
TOTAL ASSETS	108,766,000	122,802,000
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	686,000	1,351,000
TOTAL CURRENT LIABILITIES	686,000	1,351,000
NON-CURRENT LIABILITIES		
Loans Payable to Ivanhoe Mines Ltd	519,000	467,000
TOTAL NON-CURRENT LIABILITIES	519,000	467,000
TOTAL LIABILITIES	1,205,000	1,818,000
NET ASSETS	107,561,000	120,984,000
EQUITY		
Common stock	139,720,000	138,295,000
Reserves	15,467,000	24,941,000
Accumulated deficit during the exploration stage	(47,626,000)	(42,252,000)
TOTAL STOCKHOLDER'S EQUITY	107,561,000	120,984,000

Source: Entrée Gold Inc financial accounts reviewed by KPMG

Entrée's net asset position has deteriorated over the period between 31 December 2008 and 30 September 2009 due to a growing accumulated deficit position.

Total assets were \$107,561,000 at 30 September 2009 compared to \$120,984,000 at 31 December 2008. The deterioration in Entrée's cash position is primarily the result of a loss from operations. Non current investments consist of asset backed commercial paper. The secondary markets for these securities are very illiquid and the directors of Entrée suggest that realising these investments would incur a liquidity discount.

Total liabilities decreased from \$1,818,000 at 31 December 2008 to \$1,205,000 at 30 September 2009. Current liabilities consist solely of accounts payable and accrued liabilities. Non current liabilities consist of loans payable to Ivanhoe Mines. This loan is the funds contributed to approved joint venture programs by Ivanhoe Mines on behalf of Entrée.

6.4 Historical Income Statements

Entrée Gold Inc	Unaudited for the nine months to 30 Sep 2009 A\$	Unaudited for year ended 31 Dec 2008 A\$
Revenue		
Revenue from continuing operations	481,000	2,290,000
Total Revenue	481,000	2,290,000
Expenses		
Administration Expenses	(872,000)	(1,144,000)
Impairment loss on Available for sale assets	-	(1,490,000)
Legal	(330,000)	(529,000)
Management fees	(131,000)	-
Office and administration	(572,000)	(283,000)
Investor relations	(477,000)	(674,000)
Employee benefit expenses	(1,212,000)	(1,710,000)
Stock based compensation	(1,621,000)	(3,353,000)
Impairment on exploration expenditures	(639,000)	(2,042,000)
Total Expenses	(5,854,000)	(11,225,000)
Loss before income tax expense	(5,373,000)	(8,935,000)
Comprehensive income / (loss)		
Net profit/(loss) for the period	(5,373,000)	(8,935,000)
Unrealised gain on available for sale securities	476,000	-
Foreign currency translation adjustment	(11,513,000)	-
Comprehensive income / (loss)	(16,410,000)	(8,935,000)

Source: Entrée Gold Inc financial accounts reviewed by KPMG

Entrée is a resource exploration company and none of its projects have yet reached production. All exploration expenditure is capitalised. Entrée's largest expenditure items are employee benefit expenses and stock based compensation. Entrée operated at a net loss of \$5,373,000 for the nine months ended 30 September 2009. A foreign currency translation adjustment resulted in a comprehensive loss of \$16,410,000 for the period.

7. ECONOMIC ANALYSIS

7.1 Global Economic Conditions

Global economic conditions have improved dramatically over the past 6 months. Macroeconomic data from the Asian region is particularly encouraging due to fiscal and monetary stimulus measures and lower exposure to toxic assets. Leading indicators in the North American region suggest that the US and Canadian economies are beginning to stabilise. Global capital markets have improved in light of strong gains in most securities exchanges, supportive government policy and the strengthening of international banks' balance sheets. Despite this, the outlook for the global economy remains challenging. A brief summary of the current economic conditions in the North American region, Asia region and Australia is provided below.

7.2 Australian Economic Conditions

The Australian economy has been particularly resilient to the challenging global economic environment caused by the global financial crisis. Australia's economic growth for 2009 was much stronger than originally expected, with economic growth of 0.5% for the quarter ended 30 September 2009 and 1% for the year. This is a small disruption relative to the strong contractions seen in most other countries, the result of a number of contributing factors discussed below.

Firstly, Australia has a strong financial system. Australian banks have low exposure to risky assets, are well capitalised and have remained profitable throughout the financial downturn. In addition to this, the Australian government guarantees bank deposits and banks' wholesale funding. The health of the debt markets in Australia is evidenced by the popularity and success of bond issuances by major banks in recent months.

Collectively, these factors have allowed Australian banks to maintain their high credit ratings and access to relatively cheap capital funding. While banks remain risk adverse in their lending criteria, the health of the Australian financial sector is having a flow on effect to other parts of the economy by supporting credit availability, private investment and general economic stability.

Secondly, the RBA and the Australian government have been proactive in their response to the global downturn. The RBA reduced the official cash rate from 7.5% to 3.0% in the year to September 2009. The Australian economy has since shown signs of recovery and through a series of interest rate decisions the RBA has increased the official cash rate to 4.00% at March 2010. These measures have allowed the RBA to maintain flexibility should there be an unexpected change in the economic climate. The health of Australian banks means that these changes in the cash rate have been passed on to the end borrower.

The Australian government's fiscal policy has been expansionary through the introduction of the first home buyer's grant, the Australian government stimulus package and planned infrastructure investment. The first home owners grant stimulated housing demand by encouraging new entrants into the market and in doing so, added support to home prices. The government stimulus package provided an artificial support for retail sales in the first half of 2009. While retail sales fell slightly in the September quarter consumer sentiment remains strong. Government stimulus

will continue throughout 2010 in the form of public sector investment in educational facilities and broader infrastructure.

The third factor that has contributed to the relatively good performance of the Australian economy is the strong recovery of China's economy. China's recovery has been much quicker than expected. This is predominantly due to China's financial sectors not being impaired to the extent that they were in many developed countries and significant fiscal stimulus.

Another contributor to the performance of the Australian economy is the recovery of equity and real estate markets, both of which have improved significantly from their lows. This trend means that much of the decline in household wealth that occurred during 2008 and early 2009 has been reversed. As a result, improved investor and consumer sentiment is having a flow on effect to other sectors of the economy.

Recent business surveys suggest that business conditions are continuing to improve. Capital utilisation has regained from lows and businesses are contemplating hiring additional labor capital. Employment increased in October 2009 and the unemployment rate has been around 5.75% for the past 6 months. Wages have moderated however. While business investment fell in the later half of 2009, engineering construction was high and is expected to rise further with the development of large LNG projects in Western Australia.

Australia's total exports were approximately 1.5% lower for the year to October 2009 while imports were approximately 4.4% lower for the same period. As a result, Australia's trade deficit decreased significantly during this period. Global commodity prices are continuing to improve inline with the depreciating US dollar. Unfortunately, the appreciation of the Australian dollar has absorbed much of these gains for Australian exporters with revenue denominated in US dollars.

The RBA predicts that economic conditions will continue to improve in 2010 and that inflation will be inline with the RBA's target range. Australia's trade relationship with China and China's strong economic performance are likely to continue to provide insulation from the continuing weak economic conditions that are expected for the rest of the world. However, should economic conditions in China change it is likely that demand for Australian exports will fall. Should this occur it will pose an issue for Australian economic growth.

7.3 North American Economic Conditions

Economic conditions in North America remain fragile following the global financial crisis. Leading macroeconomic indicators are mixed but there are signs that economic conditions in this region may be beginning to stabilise.

The USA unemployment rate remains high but labor force conditions are improving. Data compiled by the Federal Reserve suggests that total hours worked increased in November 2009. The pace of job losses in the USA is also beginning to slow. In Canada, the unemployment rate decreased in December 2009 and total wages increased.

Business activity in the USA increased in October and November 2009. USA monthly business surveys suggest that this trend will continue for the foreseeable future. Despite this, capacity utilisation remains at historically low levels, businesses continue to cut or delay investment in fixed assets and are hesitant to employ additional labor capital. Statistics published by Statistics Canada suggest that business activity has also improved for the vast majority of business segments in Canada.

Both imports and exports have increased in the past year in both the USA and Canada. The USA trade deficit decreased by US\$2.6 billion between September and October 2009, driven primarily by an increase in exports. This increase was stable across most major categories of exports. The US dollar has depreciated significantly over the past year against most major currencies. Alternatively, an increase in the Canada trade deficit by US\$2.8 million in November 2009 was driven primarily by a strong Canadian dollar and a corresponding increase in imports.

The current and foreseeable economic climate is likely to support low consumer price inflation in the USA. Low capacity utilisation combined with lower household wealth, tight credit conditions and a weak labor market are likely to minimise price pressure. Longer term consumer price inflation expectations in the USA are also stable. The Canadian CPI increased by 1% in the year to November 2009 and inflation is not expected to approach the top of the Bank of Canada's target range until the third quarter of 2011.

The US and Canadian housing markets are beginning to show signs of stabilising. While the home construction market remains weak in the US, sales of existing homes are improving and home inventory levels are falling. This reflects measures taken by the US government to limit foreclosures and encourage investment, together with the affordability of US real estate and buyers taking advantage of favorable buying conditions. There remains concern that many mortgages are in negative equity and unemployment remains very high. These issues are a threat to the stability of the US housing market. The performance of the non-residential construction sector also remains a concern. Housing starts in Canada increased in October 2009.

Financial markets in the US are also stabilising. The Federal Reserve is currently in the process of purchasing \$1.25 trillion of agency mortgage - backed securities and \$175 billion of agency debt to improve conditions in private credit markets. The Federal Reserve is currently scaling back these purchases to allow for a smooth transition in the markets. Total purchases are anticipated to be satisfied by the end of the first quarter 2010 but will depend on financial market conditions and economic expectations. All of the Federal Reserve's special liquidity facilities are expected to be revoked throughout the first half of 2010 but this approach will be modified if necessary.

After a year of decline Canada's real GDP increased slightly in the 3 months ending 30 September 2009. The Bank of Canada predicts economic growth of 3% for 2011 and 3.3% for 2012. Conditions in the USA have stabilised but economic activity is likely to remain weak in the foreseeable future. It is expected that the stabilisation of financial markets, expansionary fiscal and monetary policy and market forces will become more supportive and lead to the stabilisation of the USA economy.

7.4 Asia Economic Conditions

At the beginning of the financial downturn European and US consumers of Asian exports exited the market. This trend was most evident for durable goods such as cars. As an example, Japanese GDP shrunk by 10% on an annualised basis in the 2 months to September 2008. In emerging economies investment activity declined as investors reduced exposure to risky assets or stalled projects. Manufacturing-orientated economies such as Korea, Singapore and Taiwan recorded declines of up to 25% relative to production in the prior year. Poor economic conditions, tightening financial conditions and general uncertainty meant that domestic demand was also affected.

Despite being exposed to faltering demand in the European and US markets, Asia's recovery has generally been strong. The International Monetary Fund ("IMF") attributes Asia's rebound to three factors.

Firstly, many Asian countries entered the financial downturn with a strong fiscal position and were able to provide economic stimulus during the downturn. Countries such as China, India, and Indonesia reacted to the financial downturn with significant government stimulus and to date have escaped severe recession. In the case of India, a lower dependence on exports reduced exposure to external demand fluctuations. Similarly, Chinese and Japanese stimulus is estimated to be in the range of 5% of GDP for 2009 and 2010.

Secondly, the Asian financial system remains robust. Stock markets have rebounded significantly from their lows and the risk aversion of investors is subsiding. Financing constraints on households and corporations have eased and allowed smaller export enterprises to access debt. These factors have contributed to improved consumer and business confidence and higher capital inflows.

Inventory adjustments are the third factor stimulating Asian economies. This is particularly true for export orientated economies. During the financial downturn, Asian companies responded to lower demand by reducing production and depleting inventory stocks. Together with strengthening external demand, the IMF anticipates that the impulse to readjust inventory stocks will continue to increase production in the Asian export sector. While Asian exports remain approximately 30% lower than peak 2008 levels, already demand from China has had a flow on effect in other countries.

These three growth factors could prove to be temporary given that economic conditions in Europe and the US remain challenging. High unemployment will reduce consumption and low capacity utilisation will dampen investment. Similarly, the scaling back of government stimulus packages to avoid the speculative activity and price bubbles that caused the downturn will be challenging. For these reasons the IMF are of the opinion that while economic conditions will improve, Asia is unlikely to return to the growth path of pre 2008.

8. INDUSTRY ANALYSIS

PacMag and Entrée have interests in gold, copper and molybdenum. We have provided a brief analysis of these industries below.

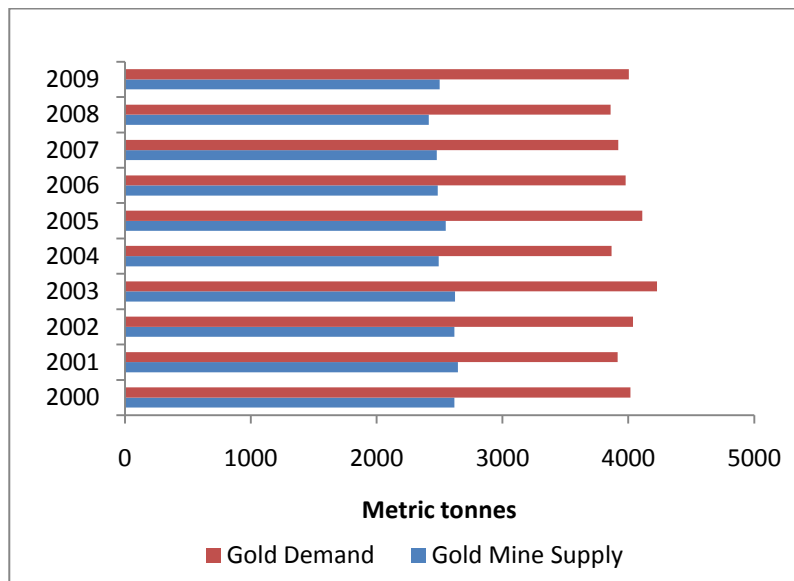
8.1 Gold Industry analysis

8.1.1 Supply and demand

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling. According to GFMS Limited, at the end of 2007 the above ground stocks of gold were approximately 161,000 tonnes. Approximately two-thirds of annual demand for gold is driven by jewellery fabrication, with the remainder driven by industrial use and investment in gold.

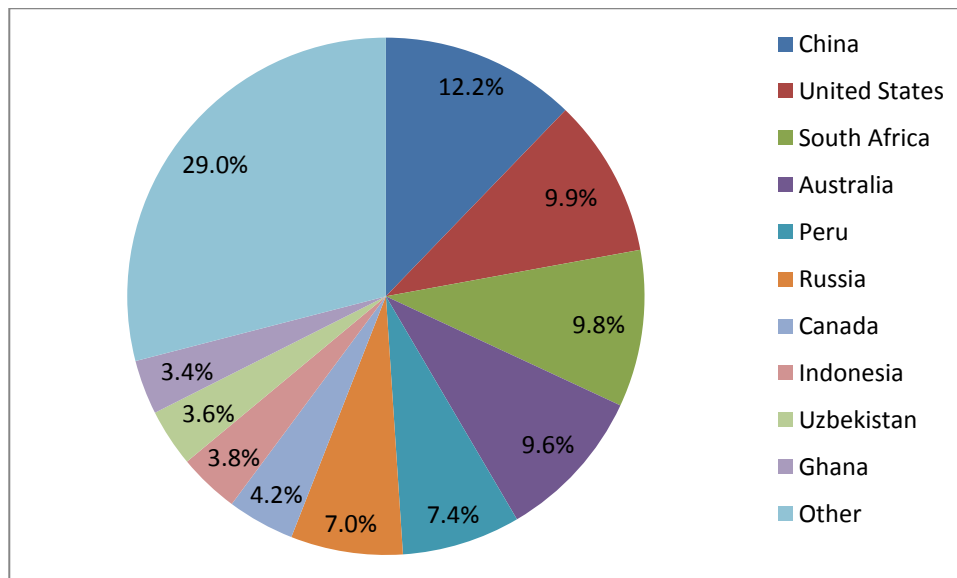
As illustrated in the chart below, gold mine production was approximately 2,502 metric tonnes in 2009 and gold consumption was 4,003 metric tonnes. While demand for gold consistently exceeds supply, the escalated level of economic and financial uncertainty during the past 18 months has caused investors to move capital from risky

assets to gold assets, which are perceived to be to be a good store of monetary value. As a result, total gold demand increased by approximately 4% between 2008 and 2009.



Source: Bloomberg

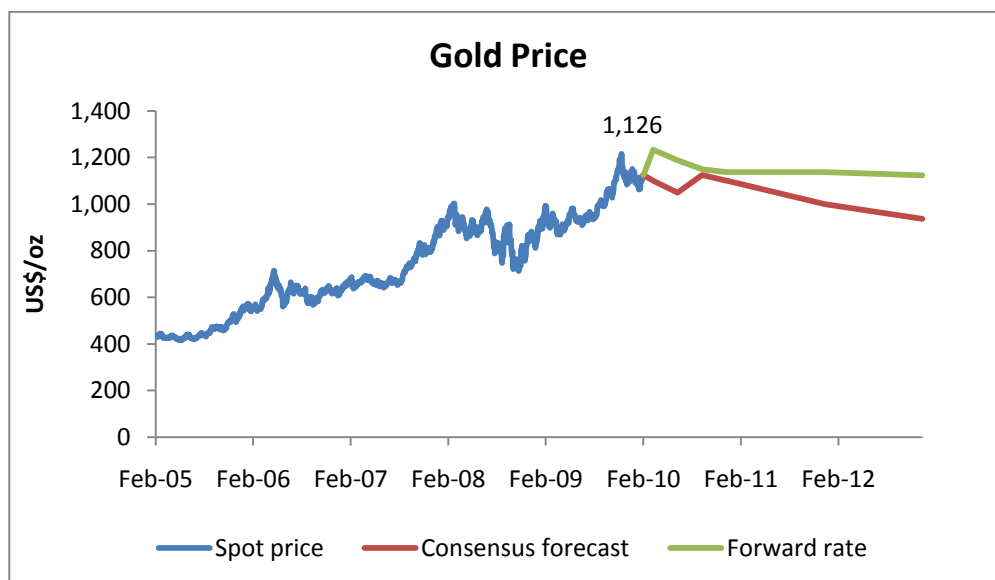
Until the late 1980's South Africa produced approximately half of total gold production. More recently, gold production has become geographically segmented, as shown in the chart below. The table below illustrates that production in 2008 was dominated by China (288 metric tonnes), USA (234 metric tonnes), South Africa (232 metric tonnes) and Australia (225 metric tonnes).



Source: 2008 Production Data from GFMS Limited

8.1.2 Current and future gold prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. As can be seen in the graph below, the value of gold has increased over the past 5 years to US\$1,126 per ounce at 22 February 2010. This trend is reflective of high demand for gold due to weak economic conditions during the past 18 months. The consensus view is that gold prices will fall over the next 3 years to approximately US\$940 in 2013. The current forward rate suggests that the price of gold will stabilise at current levels over the next three years.

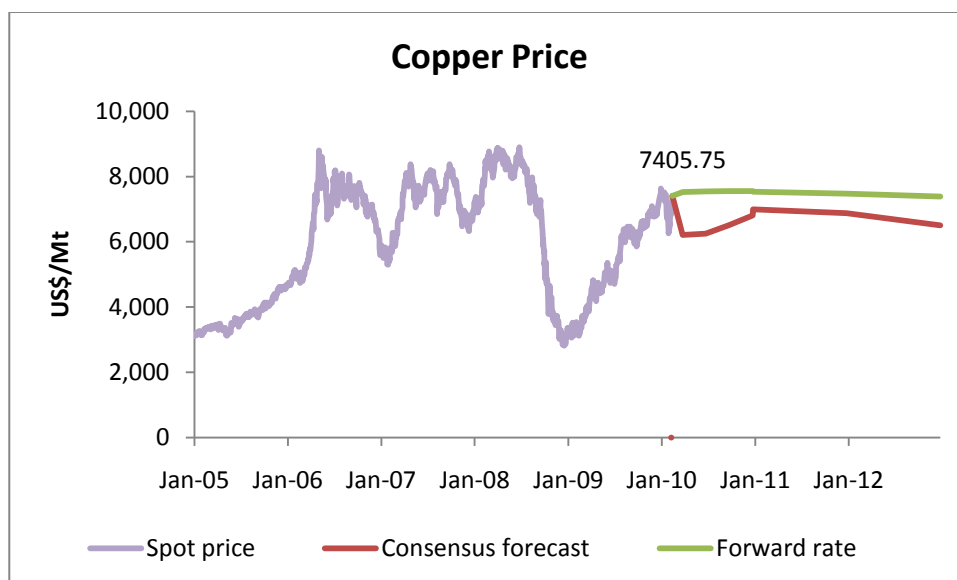


Source: Bloomberg

8.2. Copper

Copper is a malleable and ductile material with a wide variety of uses ranging from electrical cabling and domestic and industrial piping, to motor vehicle manufacture. Copper has in recent years faced strong competition from alternative materials, such as optic fibres (communications), plastics (water tubing) and aluminum (motor vehicle radiators). Technological change has favored copper in other areas such as for electrical controls in motor vehicles, markets where copper producers have recently made substantial gains.

The majority of Australia's copper production and resources occur in South Australia (Olympic Dam) and Queensland (Mt Isa). Australia's Economic Demonstrated Resource (EDR) makes up approximately 9% of the global EDR, second only to Chile (29%). Australian copper production accounts for about 6 percent of world output.



Source: Bloomberg

As shown in the graph above, the price of copper rallied strongly before falling significantly during the first half of 2008. This coincided with the onset of the global financial crisis and lower demand for copper due to the collapse of the US housing market. Global copper production fell by approximately 2% during the year ended

February 2009. The copper price has since recovered to US\$7,406 at 22 February 2010. Consensus industry forecasts and current forward rates suggest that the copper price is likely to stabilise during the next three years.

8.3. Molybdenum

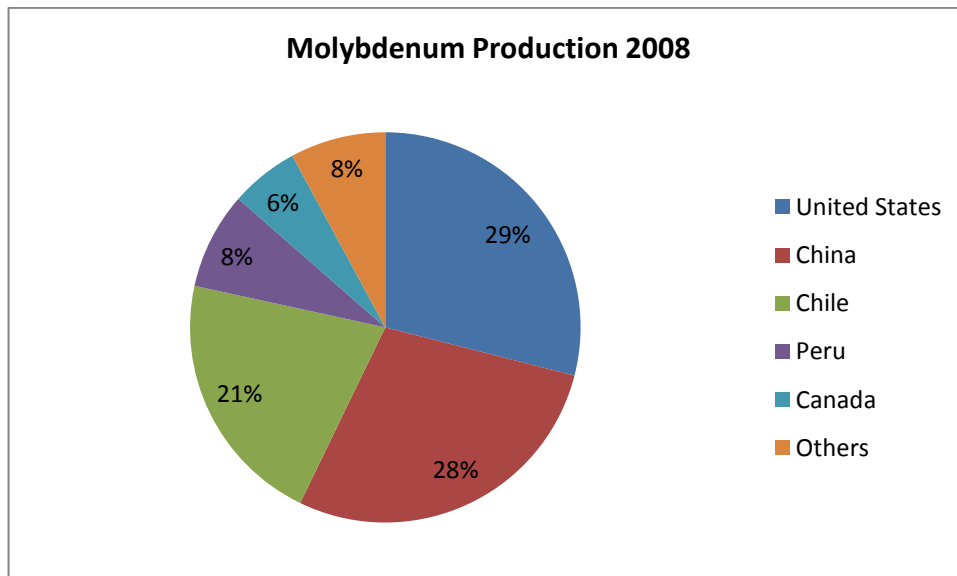
Molybdenum is a tough malleable metal. The main source of molybdenum is molybdenite but it is also found in minerals such as wulfenite and powellite. Molybdenum is mined either as a principal ore or recovered as a by-product or co-product of copper and tungsten mining. Western Australia has 98 percent of Australian resources. Worldwide, deposits are concentrated in China, USA, Chile and Canada.

Molybdenum enhances the hardness, strength, flexibility, wear and corrosion resistance of iron, steels and superalloys. It has a high melting point which makes it suitable for applications in high temperatures, pressure and strengthening applications. Molybdenum is commonly used for structural work, aircraft parts, forged automobile parts and electron tubes, with molybdenum electrodes used in glass furnaces.

8.3.1. Production

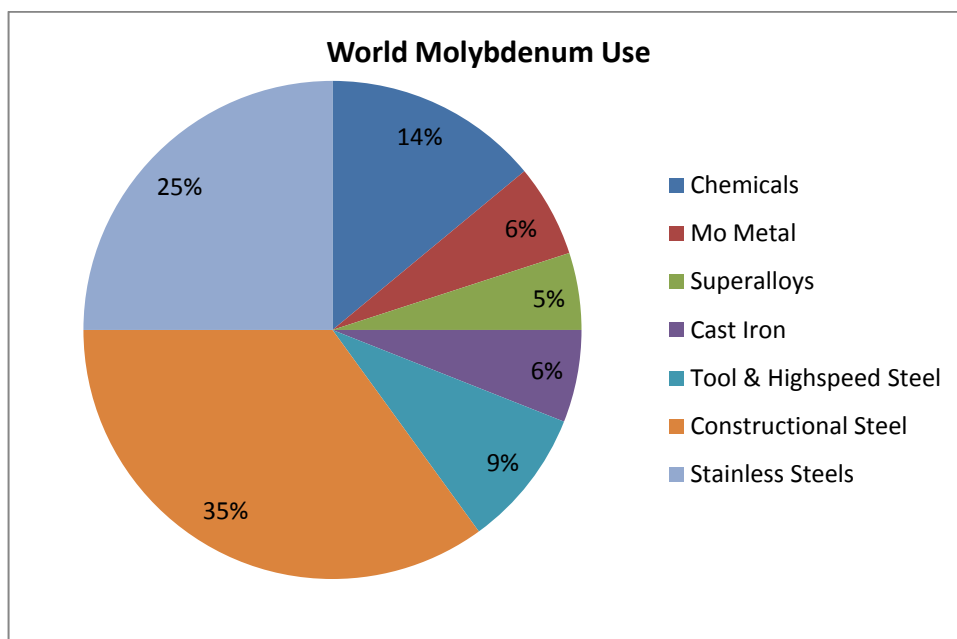
Major producers of molybdenum are China, the United States, Chile, Peru and Canada which account for 92% of worldwide production. In 2008, an estimated 220 million pounds was mined which included approximately 61 million pounds in the United States and approximately 60 million pounds in China.

World production of molybdenum is relatively concentrated with approximately 57% of 2008 molybdenum production coming from the top 8 producers and almost 45% from the top five producers, which include Freeport-McMoRan Copper & Gold Inc, Corporacion Nacional del Cobre de Chile (Codelco), JDC, China Molybdenum and Thompson Creek. Other major western molybdenum producers are Antofagasta plc and Grupo Mexico SA de CV.



Source: US Geological Survey

Estimated molybdenum consumption is shown in the chart below. Approximately 50% of molybdenum is used for iron based alloys including construction steel, tool and high speed steel and cast iron. The remaining uses include the production of molybdenum grade stainless steel, lubricants, superalloys and molybdenum metal.

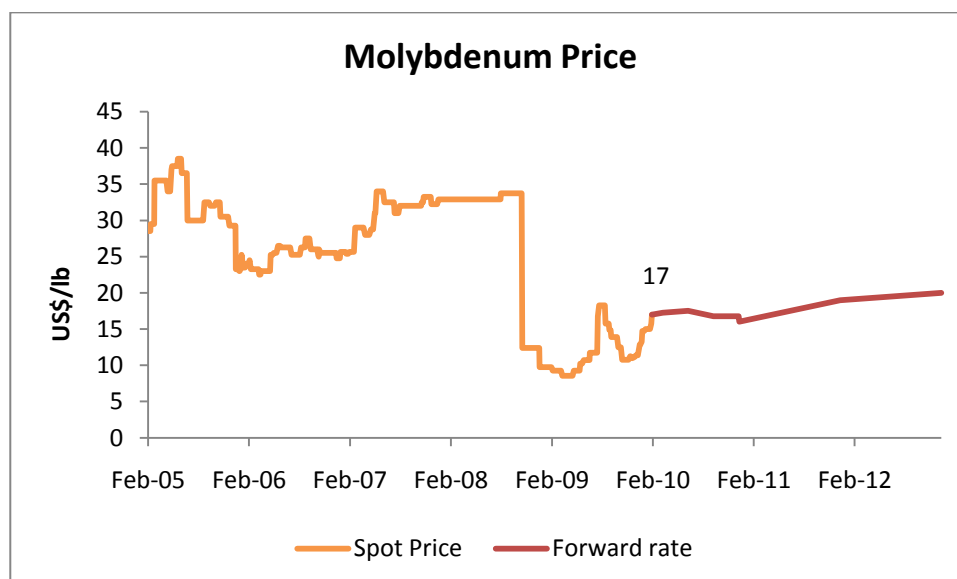


Source: International Molybdenum Association

Another source of ongoing demand for molybdenum is the petroleum industry. Extracting, transporting and refining oil and gas, requires significant amounts of corrosion resistant molybdenum steels. The ongoing search for new oil supplies and the extension of existing reserves should continue to grow demand for molybdenum.

8.3.2. Molybdenum Pricing

Molybdenum has limited forward markets and is therefore largely influenced by the volatilities in changes in supply and demand. For almost 20 years the molybdenum market was stagnant, but has been transformed as a result of limited supplies and strong demand. China's high level of steel production and consumption has led to strong internal demand for molybdenum, reducing China's molybdenum exports and supporting high prices.



Source: Bloomberg

The molybdenum price increased rapidly during 2004 and reached a high of US\$38.50/lb in June 2005. Prices traded within a range of US\$22.50/lb to US\$33.75/lb

during 2006 and early 2008. Molybdenum prices fell significantly in September 2008 due to the effects of the global financial crisis which were particularly felt in Western Europe and the United States. These two regions have historically been the two largest molybdenum consuming economies in the world. The price of molybdenum has increased since the beginning of 2009 to US\$17 at 19 February 2010. Consensus industry forecasts suggest that the molybdenum price will stabilise during the next three years.

9. VALUATION APPROACH ADOPTED

Valuation of the Options requires two steps. Firstly, the value of the underlying asset that the Option represents must be determined. In the case where the underlying asset is a company or tangible asset, a summary of methodologies that can be used to value the underlying asset is provided below.

- Net Tangible Assets on a going concern basis (“NTA”)
- Quoted Market Price Basis (“QMP”)
- Capitalisation of future maintainable earnings (“FME”)
- Discounted Cash Flow (“DCF”)
- Multiple of Exploration Expenditure (“MEE”)

A summary of each of these methodologies is outlined in Appendix 2.

The second step involves determining the value of the Option to acquire the underlying asset. The principle methodologies which can be used in valuing options are as follows:

- Black Scholes option valuation methodology
- Binomial option valuation methodology

A summary of each of these methodologies is outlined in Appendix 3.

9.1 Preferred Valuation Methodologies

9.1.1 Valuation of PacMag Metals Limited & the Equity Consideration

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of PacMag shares and Entrée shares we have chosen to employ the following methodologies:

- Net Tangible Assets on a going concern basis (“NTA”)
- Quoted Market Price Basis (“QMP”)

We have chosen these methodologies for the following reasons:

- Given that PacMag and Entrée do not have positive earnings the NTA share value is the fair value of a PacMag share that shareholders should expect to receive should the Company realise its assets in an orderly manner;
- PacMag’s shares are traded on the ASX and Entrée’s shares are traded on the TSX. This means there is a regulated, liquid and observable market on which both companies shares are traded. In order for the quoted market price to be considered appropriate the company’s shares should be liquid and the market should be fully informed as to PacMag’s activities. We have considered these factors in Section 10.1.2;

- PacMag and Entrée are exploration companies and do not have positive earnings. Therefore the FME methodology is not a suitable valuation methodology; and
- PacMag and Entrée do not prepare long term forecasts. Therefore, we are not able to use the DCF methodology.

9.1.2 Valuation of the Options

We have used the Black Scholes option pricing model as our primary valuation method to value the Options. We have used the Binomial option valuation methodology to validate the valuation prices calculated by the Black Scholes option pricing model.

10. VALUATION OF THE OPTIONS

In valuing the Options, the Black and Scholes option methodology requires us to consider the following inputs;

- Price of the underlying PacMag shares;
- Exercise price of the Options;
- PacMag's dividend rate;
- Expected share price volatility of PacMag;
- Risk free rate of interest;
- Valuation date for the Options; and
- Life of the Options.

The assumptions regarding the inputs required for our option pricing model are provided below.

10.1 Valuation of PacMag Metals Limited

As discussed above, for our assessment of the value of PacMag shares we have chosen to employ the NTA valuation methodology and QMP methodology.

10.1.1 Net Tangible Asset Valuation of PacMag

The value of PacMag's assets on a going concern basis is reflected in our valuation below:

PacMag Metals Limited	Ref	Low	Preferred	High
		30 Sep 2009 A\$	30 Sep 2009 A\$	30 Sep 2009 A\$
CURRENT ASSETS				
Cash and cash equivalents		2,229,458	2,229,458	2,229,458
Trade and other receivables		212,484	212,484	212,484
TOTAL CURRENT ASSETS		2,441,942	2,441,942	2,441,942
NON-CURRENT ASSETS				
Available for sale financial assets		2,159,493	2,159,493	2,159,493
Property, plant and equipment		1,384	1,384	1,384
Exploration and evaluation expenditure	10.1.1	44,694,494	51,976,478	61,168,663
TOTAL NON-CURRENT ASSETS		46,855,371	54,137,355	63,329,540
TOTAL ASSETS		49,297,314	56,579,298	65,771,483
CURRENT LIABILITIES				
Trade and other payables		236,546	236,546	236,546
TOTAL CURRENT LIABILITIES		236,546	236,546	236,546
NON-CURRENT LIABILITIES				
Provisions		2,501	2,501	2,501
Deferred tax liabilities		170,376	170,376	170,376
TOTAL NON-CURRENT LIABILITIES		172,877	172,877	172,877
TOTAL LIABILITIES		409,423	409,423	409,423
NET ASSETS		48,887,890	56,169,874	65,362,059
<i>Shares on Issue</i>		<i>144,667,639</i>	<i>144,667,639</i>	<i>144,667,639</i>
<i>Value Per PacMag Share</i>		<i>0.34</i>	<i>0.39</i>	<i>0.45</i>

Source: PacMag's 30 September 2009 management accounts and an independent market valuation performed by SRK Consulting.

10.1.1.1 Deferred exploration, evaluation and development costs

We instructed SRK Consulting Pty Ltd (“SRK”) to provide an independent market valuation of the exploration assets held by PacMag. This document is provided as Appendix 3 of the independent expert’s report prepared for the share scheme. The following adjustments were made to the exploration and evaluation expenditure as at 30 September 2009 in arriving at our valuation. SRK considered a number of different valuation methods when valuing the exploration assets of PacMag. We have replaced the carrying value per PacMag’s 30 September 2009 balance sheet with the value determined by SRK. As SRK derived a value denominated in US dollars we have converted the value in the table above to Australian dollars using the cash rate as at 9 March 2010 which was US\$/A\$1.05536.

The range of values for each of PacMag’s exploration assets as calculated by SRK is set out below:

Asset	Ownership (%)	Low value (US\$M)	Preferred value (US\$M)	High value (US\$M)
USA				
Ann Mason Project (and associated exploration)	100%	39.37	45.07	52.49
Blue Hills Project	100%	2.34	2.72	3.15
Sentinel Project	100%	0.22	0.43	0.67
Meadow Valley	100%	0.02	0.03	0.04
Rainbow Canyon	100%	0.02	0.04	0.06
Total USA Assets		42.97	48.29	56.41
Australia				
Blue Rose / Olary	51%	0.28	0.79	1.30
Western Australian Exploration	various	0.10	0.17	0.25
Total Australian Assets		0.38	0.96	1.55
Total Assets (US\$)		42.35	49.25	57.96
Total Assets (A\$)		44.69	51.98	61.17

Source: Independent market valuation performed by SRK Consulting. US dollar balances converted to Australian dollars as at 9 March 2010 rate of US\$/A\$1.05536.

10.1.1.2 Available for sale financial assets

Available for sale financial assets relate to Shares in Peninsula Minerals Ltd and Zinc Co Limited. We have reconciled the market share prices of these securities at 30 September 2009 to the book value included in the balance sheet as at 30 September 2009. We have determined that the market value of these securities is presented fairly in the balance sheet.

10.1.1.3 Summary of Value

We have been advised that there has not been a significant change in the net assets of PacMag since 30 September 2009. We have reviewed PacMag’s assets and liabilities at this date and consider that the book value is not materially different from the market value. In performing our valuation we have assumed that the book value of the Company’s assets is fully recoverable.

Based on the independent market valuation of the exploration assets held by PacMag and PacMag's net assets at 30 September 2009 the table above indicates the net asset value of a PacMag share is between \$0.34 and \$0.45, with a preferred value of \$0.39.

10.1.2 Quoted Market Prices for PacMag Securities

To provide a comparison to the valuation of a PacMag share in Section 10.1, we have also assessed the quoted market price for a PacMag share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an influence in the operations and value of that company.

RG 111.28 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

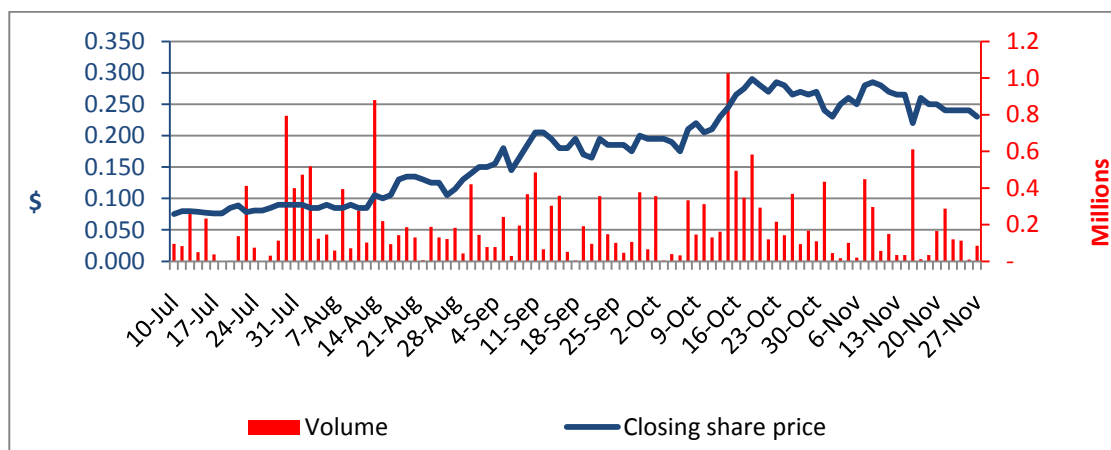
RG 111.24 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 14.

Therefore, our calculation of the quoted market price of a PacMag share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a value on a control basis.

10.1.2.1 Minority interest value

Our analysis of the quoted market price of a PacMag share is based on the pricing prior to the announcement of the Option Scheme. This is because the value of a PacMag share after the announcement may include the affects of any change in value as a result of the Option Scheme. However, we have considered the value of a PacMag share following the announcement when we have considered reasonableness in Section 13.

Information on the Option Scheme was announced on 30 November 2009. Therefore, the following chart provides a summary of the share price movement over the year to 29 November 2009 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of a PacMag share from 30 November 2008 to 29 November 2009 has ranged from a high of \$0.30 on 16 October 2009 to a low of \$0.042 on 1 April 2009.

During this period a number of announcements were made. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement \$ (movement)	Closing Share Price Three Days After Announcement \$ (movement)
14/10/2009	Extension to major iron ore project on Blue Rose JV	0.23 (▲ 9.10%)	0.275 (▲ 19.57%)
12/10/2009	Staked claim over the Rainbow Canyon Project	0.205 (▼ 7.06%)	0.23 (▲ 12.25%)
9/10/2009	Further positive leach testwork from Sentinel	0.22 (▲ 4.65%)	0.205 (▼ 7.06%)
30/09/2009	Enters into joint venture agreement for the Northling Copper Project	0.20 (▲ 13.35%)	0.195 (▼ 2.50%)
23/09/2009	Staked claim over the Meadow Valley Project	0.195 (▲ 16.71%)	0.185 (▼ 5.26%)
9/09/2009	Enters into joint venture agreement for the Mystique Gold Project	0.165 (▲ 12.92%)	0.205 (▲ 24.24%)
1/09/2009	High-grade copper results from Shamrock Project	0.14 (▲ 7.41%)	0.155 (▲ 10.71%)
19/08/2009	Leach tests indicates that the heap leaching method may be appropriate to exploit the Sentinel Uranium Project	0.13 (▲ 21.36%)	0.13 (▲ 0.00%)
12/08/2009	Initial resource and scoping study results for the Sentinel Project	0.085 (▼ 5.72%)	0.10 (▲ 17.65%)
1/07/2009	Drilling commences at Shamrock Project	0.07 (▲ 2.90%)	0.08 (▲ 14.28%)
12/05/2009	Secure the Mystique tenements in Western Australia	0.14 (▼ 6.90%)	0.11 (▼ 8.70%)
15/12/2008	Encouraging resource drilling results for the Sentinel Project	0.08 (▲ 0.00%)	0.078 (▼ 2.53%)

Source: ASX company announcements

PacMag's share price appreciated significantly over the 12 months to 29 November 2009 reflecting positive announcements made by the Company during this period. PacMag added several tenements to its portfolio including the Mystique tenement in Western Australia and several claims in the USA. The Company also entered into joint venture agreements for the Northling Copper Project and the Mystique Gold Project with the view of advancing exploration. The market generally reacted positively to these announcements.

PacMag also made several positive announcements about resource findings at the Blue Rose Joint Venture Project, Shamrock Project and Sentinel Project. The market also reacted favourably to these announcements.

To provide further analysis of the market prices for a PacMag share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 29 November 2009.

Price per share	27-Nov-09	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.2300				
Volume Weighted Average Price		\$0.2398	\$0.2625	\$0.2322	\$0.1874

Source: Bloomberg

The above weighted average prices are prior to the date of the announcement of the Option Scheme, to avoid the influence of any increase in price of PacMag's shares that has occurred since the Option Scheme was announced.

An analysis of the volume of trading in PacMag's shares for the twelve months to 29 November 2009 is set out below:

	Share Price Low	Share Price High	Cumulative Volume Traded	As a % of Issued Capital
1 Trading Day	\$0.2300	\$0.2400	85,373	0.06%
10 Trading Days	\$0.2200	\$0.2650	1,470,424	1.02%
30 Trading Days	\$0.2150	\$0.2900	5,510,912	3.81%
60 Trading Days	\$0.1450	\$0.2900	12,129,742	8.38%
90 Trading Days	\$0.0810	\$0.2900	18,673,213	12.91%
180 Trading Days	\$0.0420	\$0.2900	32,190,104	22.25%

Source: Bloomberg

This table indicates that PacMag's shares display a moderate level of liquidity, with approximately 22% of the Company's current issued capital being traded in a six month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.53 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- At least 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the market price of its shares cannot be considered relevant.

In the case of PacMag, we have determined that there is not a deep market in the trading of PacMag shares. This is based on the following observations:

- There are a significant number of non trading days in the Company's shares for the year to 29 November 2009;

- On average, less than 1% of PacMag’s securities were traded on a weekly basis over the year to 29 November 2009;
- The closing bid - ask spread’s have averaged 14.06% over the 12 month period; and
- PacMag’s share price appreciated inline with the S&P/ASX 200 Composite Index and positive announcements made by the Company.

Our assessment is that a range of values for PacMag shares based on market pricing, after disregarding post announcement pricing, is between \$0.18 and \$0.23.

10.1.2.2 Control Premium

Control premium reflects the amount acquirers are willing to pay to exert full control over all the operational and financial aspects of the target company. To acquire a 100% shareholding and the benefits that come with this, the acquirer will have to pay a “premium for control”. The premium for control reflects the additional value that attaches to a controlling interest compared to the value of a minority interest as demonstrated in normal share market trading.

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. SRK determined that the majority value of PacMag’s exploration assets is attributable to the Company’s prospective copper tenements in the Ann Mason district. Therefore, in our analysis, we first considered publicly available published control premiums that acquirers have paid for ASX listed copper companies over the period from 2000 to 2009. We have summarised our findings below:

Announce Date	Acquirer Name	Target Name	Deal Value (US\$m)	Control Premium (%)
15/08/2006	Antofagasta PLC [^]	Equatorial Mining Limited	264.27	61.83
1/05/2006	Metals X Ltd	Metals Exploration Ltd	49.01	18.77
2/05/2006	Straits Resources Ltd	Triton Resources Ltd	23.84	12.15
3/06/2005	Straits Resources Ltd	Triton Resources Ltd	6.23	12.87
		Average	85.84	26.41
		Average (Exc Outlier)	26.36	14.60

Source: Bloomberg

Note: [^] The deal between Antofagasta PLC and Equatorial Mining Ltd is an outlier

The results from the table above indicate an average control premium of 26.41% or 14.60% after excluding the outlier. Due to a lack of available comparable copper specific data, we have expanded our control premium analysis across ASX listed mining companies that have been acquired by domestic and foreign companies between 2000 to 2009. Below is a summary of our findings over the period analysed:

Transaction Year	Number of Transactions	Average Deal Value (AU \$m)	Median Deal Value (AU \$m)	Average Control Premium %	Median Control Premium %
2000	8	479.14	319.73	30.41	28.02
2001	13	471.19	36.16	25.19	28.82
2002	9	131.87	13.22	23.33	15.59
2003	8	478.02	50.21	4.93	9.69
2004	6	317.91	26.68	11.40	11.84
2005	15	1282.67	53.88	35.21	25.00
2006	26	149.90	37.795	23.62	25.16
2007	26	515.56	86.24	24.91	17.68
2008	7	424.97	8.15	34.62	38.14
2009	18	123.90	9.635	33.37	28.33
Total	136	431.06	35.16	25.89	22.81

Source: Bloomberg

Based on the results above, the long term control premium paid for mining companies is in the order of 23% to 26%.

10.1.2.3 Quoted market price including control premium

Applying a control premium to PacMag's quoted market share price results in the following values:

	Low A\$	High A\$
Quoted market price value	0.18	0.23
Control premium	23%	26%
Quoted market price valuation including a premium for control	0.22	0.29

Therefore, our valuation of a PacMag share based on the quoted market price method and including a premium for control is between \$0.22 and \$0.29.

10.1.3 Assessment of PacMag Value

The results of the valuations performed are summarised in the table below:

	Low A\$	Preferred A\$	High A\$
Net assets (Section 10.1)	0.34	0.39	0.45
ASX market prices (Section 10.2)	0.22	0.26	0.29

Given that the disparity in the above table between the values of the NTA valuation methodology and ASX market prices we consider that it is appropriate to provide a high and low valuation range that includes values derived by both of these methodologies.

The NTA valuation methodology provides a market value of a PacMag share based on the realisable value of its identifiable net assets. This includes a market based valuation of PacMag's exploration assets performed by SRK. This method ignores the possibility that the entity's value could exceed the realisable value of its tangible assets as they do not recognise the value of all intangible assets.

Alternatively, the ASX market price should reflect the value of a PacMag share as viewed by a fully informed investor. Therefore, the ASX market price incorporates risk factors specific to the Company, future expectations, general market conditions and the Company's intangible assets. ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security. In this case, the company's share price changes upon the market receiving new information. In relation to PacMag it appears that the market has not fully valued the Company's Ann Mason project in the same way that SRK has.

Based on this and the results above, we consider the value of a PacMag share to be between \$0.22 and \$0.45, with a preferred value of \$0.39 which best reflects the independent specialist's values preferred value of PacMag's mineral assets.

10.2 Exercise Price of the Options

The exercise price is the price at which the underlying ordinary shares will be issued should the holder of the Option choose to exercise. The exercise price of the Options is set out in the table below:

Series	Exercise Price	Expiry Date	Quantity
PMHAM	A\$1.102	29 February 2012	1,291,585
PMHAP	A\$0.152	17 November 2010	1,000,000
PMHAQ	A\$0.202	17 November 2010	1,000,000
PMHAI	A\$0.300	30 June 2011	2,083,336
PMHAK	A\$0.252	16 June 2011	3,000,000
Total			8,374,921

10.3 PacMag's Dividend Rate

As at the date of this report, PacMag does not expect there to be any dividend payments over the life of the Options. PacMag does not have a history of paying dividends and for the purpose of this valuation we have assumed that PacMag does not pay dividends. If dividend payments were expected over the life of the Options, the value of the Options would be reduced.

10.4 Expected Share Price Volatility of PacMag

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. We have calculated the volatility of the share price of PacMag for periods matching the life of each of series of the Options. We have also calculated the share price volatility of PacMag for the three years and five years to 30 November 2009 to compare the long run trading behavior of PacMag shares. All volatility estimates used historical data to 29 November 2009 to avoid the effect of share price movements relevant to the announcement of the Scheme.

The recent share price volatility of PacMag was calculated using the GARCH (1,1) model, the EWMA model and the standard deviation method for all series of Options. Given that model instability is typical for GARCH (1,1) and EWMA type models our volatility estimate is largely reflective of the standard deviation method. All historical volatility estimates were stable around 100% to 110%. Therefore for the purpose of our valuation, a volatility of 105% is thought reflective of the future volatility over the life of the Options and was adopted in our option pricing models.

10.5 Risk Free Rate

It is of general consensus that the risk free rate used to value options should approximate the maturity of the options. Therefore we have used the 2 year Australian Government treasury bond rate as at the valuation date as a proxy for the risk free rate over the life of the Options. As such, we have adopted a risk free rate of 4.47%.

10.6 Valuation Date

The valuation date is the the date of the announcement of the Option Scheme to avoid the influence of any increase in price of PacMag's shares that has occurred since the Option Scheme was announced. The Option Scheme was announced on 30 November 2009.

10.7 Life of the Options

We have determined the life of the Options for the purpose of our valuation as being the expiry date, which for the Options is as follows:

Series	Expiry Date	Remaining Life
PMHAM	29 February 2012	2.25 years
PMHAP	17 November 2010	0.96 years
PMHAQ	17 November 2010	0.96 years
PMHAI	30 June 2011	1.58 years
PMHAK	16 June 2011	1.54 years

10.8 Valuation Summary of the Options

Item	Note	PMHAM	PMHAP	PMHAQ	PMHAI	PMHAK
Underlying Asset Valuation						
Value of PacMag Share (Low)	10.1	\$0.22	\$0.22	\$0.22	\$0.22	\$0.22
Value of PacMag Share (High)	10.1	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45
Value of PacMag Share (Preferred)	10.1	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39
Key Option Assumptions						
Exercise price	10.2	\$1.102	\$0.152	\$0.202	\$0.300	\$0.252
Dividend rate	10.3	~	~	~	~	~
Volatility	10.4	105%	105%	105%	105%	105%
Risk free rate	10.5	4.47%	4.47%	4.47%	4.47%	4.47%
Valuation date	10.6	30-Nov-09	30-Nov-09	30-Nov-09	30-Nov-09	30-Nov-09
Expiration date	10.7	29-Feb-12	17-Nov-10	17-Nov-10	30-Jun-11	16-Jun-11
Expiration period (years)	10.7	2.25	0.96	0.96	1.58	1.54
Value per Option (Low)		\$0.055	\$0.114	\$0.095	\$0.095	\$0.103
Value per Option (High)		\$0.177	\$0.321	\$0.289	\$0.274	\$0.291
Value per Option (Preferred)		\$0.142	\$0.265	\$0.235	\$0.224	\$0.239

11. VALUATION OF CONSIDERATION

If the Option Scheme is approved, PacMag Option Holder's will receive Equity Consideration and Cash Consideration as detailed hereunder.

Series	Equity Consideration	Cash Consideration
PMHAM	0.0107 new Entrée shares	C\$0.0125 for each Option
PMHAP	0.0481 new Entrée shares	C\$0.0562 for each Option
PMHAQ	0.0392 new Entrée shares	C\$0.0458 for each Option
PMHAI	0.0325 new Entrée shares	C\$0.0379 for each Option
PMHAK	0.0367 new Entrée shares	C\$0.0429 for each Option

As discussed in Section 9, we have chosen to employ the NTA valuation methodology and QMP methodology for our assessment of the value of Equity Consideration.

11.1 Valuation of the Equity Consideration

11.1.1 Net Tangible Asset Valuation of Entrée Gold Inc

The value of Entrée's assets on an orderly realisation basis is reflected in our valuation below:

Entrée Gold Inc	Low	Preferred	High
	30 Sep 2009 A\$	30 Sep 2009 A\$	30 Sep 2009 A\$
CURRENT ASSETS			
Cash and cash equivalents	47,227,000	47,227,000	47,227,000
Receivables	260,000	260,000	260,000
Prepaid expenses	492,000	492,000	492,000
TOTAL CURRENT ASSETS	47,979,000	47,979,000	47,979,000
NON-CURRENT ASSETS			
Investments	2,298,000	2,298,000	2,298,000
Mineral Property Interest	163,780,257	207,959,736	252,444,214
Equipment	849,000	849,000	849,000
TOTAL NON-CURRENT ASSETS	166,927,257	211,106,736	255,591,214
TOTAL ASSETS	214,906,257	259,085,736	303,570,214
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	686,000	686,000	686,000
TOTAL CURRENT LIABILITIES	686,000	686,000	686,000
NON-CURRENT LIABILITIES			
Loans Payable to Ivanhoe Mines Ltd	519,000	519,000	519,000
TOTAL NON-CURRENT LIABILITIES	519,000	519,000	519,000
TOTAL LIABILITIES	1,205,000	1,205,000	1,205,000
<i>Shares on Issue</i>	<i>95,583,565</i>	<i>95,583,565</i>	<i>95,583,565</i>
<i>Value Per Entrée Share (A\$)</i>	<i>2.24</i>	<i>2.70</i>	<i>3.16</i>

Source: Entrée's 30 September 2009 financial accounts reviewed by KPMG and an independent market valuation performed by SRK Consulting.

11.1.1.1 Investments

Investments relate to asset backed notes with a face value of C\$4,013,365. The asset backed notes are carried at fair value. Based on this we consider that the market value of these securities is presented fairly in the balance sheet.

11.1.1.2 Deferred exploration, evaluation and development costs

We instructed SRK to provide an independent market valuation of the exploration assets held by Entrée. SRK considered a number of different valuation methods when valuing the exploration assets of Entrée. We have replaced the carrying value per Entrée's 30 September 2009 balance sheet with the value determined by the independent specialist.

The range of values for each of Entrée's exploration assets as calculated by SRK is set out below:

Asset	Ownership (%)	Low value (US\$M)	Preferred value (US\$M)	High value (US\$M)
Mongolia				
Lookout Hill Shivee Tolgoi JV (Hugo North Extension)	20%	124.89	161.61	198.35
Lookout Hill Shivee Tolgoi JV (Heruga)	20%	28.56	31.78	35.40
Lookout Hill Western MELS	100%	0.99	2.69	4.22
Lookout Hill Coal	100%	0.63	0.78	0.942
Total Mongolian Assets		155.07	196.86	238.91
USA				
Lordsburg Agreement	Up to 80%	0.02	0.03	0.05
Bisbee Agreement	Up to 80%	0.02	0.03	0.05
Yerington	51- 80%	0.03	0.04	0.06
Total USA Assets		0.07	0.10	0.16
China				
Huaixi	Up to 78%	0.019	0.051	0.08
Total Chinese Assets		0.019	0.051	0.08
Canada				
Crystal Property	Up to 100%	0.03	0.04	0.05
Total Canadian Assets		0.03	0.091	0.13
Total Assets (US\$)		155.19	197.05	239.20
Total Assets (A\$)		163.78	207.96	252.44

Source: Independent market valuation performed by SRK Consulting. USD balances converted to Australian dollars as at 9 March 2010 rate of US\$/A\$1.05536.

11.1.1.3 Assessment of Value

Based on the independent market valuation of the exploration assets held by Entrée and Entrée's net assets at 30 September 2009 the table above indicates the net asset value of an Entrée share is between A\$2.24 and A\$3.16, with a preferred value of A\$2.70.

11.1.1.4 Minority Discount

These values represent the value of an Entrée share on a control basis. Given that PacMag shareholders will be receiving a portfolio interest in these shares it is necessary to deduct the inherent control premium so as to reflect a minority interest value.

We have reviewed the control premiums paid by acquirers of Canadian mining companies. SRK determined that the majority of value of Entrée's exploration assets is attributable to the Lookout Hill tenements which are prospective for copper and gold. Therefore, in our analysis, we first considered publicly available published control premiums that acquirers have paid for Canadian listed copper and gold companies over the period from 2000 to 2009. We have summarised our findings below:

Transaction Year	Number of Transactions	Average Deal Value (A\$m)	Median Deal Value (A\$m)	Average Control Premium %	Median Control Premium %
2000	8	479.14	319.73	30.41	28.02
2001	2	64.58	64.58	49.12	49.12
2002	1	8.54	8.54	-9.81	-9.81
2003	4	2681.60	266.37	25.30	29.98
2004	2	1486.74	1486.74	18.75	18.75
2005	6	175.96	134.24	0.73	-2.17
2006	16	712.96	18.67	35.38	28.91
2007	26	666.06	167.72	26.35	27.22
2008	20	184.61	26.56	38.59	34.89
2009	1	1.34	1.34	-14.12	-14.12
Total	78	664.71	241.64	18.92	18.08
Total*	60	806.37	333.75	28.59	27.49

Source: Bloomberg

Note: The * indicates statistics excluding outliers

The results from the table above indicate an average control premium of 18.92% or 28.59% after excluding outliers.

We also expanded our control premium analysis across Canadian listed mining companies that have been acquired by domestic and foreign companies between 2000 to 2009. This analysis of 184 transactions indicated an average control premium of 28.20%.

Based on the results above, the long term control premium paid for Canadian mining companies is in the order of 25% to 30%.

11.1.1.5 NTA value on a minority interest basis

Deducting the inherent control premium from Entrée's NTA valuation results in the following values on a minority interest basis:

	Low	Preferred	High
	\$	\$	\$
NTA value	2.24	2.70	3.16
Minority discount	30%	27.5%	25%
NTA valuation on a minority interest basis	1.72	2.12	2.53

Therefore, our valuation of an Entrée share on a portfolio basis using the NTA valuation method is between \$1.72 and \$2.53, with a preferred value of \$2.12.

11.1.2 Quoted Market Prices for Entrée Securities

To provide a comparison to the valuation of Entrée in Section 11.1, we have also assessed the quoted market price for an Entrée share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.28 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;

- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

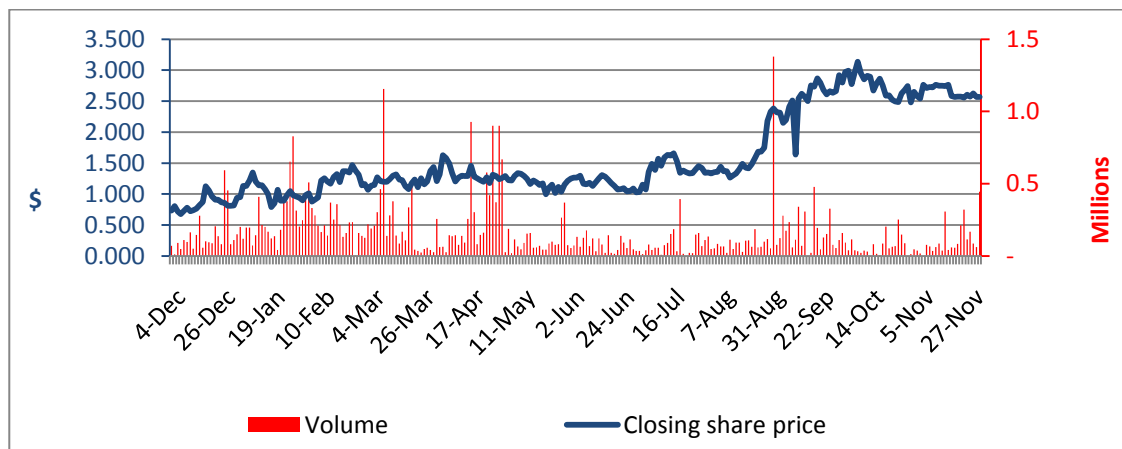
RG 111.24 states that the expert can then consider an acquirer’s practical level of control when considering reasonableness. Reasonableness has been considered in Section 14.

Therefore, our calculation of the quoted market price of an Entrée share has been prepared on a minority interest basis.

11.1.2.1 Minority interest value

Our analysis of the quoted market price of an Entrée share is based on TSX pricing prior to the announcement of the Option Scheme. This is because the value of an Entrée share after the announcement may include the affects of any change in value as a result of the Option Scheme. However, we have considered the value of an Entrée share following the announcement when we have considered reasonableness in Section 13.

Information on the Option Scheme was announced on 30 November 2009. Therefore, the following chart provides a summary of the share price movement over the year to 29 November 2009 which was the last trading day prior to the announcement. The prices in the chart are volume weighted according to the closing price of an Entrée share on the TSX, FSE and NYSE Amex and the respective daily trading volume on each exchange. The volume is calculated as the aggregate trading of Entrée shares on the TSX, FSE and NYSE Amex.



Source: Bloomberg

The daily price of Entrée shares from 30 November 2008 to 29 November 2009 has ranged from a high of C\$3.40 on 5 October 2009 to a low of C\$0.65 on 5 December 2008.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement	Closing Share Price Three Days After Announcement
		C\$ (movement)	C\$ (movement)
Oct 26 2009	Application for Shivee Tolgoi and Javhlant mining leases approved	2.73 (▲ 2.97%)	2.70 (▼ 1.10%)
Oct 16 2009	Announce benefits of the investment agreement entered with Ivanhoe, Rio Tinto and the Mongolian government.	2.61 (▼ 5.95%)	2.62 (▲ 0.38%)
Oct 6 2009	Announce the signing of the investment agreement between Ivanhoe, Rio Tinto and the Mongolian government.	3.00 (▼ 6.14%)	2.95 (▼ 1.66%)
Oct 5 2009	Announce the signing of the agreement with Bronco Creek Exploration Inc for the Roulette Property.	3.19 (▲ 5.48%)	2.94 (▼ 7.84%)
Aug 25 2009	Completes due diligence and gains regulatory approval for agreement with Honey Badger Exploration Inc for the Yerrington West Project.	2.23 (▲ 22.54%)	2.41 (▲ 8.07%)
Jul 23 2009	Announce the signing of an agreement with Honey Badger Exploration Inc for the Yerrington West Project.	1.42 (▲ 4.32%)	1.51 (▲ 6.34%)
Apr 30 2009	Announce expansion of Lordsburg Copper system	1.26 (▼ 4.65%)	1.39 (▲ 10.32%)
Mar 30 2009	Release of Financial Statements for year ended 31 December 2008	1.42 (▼ 4.81%)	1.63 (▲ 14.78%)
Feb 25 2009	Update of exploration activities	1.20 (▲ 1.68%)	1.16 (▼ 3.33%)
Jan 15 2009	Announce new porphyry copper discovery at Lordsburg	1.05 (▲ 0.00%)	1.13 (▲ 7.62%)

Source: TSX company announcements

Announcements relating to Entrée's exploration activity over the year to 29 November 2009 were encouraging. The market reacted positively to Entrée signing exploration agreements with Bronco Creek for the Roulette Property and Honey Badger for the Yerrington West Project.

Entrée also announced encouraging activity for their Mongolian assets. The Mongolian government granted mining licenses for the Shivee Tolgoi and Javhlant tenements. With regard to this, Entrée also announced that it had entered into an investment agreement with Rio Tinto, Ivanhoe and the Mongolian government, paving the way for the development for the Hugo North and Heruga deposits.

To provide further analysis of the market prices for an Entrée share, we have also considered the weighted average TSX market price for 10, 30, 60 and 90 day periods to 29 November 2009.

Price per share (C\$)	27-Nov-09	10 Days	30 Days	60 Days	90 Days
Closing price	\$2.6000				
Weighted Average price		\$2.6194	\$2.6853	\$2.8217	\$2.5188

The above weighted average prices are prior to the date of the announcement of the Option Scheme, to avoid the influence of any change in price of Entrée's shares that has occurred since the offer was announced.

An analysis of the volume of trading in Entrée's shares on the TSX, FSE and NYSE Amex for the twelve months to 29 November 2009 is set out below. Traded volume is calculated on an aggregate basis, including trading activity on all three exchanges. The high and low share price values are based on TSX market prices.

	Share Price (C\$) Low	Share Price (C\$) High	Cumulative Volume Traded	As a % of Issued Capital
1 Trading Day	\$2.5400	\$2.6700	71,330	0.07%
10 Trading Days	\$2.4600	\$2.6500	1,070,017	1.12%
30 Trading Days	\$2.4400	\$2.8200	4,786,150	5.01%
60 Trading Days	\$2.4400	\$3.1900	12,866,411	13.46%
90 Trading Days	\$1.3200	\$3.1900	18,832,988	19.70%
180 Trading Days	\$1.0200	\$3.1900	31,539,616	33.00%

This table indicates that Entrée's shares display a moderate level of liquidity, with approximately 33% of the Company's current issued capital being traded in a six month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.53 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- At least 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the market price of its shares cannot be considered relevant.

In the case of Entrée, we have determined that there is a sufficiently deep market in the trading of Entrée shares. This is based on the following observations:

- There is regular trading in the company's securities and very few non trading days;
- On average, approximately 1% of Entrée's securities were traded on a weekly basis over the 6 month period;
- The closing bid - ask spread of the Entrée's share price has averaged approximately 4.21% over the 12 month period; and
- Entrée's share price appreciated over the 12 months to 29 November 2009 inline with the S&P/TSX Composite Index and positive announcements made by the Company.

Our assessment is that a range of values for Entrée shares based on market pricing, after disregarding post announcement pricing, is between C\$2.50 and C\$2.60. Applying the nominal noon rate published by the Bank of Canada as at 9 March 2010

we have determined that the valuation range of an Entrée share based on market pricing is between A\$2.57 and A\$2.67.

11.1.3 Value of the Equity Consideration

The results of the valuations performed are summarised in the table below:

	Low A\$	Preferred A\$	High A\$
Net assets (Section 11.1)	1.72	2.12	2.53
TSX market prices (Section 11.2)	2.57	2.62	2.67

The NTA valuation methodology provides a market value of an Entrée share based on the realisable value of its assets. This includes a market based valuation of Entrée's exploration assets performed by SRK. This method ignores the possibility that the entity's value could exceed the realisable value of its tangible assets as it does not recognise the value of all intangible assets such as management and intellectual property.

Alternatively, the TSX market price should reflect the value of an Entrée share as viewed by a fully informed investor. Therefore, the TSX market price incorporates risk factors specific to the Company, future expectations, general market conditions and the Company's intangible assets. TSX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security. In this case, the company's share price changes upon the market receiving new information.

As the TSX market price of an Entrée share is higher than the NTA value per share in all instances we feel that it is appropriate to provide a valuation range based TSX market prices. This is because the TSX represents a liquid market in which investors are able to dispose of their shares and in doing so, realise additional value relative to if they were to sell Entrée's exploration assets. Based on this and the results above we consider the value of an Entrée share to be between \$2.57 and \$2.67, with a midpoint of \$2.62.

Based on the value of an Entrée share and the conversion rate applicable to each series of Options we have determined the value of Equity Consideration per Option to be as follows:

Item	PMHAM	PMHAP	PMHAQ	PMHAI	PMHAK
Valuation per Option Series					
Value of an Entrée Share (Low)	\$2.57	\$2.57	\$2.57	\$2.57	\$2.57
Value of an Entrée Share (High)	\$2.67	\$2.67	\$2.67	\$2.67	\$2.67
Value of an Entrée Share (Preferred)	\$2.62	\$2.62	\$2.62	\$2.62	\$2.62
Conversion Ratio					
Conversion Ratio	0.0107	0.0481	0.0392	0.0325	0.0367
Equity Consideration per Option					
Equity Consideration per Option (Low)	\$0.027	\$0.124	\$0.101	\$0.083	\$0.094
Equity Consideration per Option (High)	\$0.029	\$0.128	\$0.105	\$0.087	\$0.098
Equity Consideration per Option (Preferred)	\$0.028	\$0.126	\$0.103	\$0.085	\$0.096

11.2 Value of the Cash Consideration

The table below illustrates the value of the Cash Consideration per Option for each Series of Options.

Item	PMHAM	PMHAP	PMHAQ	PMHAI	PMHAK
Cash Consideration Valuation					
Value of cash Consideration(C\$)	\$0.013	\$0.056	\$0.046	\$0.038	\$0.043
Value of cash Consideration (AUD\$)	\$0.013	\$0.058	\$0.047	\$0.039	\$0.044

11.3 Total Consideration

The table below illustrates the total value of the Consideration per Option for each series of Options, comprising the Equity Consideration and the Cash Consideration.

Item	PMHAM	PMHAP	PMHAQ	PMHAI	PMHAK
Equity Consideration					
Equity Consideration per Option (Low)	\$0.03	\$0.12	\$0.10	\$0.08	\$0.09
Equity Consideration per Option (High)	\$0.03	\$0.13	\$0.10	\$0.09	\$0.10
Equity Consideration per Option (Preferred)	\$0.03	\$0.13	\$0.10	\$0.09	\$0.10
Cash Consideration					
Cash Consideration	\$0.01	\$0.06	\$0.05	\$0.04	\$0.04
Total Equity Consideration per Option (Low)	\$0.04	\$0.18	\$0.15	\$0.12	\$0.13
Total Equity Consideration per Option (High)	\$0.04	\$0.19	\$0.15	\$0.13	\$0.14
Total Equity Consideration per Option (Preferred)	\$0.04	\$0.19	\$0.15	\$0.13	\$0.14

12. IS THE OPTION SCHEME FAIR?

In order to assess whether the Option Scheme is fair we have compared the value of a Option to the value of the consideration. This is shown in the table below.

Item	PMHAM	PMHAP	PMHAQ	PMHAI	PMHAK
Valuation per Option Series					
Value of a PacMag Option (Low)	\$0.05	\$0.11	\$0.10	\$0.09	\$0.10
Value of a PacMag Option (High)	\$0.18	\$0.32	\$0.29	\$0.27	\$0.29
Value of a PacMag Option (Preferred)	\$0.14	\$0.26	\$0.24	\$0.22	\$0.24
Total Value of Consideration					
Value of Consideration (Low)	\$0.04	\$0.18	\$0.15	\$0.12	\$0.13
Value of Consideration (High)	\$0.04	\$0.19	\$0.15	\$0.13	\$0.14
Value of Consideration (Preferred)	\$0.04	\$0.19	\$0.15	\$0.13	\$0.14

Source: CAD balances converted to Australian dollars as at 9 March 2010 rate of A\$/C\$0.973648.

RG 111 sets out that when considering the value of non cash consideration the Expert should consider the value of a portfolio interest which reflects the fact that shareholders are likely to hold minority interests in the combined entity. RG111.28 notes that the expert may be

justified in using an equivalent valuation approach to valuing the securities of the bidder and the target where a takeover, or scheme of arrangement, is in effect a merger of entities of equivalent value where control of the merged entity will be shared equally by both sets of shareholders. This is not the case here as following the implementation of the Option Scheme PacMag shareholders will hold only 14.00% of the merged entity and Option Holders will hold only 0.25%. As such the comparison above compares a control value of PacMag to a portfolio interest of Entrée.

Based on the above comparison, the Option Scheme is not fair to the Option Holders of PacMag as the value of all series of Options (using a share value calculated on a 100% control basis) is greater than the value of the consideration offered to Option Holders. This comparison is required to be made due to the requirements of RG111.

13. IS THE OPTION SCHEME REASONABLE?

We have considered the position of Option Holders if the Option Scheme becomes effective and have taken into account the advantages and disadvantages of the Option Scheme in this assessment.

We have assessed that in all cases the advantages and disadvantages of the Option Scheme not becoming effective are the inverse of the Option Scheme becoming effective. Thus for simplicity of evaluation of the Option Scheme we have set out the significant factors only in the context of the Option Scheme becoming effective.

13.1 Advantages

If the Option Scheme is approved, in our opinion, the potential advantages to the Option Holders include those listed in the table below:

Advantage	Description
1. Diversification	The merged entity will have a more diversified spread of business activities and will be able to balance its exposures, reducing the merged entity's downside risk to particular commodities. There will also be geographic diversification as the combined entity will have tenements in Mongolia, China, Australia, USA and Canada.
2. Greater trading liquidity	The merged entity is likely to generate additional investor interest in PacMag's assets and consequently, increase trading liquidity. In the six months to 29 November 2009, approximately 22% of PacMag's issued capital was traded on the ASX while over the same period 33% of Entrée's issued capital was traded on the TSX, NSYE Amex and FSE.
3. Financial strength	The larger merged entity is likely to have a market capitalisation of approximately A\$300 million and will be able to access ongoing debt and equity funding at a lower cost than PacMag could achieve on a standalone basis. This will provide the merged entity with the flexibility to allocate more funds to capital development, and the pursuit of growth opportunities. Entrée is listed on the TSX, NYSE Amex and FSE, which

will provide additional opportunities for the merged entity's capital requirements. Entrée has raised approximately C\$100 million on the strength of its Mongolian assets in the past five years.

The Option Scheme will also allow Option Holders to benefit from Entrée's strong balance sheet which includes cash of approximately A\$47 million at 30 September 2009. This can be used for asset and business development and the merged entity's corporate requirements.

4. Analyst coverage

Companies listed on the TSX enjoy a higher level of coverage by research analysts. This is likely to generate more investor interest in the Company.

5. Realise the potential value of PacMag's assets

As illustrated in Section 10 of this report, the value of a PacMag share as determined by the NTA valuation methodology is significantly higher than the value determined by the QMP methodology.

The NTA valuation methodology provides a market value of a PacMag share based on the realisable value of its identifiable net assets while the ASX market price should reflect the value of a PacMag share as viewed by a fully informed investor.

Typically, resource exploration companies trade above their NTA value as the QMP value of these securities is driven by speculation in the market about the quality of the companies assets. In the case of PacMag, the disparity between the NTA valuation methodology and QMP valuation methodology implies that investors believe it is unlikely that the Company will realise the market value of its exploration assets in its current structure.

If the Option Scheme is approved it is likely that the merged entity will accelerate evaluation programs and allocate additional capital to exploration than what is currently proposed by PacMag. Similarly, the merged entity will be better placed to develop the Company's assets given increased financial strength, additional investor interest and the appointment of an experienced board of directors and management team. On this basis, the Option Scheme provides a means for Option Holders to unlock the inherent value and currently unobtainable value of PacMag's exploration assets.

6. Gain support from Entrée's corporate and institutional investors

PacMag does not currently have a strong institutional shareholder base. The Option Scheme will allow the Company to benefit from Entrée's strong institutional shareholder base to provide future capital needs. Entrée's major shareholders include Rio Tinto (15.3%), Ivanhoe (14.2%), and some of Canada's largest pension

fund groups. Collectively these institutional investors account for approximately 53% of Entrée's issued capital.

7. Potential for significant uplift from North American market exposure As Entrée is listed on both the TSX and NYSE-Amex, the Option Scheme will potentially generate additional investor interest in PacMag's North American assets, particularly the Ann Mason project.

Supportive of this, Entrée is regularly marketed to investors via conferences, media releases, media interviews and corporate road shows.

8. Exposure to Entrée's assets The Option Scheme allows Option Holders to gain exposure to Entrée's assets while maintaining exposure to existing PacMag assets. The combined entity will have a larger exploration portfolio with a gold - copper focus. In particular, Entrée's Mongolian assets have attracted significant interest from corporate investors Rio Tinto and Ivanhoe. The Option Scheme will expose Option Holders to additional exploration opportunities with a range of project risk profiles.

9. Access to Operating Synergies The Company will likely benefit from operating synergies arising from combining the two companies' neighboring Yerington copper projects, Ann Mason Project and Blackjack Project. Synergistic benefits will likely occur throughout the entire development cycle of these projects and are likely to result in greater exploration success and shorter project lead times. Potential synergies include:

- A larger pool of specialist employees;
- The ability to combine geological data and geological interpretations on the two projects;
- Greater power to negotiate contract pricing with contractors;
- A larger area available to optimise the location of potential future mine infrastructure;
- Additional flexibility in any future mine scheduling from multiple ore sources; and
- Potential financial benefits from the ability to blend different ore types.

The synergies attributable to the Ann Mason project mean that it is less likely that PacMag will have to negotiate with claim holders surrounding the Ann Mason project in the event that it is not feasible on a standalone basis. These synergies would not be available with another merger party.

10. Gain exposure to Entrée's aggressive exploration program	Entrée has proposed an A\$7.8 million exploration program for 2010. This includes further drilling of Entrée's Mongolian assets, the Blackjack and Roulette properties and the Bisbee Property. Entrée also plans further exploration activity at the Crystal Project.
	Entrée's 2010 exploration program is greater than the combined value of PacMag's cash assets and available for sale assets. Therefore, in the event that the Option Scheme is approved the Company will not have to rely on a capital raising or joint venture type agreement to fund exploration.
11. Experienced management team	The merged entity will gain an experienced board of directors and senior management team from Entrée to progress the Company's assets.

13.2 Disadvantages

Disadvantage	Description
1. The Option Scheme is not fair	The Option Scheme is not fair to Option Holders. We have determined that the preferred value of an Option is greater than the preferred value of the consideration offered.
2. Dilution	Option Holders' proportional shareholding in the merged entity will be approximately 0.25%. While the merger is likely to create operational synergies and benefits from being a larger, more diverse entity, the majority of these benefits will flow to Entrée shareholders.
3. Integration Risk	Often issues arise when integrating the cultures and management systems of two companies. Entrée will fulfill all fulltime employee roles in the merged entity and there is a risk that a portion of the corporate knowledge may be lost or corrupted in the integration process There is also a risk that the synergies identified may not arise.
4. Foreign Exchange Risk	The merged entity will be listed on the TSX, NSYE AMEX and FSE. Australian Option Holders will be exposed to foreign exchange risk when they convert Entrée shares (denominated in foreign currency) into Australian dollars.

13.3 Other Considerations

13.3.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Option Holders of PacMag a premium over the value ascribed to that resulting from the Option Scheme.

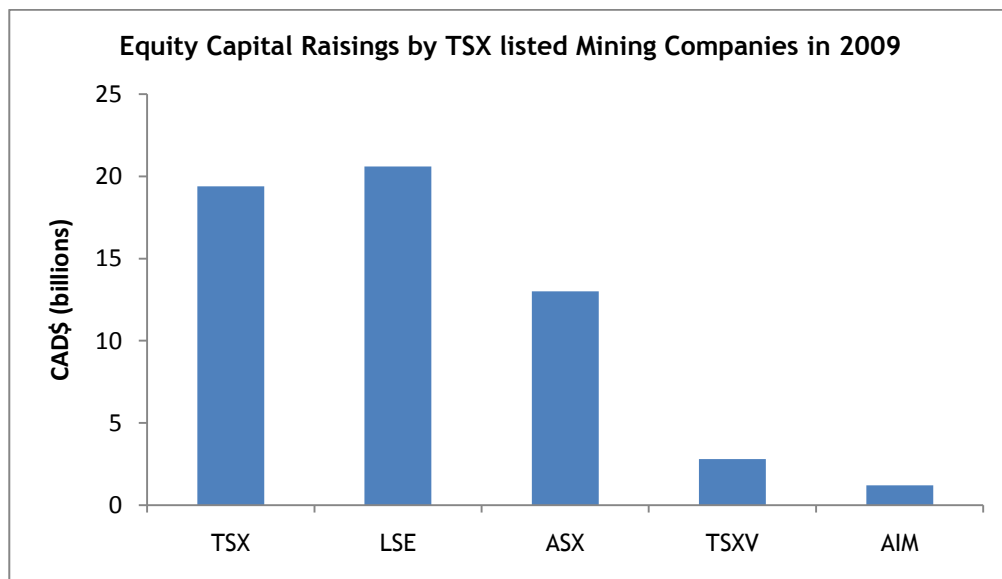
13.3.2 Implications of the Option Scheme not being approved

Should the Option Scheme be rejected PacMag would remain a standalone entity listed on the ASX and would bear transaction costs and potentially a break fee of C\$350,000. As at 30 September 2009 PacMag had working capital of A\$2,205,396 and has a low level of gearing. Therefore, it is not expected that there would be any other forced recapitalisation. In the short term PacMag would continue to evaluate its exploration assets with the view of advancing the projects which would require a corporate transaction in the future.

13.3.3 Stock Exchange Analysis

Entrée is listed on the TSX, FSE and NYSE Amex. For the year to 29 November 2009 approximately 80% of trading activity in Entrée shares was on the TSX while 19% and 1% was traded on the NYSE Amex and FSE respectively. As Entrée shares are predominantly traded on the TSX, we provide a brief comparison of the ASX and TSX below.

The Toronto Stock Exchange is Canada's senior stock exchange. Despite the financial downturn, 2009 was a record year for equity financing on the TSX, with a total of C\$60 billion raised. As shown in the chart below, approximately C\$19.4 billion was raised on the TSX by mining companies in 2009 compared to C\$13 billion on the ASX. There were also significantly more listings by mining companies on the TSX in 2009 compared to the ASX.



Source: Toronto Stock Exchange

TSX listed companies generally also enjoy more analyst coverage than ASX companies. The TSX estimate that on average 5 research analysts cover each international mining company listed on the TSX.

In addition to conventional securities, the TSX lists various exchange-traded funds, income trusts and investment funds. As of July 2009, more than 100 exchange traded funds and exchange traded notes were listed on the TSX.

13.3.4 Post announcement Pricing

PacMag's share price has increased by approximately 16% and Entrée's share price has increased by approximately 13% since the announcement of the Option Scheme. Gains on the ASX have been small by comparison; the S&P ASX200 index increased by approximately 5.3% over this period. The TSX composite index has gained

approximately 3.9% since the announcement of the Option Scheme. On the basis that the share prices of both PacMag and Entrée have vastly outperformed both the ASX and TSX it appears that the market has views the Option Scheme favourably.

13.4 Reasonableness Conclusion

After considering the advantages and disadvantages, alternative proposals and the implications of the Option Scheme not being approved it is our opinion that the Option Scheme is reasonable to the Option Holders of PacMag.

14. CONCLUSION

We have considered the terms of the Option Scheme as outlined in the body of this report and have concluded that the Option Scheme is not fair but reasonable and in the best interests of the Option Holders of PacMag.

15. SOURCES OF INFORMATION

This report has been based on the following information:

- financial statements for the three months ended 30 September 2009, 30 June 2008 and 2009 for PacMag;
- financial statements for the nine months ended 30 September 2009, 30 June 2008 and 2009 for Entrée;
- the draft Option Scheme Implementation Agreement;
- independent specialist valuations on the mineral interests of PacMag and Entrée prepared by SRK Consulting Pty Ltd;
- information from Link Market Services;
- underlying financial record of PacMag and Entrée;
- information in the public domain;
- Bloomberg data service;
- background information on PacMag and Entrée; and
- discussions with the directors and management of PacMag and other information provided by them.

16. INDEPENDENCE

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$40,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by PacMag in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by PacMag, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to PacMag and Entrée and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of PacMag and Entrée and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with PacMag and Entrée, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to PacMag and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

17. QUALIFICATIONS

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 100 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 12 years in the Audit and Assurance and Corporate Finance areas.

18. DISCLAIMERS AND CONSENTS

This report has been prepared at the request of PacMag for inclusion in the scheme booklet which will be sent to all PacMag Option Holders. PacMag engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed merger between PacMag and Entrée whereby PacMag options will be cancelled and certain PacMag option holders will be issued with shares in Entrée and Cash Consideration.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above scheme booklet. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the scheme booklet other than this report.

BDO Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of PacMag or Entrée. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

With respect to taxation implications it is recommended that individual Option Holders obtain their own taxation advice, in respect of the Scheme, tailored to their own particular

circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Option Holders of PacMag, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent property valuations for properties held by SRK.

SRK possess the appropriate qualifications and experience in the mining industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuations are appropriate for this report. We have received consents from SRK for the use of their valuation report in the preparation of this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes
Director



Adam Myers
Associate Director
Authorised Representative

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Black Fire	Black Fire Energy Limited
Bronco Creek	Bronco Creek Exploration Inc
Cash Consideration	The part of the consideration offered to PacMag Option Holders being C\$0.0415
The Company	PacMag Metals Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Empirical	Empirical Discovery LLC
Entrée	Entrée Gold Inc
Equity Consideration	The part of the consideration offered to PacMag Option Holders being 1 Entrée share
ESOP Options	PacMag's employee share option plan
The Exchange Rate	The latest nominal noon rate published by the Bank of Canada at 12.30pm Canadian Eastern Standard time on the date that the Scheme court orders are issued with ASIC
FMD	Future Maintainable Dividends
FME	Future Maintainable Earnings
FSE	Frankfurt Stock Exchange
FY2009	The year ended 30 June 2009
Girilia	Girilia Resources Limited
HoneyBadger	HoneyBadger Exploration Inc
Ivanhoe	Ivanhoe Mines Limited
ROC	Return of Capital
NPT	Non-proliferation treaty
NSR	Net smelter royalty
NTA	Net Tangible Assets
NYSE	New York Stock Exchange Amex
PacMag	PacMag Metals Limited
Our Report	This Independent Expert's Report prepared by BDO
VWAP	Volume Weighted Average Price
RG 111	Regulatory Guide 111
RG 112	Regulatory Guide 112
Rio Tinto	Rinto Tinto Limited

Section 411	Section 411 of the Corporations Act
Option Holders	Option Holders of PacMag not associated with Entrée
SRK	SRK Consulting
The Period	The 15 months to 30 September 2009
The Option Scheme	The scheme of arrangement between PacMag and Entrée
TSX	Toronto Stock Exchange
SIA	The Scheme implementation agreement between PacMag and Entrée

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

Net tangible asset value on a going concern basis (“NTA”)

Asset based methods estimate the market value of an entity’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity’s assets are liquid or for asset holding companies.

Quoted Market Price Basis (“QMP”)

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security. The finding of the Australian Takeovers Panel in the matter of Consolidated Minerals Limited [207] ATP20 that 26.2% volume of shares being traded in a 90 day period was sufficient to justify the use of the QMP provided useful guidance.

Capitalisation of future maintainable earnings (“FME”)

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“EBIT”) or earnings before interest, tax, depreciation and amortisation (“EBITDA”). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

Discounted future cash flows (“DCF”)

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

Multiple of Exploration Expenditure (“MEE”)

The Past Expenditure method is a method of valuing exploration assets in the resources industry. It is applicable for areas which are at too early a stage of prospectivity to justify the use of alternative valuation methods such as DCF. The Past Expenditure method is often referred to as the Multiple of Exploration Expenditure method.

Past expenditure, or the amount spent on exploration of a tenement, is commonly used as a guide in determining value. The assumption is that well directed exploration adds value to a property. This is not always the case and exploration can also downgrade a property. The Prospectivity Enhancement Multiplier (“PEM”) which is applied to the effective expenditure therefore commonly ranges from 0.5 to 3.0. The PEM generally falls within the following ranges:

- 0.5 to 1.0 where work to date or historic data justifies the next stage of exploration;
- to 2.0 where strong indications of potential for economic mineralisation have been identified; and
- to 3.0 where ore grade intersections or exposures indicative of economic resources are present.

Appendix 3 - Option Valuation methodologies

Black Scholes Option Valuation

The Black Scholes option valuation methodology calculates the expected benefit from acquiring the shares outright less the present value of paying the exercise price for the options on date of expiration. This model is considered robust and sufficiently accurate as an option pricing tool where options are not expected to be exercised until the end of the option's life. The model uses historical share price volatility measures and therefore may not approximate actual share price behaviour in the future.

The Black Scholes methodology assumes that the option is a European option, which is only exercisable at the date of expiry. Therefore this type of methodology is not appropriate to utilise in the valuation of American options, which may be exercised at any time over their life.

The Black Scholes method is generally inappropriate to use in the valuation of options that have barrier conditions on exercise.

Binomial Option Valuation

The Binomial option valuation methodology uses a "discrete-time" model of the varying price over time of financial instruments; the model is thus able to handle a variety of conditions for which other models cannot be applied. Essentially, the Binomial valuation is via application of the risk neutrality assumption over the life of the option, as the price of the underlying instrument evolves. The Binomial model is able to value American options which may be exercised at any time over their life.

Similar assumptions underpin both the Binomial model and the Black-Scholes model and the binomial model thus provides a discrete time approximation to the continuous process underlying the Black-Scholes model. In fact, for European Options the Binomial model value converges on the Black-Scholes formula value as the number of time steps increases.

The Binomial model allows the calculation of different types of barriers to vestment and exercise of options, in particular American options which may be exercised at any time over their life and Barrier up and in options which are only exercisable once the underlying share price passes a certain barrier level.

APPENDIX 2 – INVESTIGATING ACCOUNTANT'S REPORT



KPMG Transaction Services (Australia) Pty Limited
Australian Financial Services Licence No. 245402
235 St Georges Terrace
Perth WA 6000

ABN: 65 003 891 718
Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7129
www.kpmg.com.au

GPO Box A29
Perth WA 6837
Australia

The Directors
Entree Gold Inc
Suite 1202
1166 Alberni Street
Vancouver, BC
Canada V6E 3Z3

23 April 2010

Dear Sirs

Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

1. Introduction

KPMG Transaction Services (Australia) Pty Limited ("KPMG Transaction Services") has been engaged by Entrée Gold Inc ("Entrée") to prepare this report for inclusion in the Scheme Booklet to be dated 23 April 2010 ("Scheme Booklet") to be issued by PacMag Metals Limited ("PacMag"), in connection with Entrée's proposed acquisition of PacMag.

Expressions defined in the Scheme Booklet have the same meaning in this report.

2. Financial Information

2.1. *Entrée Pro Forma Historical Financial Information*

The Entrée Pro Forma Historical Financial Information, as set out in section 6.3 of the Scheme Booklet, consists of:

- the A\$ pro forma consolidated balance sheet at 30 September 2009; and
- the A\$ income statements and statements of cash flows for the years ended 31 December 2007 and 31 December 2008, and the nine months ended 30 September 2009.

The Entrée Pro Forma Historical Financial Information has been derived from the audited financial statements of Entrée for the two years ended 31 December 2007 and 31 December 2008, and the unaudited interim financial statements of Entrée for the nine months ended 30 September 2009, prepared in accordance with US generally accepted accounting principles ("US GAAP"), after adjusting for the Entrée Pro Forma Adjustments.

The financial statements of Entrée for the two years ended 31 December 2007 and 31

December 2008 were audited by Entrée's external auditor in accordance with US Auditing Standards. The independent auditor's opinion issued to the members of Entrée relating to those financial statements was unqualified.

The financial statements of Entrée for the nine months ended 30 September 2009 were reviewed by Entrée's external auditor, in accordance with US Auditing Standards applicable to review engagements. The independent auditors' review report to the directors of Entrée relating to those financial statements was unqualified.

The Entrée Pro Forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by US Accounting Standards applicable to annual financial reports prepared by reporting issuers in the US or the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001 ("Corporations Act").

2.2. *PacMag Pro Forma Historical Financial Information*

The PacMag Pro Forma Historical Financial Information, as set out in section 5.3 of the Scheme Booklet, comprises the consolidated pro forma income statements of PacMag for the year ended 31 December 2008 and for the nine months ended 30 September 2009.

The PacMag Pro Forma Historical Financial Information has been derived from:

- the audited financial statements of PacMag for the two years ended 30 June 2008 and 30 June 2009 which have been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations); and
- the reviewed interim financial statements of PacMag for the six months ended 31 December 2007 and 31 December 2008, and the three months ended 30 September 2009 which have been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations),

after adjusting for the PacMag Pro Forma Adjustments.

The financial statements of PacMag for the two years year ended 30 June 2008 and 30 June 2009 were audited by PacMag's external auditor in accordance with Australian Auditing Standards. The independent auditor's opinions issued to the members of PacMag relating to those financial statements were unqualified.

The financial statements of PacMag for the six months ended 31 December 2007 and 31 December 2008 and the three months ended 30 September 2009 were reviewed by PacMag's external auditor in accordance with Australian Auditing Standards applicable to review engagements. The independent auditor's review report to the members of PacMag relating to those financial statements were unqualified.

The PacMag Pro Forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act 2001.

2.3. *Merged Group Pro Forma Historical Financial Information*

The Merged Group Pro Forma Historical Financial Information, as set out in section 7.3 of the Scheme Booklet, comprises:

- the unaudited merged group pro forma consolidated balance sheet at 30 September 2009; and
- the unaudited merged group pro forma consolidated income statements for the year ended 31 December 2008 and the nine months ended 30 September 2009.

The Merged Group Pro Forma Historical Financial Information has been derived from the Entrée Pro Forma Historical Financial Information and the PacMag Pro Forma Historical Financial Information, after adjusting for the Merged Group Pro Forma Adjustments defined in section 7.3 of the Scheme Booklet.

The Entrée Pro Forma Adjustments, the PacMag Pro Forma Adjustments and the Merged Group Pro Forma Adjustments (together the “Pro Forma Adjustments”) have been prepared by Entrée on the basis set out in sections 5.3, 6.3 and 7.3 of the Scheme Booklet and in accordance with Australian Accounting Standards (including Australian Accounting Interpretations).

The Merged Group Pro Forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures required by US GAAP applicable to annual financial reports prepared by reporting issuers in the US, or by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

3. *Scope*

KPMG Transaction Services has been requested to prepare a report covering the compilation of the Merged Group Pro Forma Historical Financial Information disclosed in the Scheme Booklet and the Pro Forma Adjustments.

3.1. *Review of compilation of the Merged Group Pro Forma Historical Financial Information*

For the purposes of preparing this report we have reviewed the compilation of the Merged Group Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Merged Group Pro Forma Historical Financial Information has not been properly compiled on the basis of:

- the Entrée and PacMag financial statements identified in Sections 2.1 and 2.2 of this letter; and
- the Pro Forma Adjustments set out in sections 5.3, 6.3 and 7.3 of the Scheme Booklet.

We have conducted our review in accordance with Standard on Review Engagements *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of historical financial information from the audited financial statements of Entrée for the years ended 31 December 2007 and 31 December 2008 and reviewed financial statements of Entrée for the nine months ended 30 September 2009, and those dealing with the extraction of historical financial information from the audited financial statements of PacMag for the years ended 30 June 2008 and 30 June 2009 and the reviewed financial statements of PacMag for the six months ended 31 December 2007 and 31 December 2008 and for the three months ended 30 September 2009;
- consideration of the Pro Forma Adjustments described in Sections 5.3, 6.3 and 7.3 of the Scheme Booklet; and
- enquiry of Entrée and PacMag directors, management and others.

Our review of the compilation of the Merged Group Pro Forma Historical Financial Information is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have performed an audit and we do not express an audit opinion on the compilation of the Merged Group Pro Forma Historical Financial Information.

With the exception of our 'Review of Pro Forma Adjustments' outlined below, we do not express any opinion, or make any statement of negative assurance, as to whether the Merged Group Pro Forma Historical Financial Information is prepared, in all material respects, in accordance with the recognition and measurement principles prescribed by Australian Accounting Standards (including Australian Accounting Interpretations) and accounting policies adopted by PacMag.

3.2. *Review of Pro Forma Adjustments*

For the purposes of preparing this report, we have reviewed the Pro Forma Adjustments in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Pro Forma Adjustments are not prepared, in all material respects:

- on the basis described under the headings PacMag Pro Forma Adjustments, Entrée Pro Forma Adjustments and Merged Group Pro Forma Adjustments in sections 5.3, 6.3 and 7.3 of the Scheme Booklet respectively; and
- in accordance with the recognition and measurement principles prescribed by Australian Accounting Standards (including Australian Accounting Interpretations), and accounting policies adopted by PacMag.

We have conducted our review in accordance with Standard on Review Engagements *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- a review of Entrée/PacMag's work papers, accounting records, auditors' work papers and other documents;
- analytical procedures on the PacMag/Entrée Historical Financial Information and the Pro Forma Adjustments;
- a review of the assumptions and work papers, accounting records and other documents used to compile the Pro Forma Adjustments;
- a comparison of consistency in application of the recognition and measurement principles prescribed by Australian Accounting Standards (including Australian Accounting Interpretations) and the accounting policies adopted by PacMag; and
- enquiry of Entrée and PacMag directors, management and others in relation to the Pro Forma Adjustments.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

4. Directors' responsibilities

The directors of Entrée are responsible for the preparation and presentation of the Entrée Pro Forma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information, including the determination of the Pro Forma Adjustments.

The directors of PacMag are responsible for the preparation and presentation of the PacMag Pro Forma Historical Financial Information.

Together, the Entrée and PacMag directors' responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial information in the Scheme Booklet that is free from material misstatement, whether due to fraud or error.

5. Review statements

5.1. *Review statement on the compilation of the Merged Group Pro Forma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Merged Group Pro Forma Historical Financial Information, as set out in section 7.3 of the Scheme Booklet, has not been compiled on the basis of:

- the Entrée and PacMag financial statements identified in Sections 2.1 and 2.2 of this letter; and
- the Pro Forma Adjustments set out in Sections 5.3, 6.3 and 7.3 of the Scheme Booklet.

We have not audited or reviewed the Entrée Pro Forma Historical Financial Information, the PacMag Pro Forma Historical Financial Information or the Merged Group Pro Forma Historical Financial Information (together the "Pro Forma Historical Financial Information"). With the exception of our 'Review statement on Pro Forma Adjustments', we do not express any opinion, or make any statement of negative assurance, as to whether the Pro Forma Historical Financial Information is prepared, in all material respects, in accordance with the recognition and measurement principles prescribed by US Accounting Standards or Australian Accounting Standards (including Australian Accounting Interpretations), and accounting policies adopted by PacMag and disclosed in the Scheme Booklet.

5.2. *Review statement on the Pro Forma Adjustments*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Adjustments, which are set out in sections 5.3, 6.3 and 7.3 of the

Scheme Booklet, are not prepared, in all material respects, on the basis described therein, or in accordance with the recognition and measurements principles prescribed by Australian Accounting Standards (including Australian Accounting Interpretations) and accounting policies adopted by PacMag.

6. Jurisdictions outside Australia

Our review has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside Australia, including Canada and the United States. Accordingly, our review should not be relied upon as if it had been carried out in accordance with those standards and practices.

7. Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed scheme of arrangement, other than in connection with the preparation of this report for which normal professional fees are received.

8. General advice warning

This report has been prepared, and included in the Scheme Booklet, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Scheme Booklet in the form and context in which it is so included, but has not authorised the issue of the Scheme Booklet. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Scheme Booklet.

Yours faithfully



Matt Kelly
Director



KPMG Transaction Services (Australia) Pty Limited
Australian Financial Services Licence No. 245402
235 St Georges Terrace
Perth WA 6000

ABN: 65 003 891 718
Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7129
www.kpmg.com.au

GPO Box A29
Perth WA 6837
Australia

Financial Services Guide

Dated 23 April 2010

KPMG Transaction Services (Australia) Pty Limited
ABN 65 003 891 718, Australian Financial Services
Licence Number 245402 (**KPMG** or **we** or **us** or **our** as
appropriate) has been engaged by Entrée Gold Inc
(**Company**) to provide an Investigating Accountant's
Report (**Report**) in relation to the proposed acquisition of
PacMag Metals Limited via a scheme of arrangement
(**Transaction**) for inclusion in the Scheme Booklet dated
23 April 2010 (**Booklet**) prepared by the Company.

Purpose of this Guide

This Guide is designed to help retail clients to decide how
to use our Report. It includes information about:

- who we are and how we can be contacted
- the services we are authorised to provide under our
licence
- how we and our staff are paid
- any relevant associations or relationships we have
- how complaints are dealt with; and
- the compensation arrangements we have in place.

The Booklet contains information about significant
benefits, risks, fees and other charges and other
information about the Transaction.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which
authorises us to provide financial product advice in relation
to:

- Interests in managed investments schemes (excluding
investor directed portfolio services)
- Securities (such as shares and debentures).

Our responsibility to you

We provide financial product advice when engaged to
prepare a report in relation to a transaction relating to one
of these types of financial products. You have not engaged
us directly but have received a copy of the Report because
of your connection to the Transaction.

We are responsible and accountable to you for ensuring
that there is a reasonable basis for the conclusions in our
Report.

General Advice

Our report only contains general advice, because it has
been prepared without taking into account your personal
objectives, financial situation or needs.

You should consider the appropriateness of the general
advice in our Report having regard to your circumstances
before you act on our Report.

You should also consider the other parts of the Booklet
before making any decision in relation to the Transaction.

Fees we may receive

We charge fees for preparing reports. These fees will
usually be agreed with, and paid by, the financial product
issuer. Fees are agreed on either a fixed fee or a time
cost basis. In this instance, the Company has agreed to
pay us approximately A\$90,000 for preparing the Report.

KPMG and its officers, employees, representatives, related
entities and associates will not receive any other fee or
benefit in connection with the provision of the Report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). Our directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have, over the past two years, provided tax services to Entrée Gold Inc for which professional fees have been received. None of those services have related to the Transaction or alternatives to the Transaction. No KPMG entity has any interest in the Company or any other interested party to the Transaction.

Remuneration or other benefits received by our representatives

KPMG officers, employees and representatives receive a salary or a partnership distribution from the KPMG Partnership. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let us know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 5 days and investigate the issues raised. As soon as

practical, and not more than **45 days** after receiving the written complaint, we will advise you in writing of our response to your complaint.

External complaints resolution process

If we cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**) of which we are a member. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investment Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG has professional indemnity insurance cover as required by the Corporations Act.

Contact details

You may contact us using the contact details set out at the top of the letterhead on the first page of this Guide.

APPENDIX 3 – SCHEME IMPLEMENTATION AGREEMENT

ENTRÉE GOLD INC
PACMAG METALS LIMITED

DEED OF VARIATION – SCHEME IMPLEMENTATION AGREEMENT

Blakiston & Crabb
Lawyers
1202 Hay Street
WEST PERTH WA 6005
Tel: (08) 9322 7644
Fax: (08) 9322 1506
Ref: AMM.JAA.ENT/16199

DEED OF VARIATION TO SCHEME IMPLEMENTATION AGREEMENT

THIS AGREEMENT is dated 12 April 2010

BETWEEN:

ENTRÉE GOLD INC. Company No: C0725704, a company incorporated under the laws of British Columbia, Canada and with a registered address of Suite 1201, 1166 Alberni Street Vancouver, BC V6E 3Z3, Canada ("**Entrée**");

AND

PACMAG METALS LIMITED ACN 066 353 231 of Level 2, 33 Ord Street, West Perth, Western Australia, Australia ("**PacMag**").

RECITALS:

- A. The parties entered into a Scheme Implementation Agreement dated 28 November 2009 ("**Scheme Implementation Agreement**"), for the purpose of effecting a transaction by means of schemes of arrangement under Part 5.1 of the Corporations Act, under which Entrée (through a wholly owned subsidiary) will acquire all of the PacMag Shares and the PacMag Options will be cancelled and extinguished.
- B. The parties have agreed to vary the Scheme Implementation Agreement, and Annexures 5 and 6 of the Scheme Implementation Agreement on the terms set out in this document.

AGREED as follows:

1. INTERPRETATION

- 1.1 Unless otherwise defined in this deed or if the context otherwise requires, the terms defined in the Scheme Implementation Agreement bear the same meaning when used in this deed.
- 1.2 In this deed unless the contrary intention appears:
 - (a) a reference to this deed or another instrument includes any variation or replacement of it; and
 - (b) a reference to a party is to a party to this deed.

2. AMENDMENT TO SCHEME IMPLEMENTATION AGREEMENT

With effect from the date of this deed the Scheme Implementation Agreement is amended and restated as set out in Annexure A to this deed.

3. AMENDMENT TO SHARE SCHEME OF ARRANGEMENT

With effect from the date of this deed the Share Scheme of Arrangement set out in Annexure 5 of the Scheme Implementation Agreement is amended and restated as set out in Annexure B to this deed.

4. AMENDMENT TO OPTION SCHEME OF ARRANGEMENT

With effect from the date of this deed the Option Scheme of Arrangement set out in Annexure 6 of the Scheme Implementation Agreement is amended and restated as set out in Annexure C to this deed.

5. RATIFICATION AND CONFIRMATION

The parties confirm and ratify the Scheme Implementation Agreement as amended and restated by this deed and acknowledge that the Scheme Implementation Agreement will be construed on and from the date of this deed as amended and restated by this deed. The parties acknowledge that, except as specifically amended by this deed, all terms and conditions of the Scheme Implementation Agreement remain in full force and effect.

6. GENERAL

6.1 Further Assurances

Each party must do anything (including execute any document) that the other party may reasonably require to give full effect to this deed.

6.2 Amendment or Waiver

No amendment to this deed and no waiver of any provision of this deed will be effective unless it is in writing and signed in a manner binding on all parties.

6.3 Counterparts

This deed may be executed in any number of counterparts and by facsimile copies, all of which taken together constitute one and the same document. Any signature page of a counterpart may be detached without impairing the legal effect of the signature on that document and attached to another counterpart identical in form but having attached to it one or more additional signature pages signed by the other parties.

6.4 Governing Law

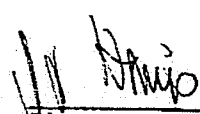
This deed is governed by and is to be construed in accordance with the laws of Western Australia. Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia and any courts which have jurisdiction to hear appeals from any of those courts.

6.5 Entire Agreement

This deed together with the Scheme Implementation Agreement (and any other documents referred to therein) contains the entire agreement between the parties with respect to its subject matter.


EXECUTED by the parties:

EXECUTED for and on behalf of)
ENTRÉE GOLD INC.)
by authority of its Directors/)
authorised signatory)



Director
JAMES HARRIS

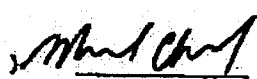
Print name



Secretary/Director
MONA FORSTER

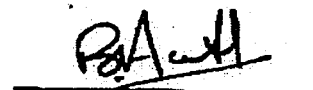
Print name

EXECUTED by)
PACMAG METALS LIMITED)
by authority of its Directors in)
accordance with section 127 of)
the Corporations Act)



Director
MICHAEL CLIFFORD

Print name



Secretary/Director
BRUCE ACUTT

Print name

ENTRÉE GOLD INC.
PACMAG METALS LIMITED

SCHEME IMPLEMENTATION AGREEMENT

Blakiston & Crabb
Lawyers
1202 Hay Street
WEST PERTH WA 6005
Tel: (08) 9322 7644
Fax: (08) 9322 1506

TABLE OF CONTENTS

1.	DEFINITIONS AND INTERPRETATIONS	1
2.	CONDITIONS PRECEDENT	13
3.	TRANSACTION STEPS	17
4.	SCHEME CONSIDERATION	19
5.	IMPLEMENTATION OF TRANSACTION	21
6.	REPRESENTATIONS AND WARRANTIES	26
7.	PUBLIC ANNOUNCEMENTS	27
8.	TERMINATION	28
9.	EXCLUSIVITY AND NON SOLICITATION	29
10.	REIMBURSEMENT OF COSTS	33
11.	NOTICES	37
12.	GENERAL	37
	ANNEXURE 1	
	ANNEXURE 2	
	ANNEXURE 4	
	ANNEXURE 5	
	ANNEXURE 6	
	ANNEXURE 7	
	ANNEXURE 8	

SCHEME IMPLEMENTATION AGREEMENT

AGREEMENT dated

2010

BETWEEN:

ENTRÉE GOLD INC. Company No: C0725704, a company incorporated under the laws of British Columbia, Canada and with a registered address of Suite 1201, 1166 Alberni Street Vancouver, BC V6E 3Z3, Canada ("**Entrée**");

AND

PACMAG METALS LIMITED ACN 066 353 231 of Level 2, 33 Ord Street, West Perth, Western Australia, Australia ("**PacMag**").

RECITALS:

- A.** The parties have agreed to effect a transaction by means of schemes of arrangement under Part 5.1 of the Corporations Act, under which Entrée Australia will acquire all of the PacMag Shares and the PacMag Options will be cancelled (and PacMag will become a wholly owned subsidiary of Entrée Australia), in accordance with the terms of this Agreement.
- B.** The parties have agreed in good faith to implement the Schemes of Arrangement upon the terms and conditions of this Agreement.

AGREED as follows:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

In this Agreement, unless the context otherwise requires, the following words and expressions have meanings as follows:

"Alternative Proposal for PacMag" means in relation to PacMag and excluding the Transaction:

- (a) any proposal for a takeover bid, scheme of arrangement, capital reconstruction, buy-back, merger, amalgamation, consolidation or other business combination involving PacMag or any of its subsidiaries;
- (b) any proposal which could result in a person who does not already have Voting Power of more than 20% in PacMag, having Voting Power of more than 20% in PacMag; or
- (c) any proposal which could result in a person acquiring assets of PacMag or its subsidiaries having a book value, or for a consideration, of more than CAD\$250,000;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange;

"**Associates**" means, in relation to a party, its:

- (a) subsidiaries;
- (b) officers, directors and employees of it or its subsidiaries; and
- (c) investment bankers or corporate or financial advisers, lawyers and other advisers of it or its subsidiaries;

"**Break Fee**" means CAD\$350,000, being the amount which the parties have agreed is reasonable compensation to Entrée or PacMag, as the case may be, for the Schemes not proceeding and payable in accordance with this Agreement;

"**Business Day**" means a weekday on which trading banks are open for business in Perth, Western Australia and Vancouver, British Columbia;

"**Confidentiality Deed**" means the Disclaimer and Confidentiality Deed made on 9 November 2009 between PacMag and Entrée;

"**Consideration Shares**" means those Entrée Shares forming part of the Scheme Consideration;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Court**" means a court of competent jurisdiction under the Corporations Act;

"**Effective**" means, when used in relation to the Schemes of Arrangement, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to each of the Schemes of Arrangement;

"**Effective Date**" means the date on which all of the Schemes become Effective;

"**End Date**" means 30 June 2010;

"**Entrée Australia**" means Entrée Australia Pty Ltd ACN 140 745 768, a wholly owned subsidiary of Entrée;

"**Entrée Board**" means the board of directors of Entrée;

"**Entrée Due Diligence Information**" means all written information relating to the business, assets, liabilities, operations, profits and losses, financial position and performance and prospects of Entrée and its subsidiaries provided to PacMag or its Associates on or before the date of this Agreement;

"Entrée Indemnified Parties" means Entrée and its directors, employees, consultants and advisers;

"Entrée Information" means such information regarding Entrée and Entrée Shares provided by Entrée to PacMag in writing for inclusion in the Scheme Booklet so as to enable PacMag to comply with its obligations under clause 5.1(a);

"Entrée Material Adverse Change" means one or more events or occurrences or matters individually or in aggregate that:

- (a) has or could reasonably be expected to have a material adverse effect on the business, properties, financial condition, results, operations or prospects of Entrée and its subsidiaries, taken as a whole;
- (b) creates or could reasonably be expected to create liabilities, or results or could reasonably be expected to result in a diminution of the value of Entrée's assets, which in aggregate exceed CAD\$50 million; or
- (c) prevent Entrée from performing its obligations pursuant to this Agreement,

but does not include:

- (a) any events or occurrences or matters required or permitted by this Agreement, the Schemes or transactions contemplated by them;
- (b) any events or occurrences or matters which have been fairly disclosed by Entrée to PacMag or its Associates in writing before the date of this Agreement (including because of disclosures made to the TSX or NYSE);
- (c) any events or occurrences or matters which have been approved by PacMag in writing;
- (d) any events or occurrences or matters that are or that arise from changes in world copper prices, gold prices, molybdenum prices, coal prices or exchange rates;
- (e) any events or occurrences or matters caused by the announcement of the Transaction; or
- (f) a fall in Entrée's share price;

"Entrée Prescribed Occurrence" means the occurrence of any of the following:

- (a) Entrée converting all or any of its shares into a larger or smaller number of shares;
- (b) Entrée resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly

any of its shares for an amount in excess of CAD\$25 million (individually or in aggregate);

- (c) Entrée:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement;for an amount in excess of CAD\$25 million (individually or in aggregate);
- (d) Entrée declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its shareholders for an amount in excess of CAD\$25 million (individually or in aggregate);
- (e) Entrée issuing or agreeing to issue, securities or other instruments convertible into shares or debt securities other than pursuant to a pre-existing contractual commitment for an amount in excess of CAD\$50 million (individually or in aggregate);
- (f) Entrée making any change or amendment to its constating documents;
- (g) Entrée or a subsidiary of Entrée disposing of or agreeing to dispose of to a third party the whole, or a substantial part, of its business or property for an amount in excess of CAD\$50 million (individually or in aggregate);
- (h) Entrée, or a subsidiary of Entrée disposing of or agreeing to dispose of to a third party any securities, business, assets, interests in a joint venture, entity or undertaking for an amount in excess of CAD\$50 million (individually or in aggregate);
- (i) Entrée or a subsidiary of Entrée creating, or agreeing to create, any mortgage, charge, lien or other encumbrance in favour of a third party over the whole, or a substantial part, of its business or property to secure an amount in excess of CAD\$50 million (individually or in aggregate);
- (j) Entrée or a subsidiary of Entrée:
 - (i) entering into any contract or commitment, including incurring financial indebtedness, requiring payments by Entrée or a subsidiary of Entrée to a third party in excess of CAD\$50 million (individually or in aggregate) or any other onerous or long term commitment;
 - (ii) without limiting sub-paragraph (i), incurring or agreeing to incur capital expenditure after the date of this Agreement of more than CAD\$25 million (individually or in aggregate);

- (iii) waiving any material third party default where the financial impact on Entrée or a subsidiary of Entrée will be in excess of CAD\$25 million (individually or in aggregate); or
- (iv) otherwise waiving, releasing, granting, or transferring any rights in favour of or to a third party with a value of more than CAD\$25 million (individually or in aggregate);
- (k) Entrée or a subsidiary of Entrée providing financial accommodation other than to Entrée or a subsidiary of Entrée in excess of CAD\$50 million (individually or in aggregate);
- (l) Entrée or a subsidiary of Entrée being deregistered as a company or otherwise dissolved, except in the case of a subsidiary of Entrée with net assets of less than CAD\$50 million as at the date of this Agreement; or
- (m) an Insolvency Event occurring in relation to Entrée or a subsidiary of Entrée,

other than:

- (a) matters which have been fairly disclosed by Entrée to PacMag or its Associates in the course of their due diligence investigations in relation to Entrée prior to the entry into of this Agreement or which have been disclosed to the TSX or NYSE prior to the date of this Agreement; or
- (b) matters which have been approved by PacMag in writing;

"Entree Representations and Warranties" means the representations and warranties of Entrée in Annexure 4;

"Entrée Shares" means common shares in the capital of Entrée;

"EST" means Australian Eastern Standard Time.

"Excluded Proposal" means the proposal between Wasco Mining Limited (ACN 135 319 069) ("**Wasco**") and the Blue Rose Joint Venture between PacMag and Giralia Resources NL (ABN 63 009 218 204) whereby Wasco has offered to acquire from the joint venture a 100% interest of an area of approximately 10km² within the area covered by the joint venture;

"Exclusivity Period" means the period commencing on the Execution Date and ending on the first to occur of the End Date, the Effective Date or the termination of this Agreement;

"Execution Date" means the date upon which the last party to this Agreement executes this Agreement;

"Foreign Shareholder" means a Share Scheme Participant whose address in the PacMag register of members is a place outside Australia and its external territories, New Zealand or Canada;

"Governmental Agency" means any government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency or entity;

"Implementation Date" means the fifth Business Day following the Record Date (or such other date as agreed between the parties);

"Independent Expert" means the independent expert in respect of the Schemes appointed by PacMag;

"Independent Expert's Report" means a report prepared by the Independent Expert stating whether or not in its opinion the Scheme is in the best interests of PacMag Shareholders and setting out the Independent Expert's reasons for that opinion;

"Insolvency Event" means in relation to a person:

- (a) the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official to the person or to the whole or a substantial part of the property or assets of the person;
- (b) the entry by the person into a compromise or arrangement with its creditors generally;
- (c) the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or dissolution of the person other than where the application or order (as the case may be) is set aside within 14 days;
- (d) the person suspends or threatens to suspend payment of its debts generally;
- (e) the person ceases or threatens to cease to carry on business; or
- (f) the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or other applicable legislation or is otherwise presumed to be insolvent under the Corporations Act or other applicable legislation;

"Listing Rules" means the official listing rules of ASX;

"Material Adverse Change" means a PacMag Material Adverse Change or an Entrée Material Adverse Change, as the case may be;

"Material Contract" means a contract or commitment requiring payments over the term of the contract in excess of \$250,000 or for a term of more than 3 years;

"Non-Scheme Option" means an option to acquire a PacMag Share set out in item 2 of Annexure 2;

"Non-Scheme Optionholder" means a holder of Non-Scheme Options;

"Non-Scheme Options Offer" means an offer to be made by Entrée substantially on the terms set out in clause 3.6 and item 2 of Annexure 2;

"NYSE" means NYSE AMEX LLC or the New York Stock Exchange;

"Option Scheme Consideration" means in respect of the Option Scheme, the consideration to be provided by Entrée to each Option Scheme Participant for the cancellation of each PacMag Option held by a Option Scheme Participant, determined in accordance with clause 4.2 and Annexure 2;

"Option Scheme" means a scheme of arrangement between PacMag and the Option Scheme Participants under section 411 of the Corporations Act to give effect to the terms of this Agreement, substantially in the form of Annexure 6 or in such other form as is agreed between Entrée and PacMag, subject to:

- (a) any alterations or conditions made or required under section 411(6) of the Corporations Act; and
- (b) any other alterations or conditions approved in writing by each party,

"Option Scheme Deed Poll" means the deed poll substantially in the form of Annexure 8 or in such other form as is agreed between Entrée and PacMag;

"Option Scheme Meeting" means the meeting to be convened by the Court in relation to the Option Scheme pursuant to section 411(1) of the Corporations Act;

"Option Scheme Participants" means PacMag Optionholders as at the Record Date;

"PacMag Board" means the board of directors of PacMag;

"PacMag Due Diligence Information" means all written information relating to the business, assets, liabilities, operations, profits and losses, financial position and performance and prospects of PacMag and its subsidiaries provided to Entrée or its Associates on or before the date of this Agreement;

"PacMag Indemnified Parties" means PacMag and its directors, employees, consultants and advisers;

"PacMag Material Adverse Change" means one or more events or occurrences or matters individually or in aggregate that:

- (a) has or could reasonably be expected to have a material adverse effect on the business, properties, financial condition, results, operations or prospects of PacMag and its subsidiaries, taken as a whole;

- (b) creates or could reasonably be expected to create liabilities, or results or could reasonably be expected to result in a diminution of the value of PacMag's assets, which in aggregate exceed A\$250,000; or
- (c) prevent PacMag from performing its obligations pursuant to this Agreement,

but does not include:

- (a) any events or occurrences or matters required or permitted by this Agreement, the Schemes or transactions contemplated by them;
- (b) any events or occurrences or matters which have been fairly disclosed by PacMag to Entrée or its Associates in writing before the date of this Agreement (including because of disclosures made to the ASX);
- (c) any events or occurrences or matters which have been approved by Entrée in writing;
- (d) any events or occurrences or matters that are or that arise from
- (e) changes in world copper prices, gold prices or exchange rates;
- (f) any events or occurrences or matters caused by the announcement of the Transaction; or
- (g) a fall in PacMag's share price;

"PacMag Option" means an option to acquire a PacMag Share set out in item 1 of Annexure 2, but for the avoidance of doubt excluding a Non-Scheme Option;

"PacMag Optionholder" means a holder of PacMag Options;

"PacMag Optionholder Approval" means a resolution in favour of the Option Scheme passed by PacMag Optionholders pursuant to section 411(4)(a)(i) of the Corporations Act;

"PacMag Prescribed Occurrence" means the occurrence of any of the following:

- (a) PacMag converting all or any of its shares into a larger or smaller number of shares;
- (b) PacMag or a subsidiary of PacMag resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) PacMag or a subsidiary of PacMag:
 - (i) entering into a buy-back agreement; or

- (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) PacMag declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members;
- (e) PacMag or a subsidiary of PacMag issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option other than pursuant to the exercise of a PacMag Option or a Non-Scheme Option in accordance with its terms;
- (f) PacMag or a subsidiary of PacMag issuing or agreeing to issue, securities or other instruments convertible into shares or debt securities;
- (g) PacMag or a subsidiary of PacMag making any change or amendment to its constitution;
- (h) PacMag or a subsidiary of PacMag disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (i) PacMag, or a subsidiary of PacMag:
 - (i) acquiring or disposing of;
 - (ii) agreeing to acquire or dispose of; or
 - (iii) offering, proposing, announcing a bid or tendering for, any securities, business, assets, interests in a joint venture, entity or undertaking, the value of which exceeds A\$250,000, except in respect of an Excluded Proposal;
- (j) PacMag or a subsidiary of PacMag creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property;
- (k) PacMag or a subsidiary of PacMag entering into a contract or commitment which materially restrains PacMag or a subsidiary of PacMag from competing with any person or conducting activities in any significant market;
- (l) PacMag or a subsidiary of PacMag:
 - (i) entering into any contract or commitment, including incurring financial indebtedness, requiring payments by PacMag or a subsidiary of PacMag in excess of A\$250,000 (individually or in aggregate) or any other onerous or long term commitment (except that PacMag may renew existing employment and consulting agreements with each member of the PacMag Board on materially the same terms as those existing on 1 November

2009, the aggregate value of which must not exceed A\$1,000,000);

- (ii) without limiting sub-paragraph (i), incurring or agreeing to incur capital expenditure after the date of this Agreement of more than A\$250,000 (individually or in aggregate);
- (iii) waiving any material third party default where the financial impact on PacMag or a subsidiary of PacMag will be in excess of A\$250,000 (individually or in aggregate);
- (iv) otherwise waiving, releasing, granting, or transferring any rights with a value of more than A\$250,000 (individually or in aggregate); or
- (m) settling as a settlement or compromise of a material matter less than the full compensation due to PacMag or a subsidiary of PacMag;
- (n) PacMag or a subsidiary of PacMag providing financial accommodation other than to PacMag or a subsidiary of PacMag in excess of A\$250,000 (individually or in aggregate);
- (o) PacMag or a subsidiary of PacMag entering into or materially amending any employment, consulting, severance or similar agreement or arrangement including the acceleration of any rights under such agreements or arrangements with officers, directors or other executives of the party or a subsidiary of the party or otherwise materially increasing compensation or benefits for any of the above other than in the ordinary course of business or pursuant to contractual arrangements in effect on the date of this Agreement (other than the renewal of the existing employment and consulting agreements between PacMag and each member of the PacMag Board on materially the same terms as those existing on 1 November 2009);
- (p) PacMag or a subsidiary of PacMag paying any of its directors, consultants, employees or advisers a termination or retention payment, otherwise than in accordance with an existing agreement on the Execution Date;
- (q) PacMag or a subsidiary of PacMag changing any significant accounting policy applied by them to report their financial position;
- (r) PacMag or a subsidiary of PacMag entering into or resolving to enter into a transaction with any related party of PacMag as defined in section 228 of the Corporations Act, which requires approval under Chapter 2E of the Corporations Act or the Listing Rules;
- (s) PacMag or a subsidiary of PacMag being deregistered as a company or otherwise dissolved, except in the case of a subsidiary of PacMag with net assets of less than A\$250,000 as at the date of this Agreement; or

- (t) an Insolvency Event occurring in relation to PacMag or a subsidiary of PacMag,

other than:

- (a) as required by this Agreement, the Share Scheme, the Option Scheme, the Share Scheme Deed Poll, or the Option Scheme Deed Poll;
- (b) matters which have been fairly disclosed by PacMag to Entrée or its Associates in the course of their due diligence investigations in relation to PacMag prior to the entry into this Agreement or which have been disclosed to ASIC or the ASX; or
- (c) matters which have been approved by Entrée in writing;

"PacMag Representations and Warranties" means the representations and warranties of PacMag in Annexure 3;

"PacMag Shareholder Approval" means a resolution in favour of the Share Scheme of Arrangement passed by PacMag Shareholders pursuant to section 411(4)(a)(ii) of the Corporations Act;

"PacMag Shareholders" means the holders of PacMag Shares;

"PacMag Shares" means fully paid ordinary shares in PacMag;

"Record Date" means 7.00 pm EST on the fifth Business Day following the Effective Date;

"Regulatory Approvals" means the approvals set out in clause 2.1(a);

"Retail Shareholder" means a Share Scheme Participant holding a parcel of less than 5,600 PacMag Shares;

"Schemes" or **"Schemes of Arrangement"** means the Share Scheme and Option Scheme;

"Scheme Booklet" means, in respect of the Schemes, the information described in clause 5.1(a) to be approved by the Court and despatched to PacMag Shareholders and PacMag Optionholders;

"Scheme Consideration" means the Share Scheme Consideration and the Option Scheme Consideration;

"Scheme Meetings" means the Option Scheme Meeting and the Share Scheme Meeting;

"Scheme Participants" means Option Scheme Participants and Share Scheme Participants;

"Second Court Date" means the day on which the Court makes an order pursuant to sections 411(4)(b) of the Corporations Act approving the Schemes;

"Share Scheme Consideration" means in respect of the Share Scheme, the consideration to be provided by Entrée to each Share Scheme Participant for the transfer of each PacMag Share held by a Share Scheme Participant, determined in accordance with clause 4.1;

"Share Scheme" means a scheme of arrangement between PacMag and the Share Scheme Participants under section 411 of the Corporations Act to give effect to the terms of this Agreement, substantially in the form of Annexure 5 or in such other form as is agreed between Entrée and PacMag, subject to:

- (a) any alterations or conditions made or required under section 411(6) of the Corporations Act; and
- (b) any other alterations or conditions approved in writing by each party;

"Share Scheme Deed Poll" means the deed poll substantially in the form of Annexure 7 or in such other form as is agreed between Entrée and PacMag;

"Share Scheme Meeting" means the meeting to be convened by the Court in relation to the Share Scheme pursuant to section 411(1) of the Corporations Act;

"Share Scheme Participants" means PacMag Shareholders as at the Record Date;

"Superior Proposal" means a bona fide Alternative Proposal for PacMag which would, if consummated in accordance with its terms, result in a transaction more favourable to the PacMag Shareholders, considered as a whole, than the Transaction;

"Transaction" means the acquisition of PacMag by Entrée Australia through implementation of the Schemes in accordance with the terms of this Agreement;

"TSX" means the Toronto Stock Exchange; and

"Voting Power" has the same meaning as in section 610 of the Corporations Act.

1.2 Interpretation

- (a) In this Agreement, unless the context otherwise requires:
 - (i) references to a recital, clause, schedule, annexure or exhibit is to a recital, clause, schedule, annexure or exhibit of or to this Agreement;
 - (ii) a reference to this Agreement or another instrument includes any variation or replacement of any of them;
 - (iii) a reference to any statute shall include any amendment, replacement or re-enactment of such statute for the time being in

force and any by-laws, statutory instruments, rules, regulations, notices, orders, directions, consents or permissions made under such statute and any conditions attaching to them;

- (iv) the singular includes the plural and vice versa;
 - (v) a reference to any gender includes all genders;
 - (vi) a reference to a person includes a reference to the person's executors, administrators, substitutes, successors and permitted assigns;
 - (vii) a covenant, representation or warranty in favour of two or more persons is for the benefit of them jointly and severally;
 - (viii) a covenant, representation or warranty on the part of two or more persons binds them jointly and severally;
 - (ix) a reference to CAD\$ is a reference to the currency of Canada and a reference to A\$ is a reference to the currency of Australia;
 - (x) a reference to any time is to the time in Perth, Western Australia;
 - (xi) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning; and
 - (xii) the words "including", "such as", "particularly" and similar expressions do not imply limitation.
- (b) In this Agreement, headings are for convenience of reference only and do not affect interpretation.
 - (c) In the interpretation of this Agreement, no rules of construction shall apply to the disadvantage of one party on the basis that that party put forward this Agreement or any part of this Agreement.
 - (d) If the day on which any act, matter or thing is to be done under or pursuant to this Agreement is not a Business Day, that act, matter or thing may be done on the next Business Day.

2. CONDITIONS PRECEDENT

2.1 Conditions Precedent

Subject to this clause 2, the Schemes will not become Effective until, and the obligations of Entrée under clauses 4.1 and 4.2 are conditional upon, each of the following conditions precedent being satisfied or waived to the extent and in the manner set out in clause 2.2:

- (a) subject to clause 2.6:

- (i) ASIC, ASX, TSX and NYSE issue or provide such consents or approvals or do other acts which PacMag and Entrée agree are necessary or desirable to implement the Transaction; and
 - (ii) all other approvals of a Governmental Agency, including the Foreign Investment Review Board, which PacMag and Entrée agree are necessary or desirable to implement the Transaction are obtained, (together "**Regulatory Approvals**") before 8.00am on the Second Court Date;
- (b) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Transaction will be in effect at 8.00am on the Second Court Date;
 - (c) the Court makes orders pursuant to sections 411(4)(b) of the Corporations Act approving the Share Scheme;
 - (d) PacMag Shareholder Approval is obtained;
 - (e) no Entrée Material Adverse Change occurs between the Execution Date and 8.00am on the Second Court Date;
 - (f) no Entrée Prescribed Occurrence occurs between the Execution Date and 8.00am on the Second Court Date
 - (g) the Entrée Representations and Warranties are true and correct in all material respects by 8.00am on the Second Court Date;
 - (h) no PacMag Material Adverse Change occurs between the Execution Date and 8.00am on the Second Court Date;
 - (i) no PacMag Prescribed Occurrence occurs between the Execution Date and 8.00am on the Second Court Date;
 - (j) the PacMag Representations and Warranties are true and correct in all material respects by 8.00am on the Second Court Date;
 - (k) no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which PacMag or any of its subsidiaries are a party, or by or to which PacMag or any of its subsidiaries or any of its assets may be bound or subject, which results or could result in, to an extent which is material in the context of PacMag and its subsidiaries taken as a whole:
 - (i) any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;
 - (ii) the interest of PacMag or any of its subsidiaries in any joint venture, trust, corporation or other entity (or any arrangement relating to such interest) being terminated or modified; or

- (iii) the business of PacMag or any of its subsidiaries being adversely affected, as a result of the acquisition of the PacMag Shares by Entrée Australia;
- (l) no Alternative Proposal for PacMag being made or announced;
- (m) PacMag Optionholder Approval is obtained;
- (n) the Court makes orders pursuant to sections 411(4)(b) of the Corporations Act approving the Option Scheme;
- (o) all Non-Scheme Options are exercised or agreed to be acquired or cancelled under the Non-Scheme Options Offer and PacMag obtains all necessary waivers from ASX under Listing Rule 6.23 which PacMag and Entrée agree are necessary or desirable to acquire or cancel the Non-Scheme Options under the Non-Scheme Options Offer;
- (p) the Independent Expert's Report concludes that the Share Scheme is in the best interest of PacMag Shareholders and the Option Scheme is in the best interest of PacMag Optionholders before the date on which the Scheme Booklet is lodged with ASIC;
- (q) office copies of the Court orders approving the Share Scheme and the Option Scheme are lodged with ASIC under section 411(10) of the Corporations Act; and
- (r) before 8.00 am on the Second Court Date, the Consideration Shares shall have been conditionally approved for listing on the TSX (without any requirement to obtain approval from holders of Entrée Shares or, if such approval is required, such approval shall have been obtained), subject to customary listing conditions.

2.2 **Waiver of conditions precedent**

- (a) The conditions precedent in clauses 2.1(a), 2.1(b), 2.1(c), 2.1(d), 2.1(p), 2.1(q) and 2.1(r) are for the benefit of each party and cannot be waived.
- (b) The conditions precedent in clauses 2.1(e), 2.1(f), 2.1(g), are for the sole benefit of PacMag and any breach or non-fulfilment of those conditions may only be waived by PacMag giving its written consent.
- (c) The conditions precedent in clauses 2.1(h), 2.1(i), 2.1(j), 2.1(k), 2.1(l), 2.1(m), 2.1(n) and 2.1(o) are for the sole benefit of Entrée and any breach or non-fulfilment of those conditions may only be waived by Entrée giving its written consent.
- (d) A party entitled to waive a condition precedent pursuant to this clause 2.2 may do so in its absolute discretion.
- (e) If a party waives the breach or non-fulfilment of any of the conditions precedent in clause 2.1, that waiver will not preclude it from suing the other party for any breach of this Agreement including without

limitation a breach that resulted in the non-fulfilment of the condition precedent that was waived.

2.3 Reasonable endeavours

Subject to clause 2.5:

- (a) PacMag will use its reasonable endeavours to procure that the conditions precedent in clauses 2.1(h), 2.1(i), 2.1(j) and 2.1(k) are satisfied;
- (b) Entrée will use its reasonable endeavours to procure that the conditions precedent in clauses 2.1(e), 2.1(f) and 2.1(g) are satisfied;
- (c) each of PacMag and Entrée must use its reasonable endeavours to procure that:
 - (i) each of the conditions precedent in clauses 2.1(a), 2.1(b), 2.1(c), 2.1(d), 2.1(m), 2.1(n), 2.1(o), 2.1(p), 2.1(q) and 2.1(r) are satisfied; and
 - (ii) there is no occurrence within the control of PacMag or Entrée (as the context requires) or their subsidiaries that would prevent the conditions precedent in clause 2.1, which such party must use reasonable endeavours to satisfy, being satisfied.

2.4 Pre-implementation steps

Without limiting the generality of clause 2.3:

- (a) PacMag will promptly apply for all relevant Regulatory Approvals and provide to Entrée a copy of all such applications and take all steps it is responsible for as part of the approval process, including responding to requests for information at the earliest practicable time, and will provide Entrée with all information reasonably requested in connection with the applications for regulatory approval.
- (b) Entrée will prepare and provide to PacMag the Entrée Information for inclusion in the Scheme Booklet.

2.5 Conditions precedent not met

- (a) If any of the conditions precedent contained in clause 2.1 is not satisfied or waived by the date specified in this Agreement for its satisfaction, or if the Schemes of Arrangement are not Effective by the End Date, then the parties will consult in good faith:
 - (i) with a view to determining whether the Transaction, or a transaction which results in Entrée having beneficial ownership of all PacMag Shares and PacMag Options and Non-Scheme Options may proceed by way of alternative means or methods; or

- (ii) to extend the date for satisfaction of the relevant condition precedent or the End Date or adjourn or change the date of an application to the Court,

and agree a course of action that achieves either (i) or (ii) above.

- (b) If the parties are unable to reach agreement under clause 2.5(a) within 5 Business Days after the relevant date, then unless that condition is waived in accordance with clause 2.2, any party may terminate this Agreement without any liability to the other party by reason of that termination alone unless the relevant occurrence or the failure of the condition precedent to be satisfied, or of the Schemes of Arrangement to become Effective, arises out of a breach by the terminating party of this Agreement.

2.6 **Regulatory Approvals**

For the purposes of clause 2.1(a), a Regulatory Approval will be regarded as having been obtained despite the fact that the Regulatory Approval was conditional if the relevant conditions cannot reasonably be considered to have a material adverse impact on the value the party considered it would derive from the Transaction provided that nothing in this clause will oblige any party to do or not do any act if they consider, acting reasonably, that to do so would be in breach of any applicable law, rule or regulation.

3. **TRANSACTION STEPS**

3.1 **Agreement to propose Schemes**

PacMag must propose the:

- (a) Share Scheme to PacMag Shareholders; and
- (b) Option Scheme to PacMag Optionholders,

upon and subject to the terms and conditions of this Agreement and the Corporations Act.

3.2 **Entrée to assist**

Entrée agrees to assist PacMag in proposing the:

- (a) Share Scheme; and
- (b) Option Scheme,

upon and subject to the terms and conditions of this Agreement and the Corporations Act.

3.3 **Transfer of PacMag Shares**

Under the Share Scheme the PacMag Shares held by Share Scheme Participants will be transferred to Entrée Australia and the Share Scheme Participants will be entitled to receive the Share Scheme Consideration.

3.4 **Cancellation of PacMag Options**

Under the Option Scheme the PacMag Options held by Optionholder Scheme Participants will be cancelled and the Optionholder Scheme Participants will be entitled to receive the Option Scheme Consideration.

3.5 **Option Scheme**

- (a) The Option Scheme will be conditional on:
- (i) the ASX granting a waiver from Listing Rule 6.23 in relation to the Option Scheme or PacMag Shareholders giving any necessary approvals under Listing Rule 6.23; and
 - (ii) the Share Scheme becoming Effective.

These conditions cannot be waived.

- (b) As soon as practicable after the Execution Date, PacMag must use its reasonable endeavours to procure that ASX grants a waiver from Listing Rule 6.23 in respect of the Option Scheme.
- (c) If the waiver referred to in clause 3.5(b):
- (i) is obtained on or before the draft Scheme Booklet is given to ASIC but is subject to one or more conditions that are not satisfactory to Entrée; or
 - (ii) is not obtained on or before the draft Scheme Booklet is given to ASIC, PacMag agrees to seek any approvals that are required from the PacMag Shareholders under Listing Rule 6.23 in relation to the Option Scheme on the same date on which the Option Scheme Meeting is held.

3.6 **Non-Scheme Options**

- (a) Subject to this clause 3.6, Entrée must within 5 Business Days after the Scheme Booklet is despatched to Scheme Shareholders and Scheme Optionholders, make an offer to each Non-Scheme Optionholder to cancel the Non-Scheme Options in consideration of Entrée providing the consideration for each Non-Scheme Option set out in item 2 of Annexure 3.
- (b) Where the calculation of the number of Entrée Shares to be issued to a particular Non-Scheme Optionholder would result in the issue of a fraction of an Entrée Share, the fractional entitlement of a Non-Scheme

Optionholder will be rounded up to the nearest whole number of Entrée Shares if the fractional entitlement is 0.5 or more or down to the nearest whole number of Entrée Shares if the fractional entitlement is less than 0.5.

- (c) The Non-Scheme Options Offer will be conditional on:
 - (i) the Share Scheme and the Option Scheme becoming Effective;
 - (ii) all Non-Scheme Options being exercised or agreed to be acquired or cancelled under the Non-Scheme Options Offer; and
 - (iii) PacMag obtaining all necessary waivers from ASX under Listing Rule 6.23 which PacMag and Entrée agree are necessary or desirable to acquire or cancel the Non-Scheme Options under the Non-Scheme Options Offer.
- (d) As soon as practicable after the Execution Date, PacMag must use its reasonable endeavours to procure that ASX grants the waivers referred to in clause 3.6(c)(iii).
- (e) The Non-Scheme Options Offers will expire on the Effective Date.
- (f) The consideration payable under the Non-Scheme Options Offers will be payable on or about the same date as the consideration payable under the Schemes is payable to Scheme Participants.

4. SCHEME CONSIDERATION

4.1 Share Scheme Consideration

- (a) Subject to clauses 4.1(b), 4.1(c) and 4.1(d) Entrée covenants in favour of PacMag (in its own right and on behalf of the Share Scheme Participants) that in consideration for the transfer to Entrée Australia of each PacMag Share held by a Share Scheme Participant under the terms of the Share Scheme, Entrée will provide to each Share Scheme Participant 0.1018 Entrée Shares and CAD\$0.0415, for each PacMag Share held at the Record Date.
- (b) Where the calculation of the number of Entrée Shares to be issued to a particular Share Scheme Participant would result in the issue of a fraction of an Entrée Share, the fractional entitlement of a Share Scheme Participant will be rounded up to the nearest whole number of Entrée Shares if the fractional entitlement is 0.5 or more or down to the nearest whole number of Entrée Shares if the fractional entitlement is less than 0.5.
- (c) Unless Entrée is satisfied that the laws of a Foreign Shareholder's country of residence (as shown in the register of members of PacMag) permit the issue and allotment of Entrée Shares to the Foreign Shareholder, either unconditionally or after compliance with conditions

which Entrée in its sole discretion regards as acceptable and not unduly onerous, the Entrée Shares to which a Foreign Shareholder shall become entitled will be allotted to a nominee approved by PacMag, Entrée and ASIC if required, who will sell those Entrée Shares and pay the proceeds received, after deducting any applicable taxes and currency conversion costs, to that Foreign Shareholder.

- (d) If the Entrée Shares which would be issued as Share Scheme Consideration are to be issued to a Retail Shareholder, then in respect of the number of Entrée Shares to which the Retail Shareholder would otherwise be entitled, the Retail Shareholder will be given the option to have those Entrée Shares allotted to a nominee approved by Entrée who will sell those Entrée Shares as soon as practicable (at the risk of the Retail Shareholder) and pay the proceeds received, after deducting any applicable taxes and currency conversion costs, to that Retail Shareholder in full satisfaction of that Retail Shareholder's rights under this Agreement to the Share Scheme Consideration.

4.2 **Option Scheme Consideration**

- (a) Subject to clause 4.2(b), Entrée covenants in favour of PacMag (in its own right and on behalf of the Optionholder Scheme Participants) that in consideration for the cancellation of each Scheme Option held by an Option Scheme Participant under the terms of the Option Scheme, Entrée will provide to each Option Scheme Participant the Option Scheme Consideration for each PacMag Option held at the Record Date.
- (b) Where the calculation of the number of Entrée Shares to be issued to a particular Scheme Optionholder would result in the issue of a fraction of an Entrée Share, the fractional entitlement of an Option Scheme Participant will be rounded up to the nearest whole number of Entrée Shares if the fractional entitlement is 0.5 or more or down to the nearest whole number of Entrée Shares if the fractional entitlement is less than 0.5.

4.3 **Ranking**

All Entrée Shares issued pursuant to this clause 4 must, upon their issue, rank equally with all other Entrée Shares.

4.4 **Payment in Australian currency**

To the extent the Share Scheme Consideration, the Option Scheme Consideration or the consideration to be provided to holders of Non-Scheme Options under clause 3.6(a) of this Agreement comprises Canadian currency (in this clause the “**Relevant Amount**”) then Entrée will:

- (a) pay the Relevant Amount to the party entitled to payment under this Agreement in Australian currency; and

- (b) determine the Australian currency equivalent of the Relevant Amount by reference to the “latest nominal noon rate” as published by the Bank of Canada at <http://www.bankofcanada.ca/en/rates/converter.html> at 12.30pm (Canadian Eastern Standard time) on the Effective Date.

5. IMPLEMENTATION OF TRANSACTION

5.1 PacMag's obligations

PacMag must take all necessary steps to implement the Schemes of Arrangement as soon as is reasonably practicable, including without limitation taking each of the following steps:

- (a) promptly prepare and dispatch a Scheme Booklet in respect of the Share Scheme to the PacMag Shareholders and a Scheme Booklet in respect of the Option Scheme to the PacMag Optionholders which complies with the requirements of:
 - (i) the Corporations Act and the Corporations Regulations;
 - (ii) ASIC Regulatory Guides 60 and 142; and
 - (iii) the Listing Rules,
 - (iv) and which will include:
 - (v) the Schemes of Arrangement;
 - (vi) a statement that the PacMag Board unanimously recommends the approval of the Schemes of Arrangement in the absence of a Superior Proposal;
 - (vii) a statement that each PacMag Board member will (in the absence of a Superior Proposal) vote, or procure the voting of any PacMag Shares (as applicable) held by or on behalf of a PacMag Board member at the time of the Share Scheme Meeting in favour of the Share Scheme at the Scheme Meeting;
 - (viii) notices of meeting and proxy forms; and
 - (ix) the Independent Expert's Report;
- (b) promptly:
 - (i) appoint the Independent Expert; and
 - (ii) provide assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert Report;
- (c) provide to Entrée and its authorised representatives reasonable access to employees, offices and other facilities, and to the books and records, of

PacMag and its subsidiaries for the purpose of implementing the Transaction provided that nothing in this clause 5.1(c) requires PacMag to provide to Entrée information concerning PacMag's:

- (i) consideration of the Transaction; or
 - (ii) assessment of Entrée;
- (d) apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act in respect of each of the Share Scheme and Option Scheme stating that ASIC has no objection to each of the Schemes;
- (e) apply to the Court for orders directing PacMag to convene the Share Scheme Meeting and Option Scheme Meeting;
- (f) convene the Share Scheme Meeting and Option Scheme Meeting;
- (g) seek the:
- (i) PacMag Shareholder Approval; and
 - (ii) PacMag Optionholder Approval;
- (h) subject to all conditions other than Court approval being satisfied or waived, as soon as practicable apply to the Court for orders approving the Share Scheme and Option Scheme under sections 411(4)(b) of the Corporations Act;
- (i) if the Court makes orders under section 411(4)(b) of the Corporations Act approving the Share Scheme and Option Scheme, lodge, as soon as practicable thereafter, with ASIC and ASX an office copy of the relevant orders of the Court under section 411(10) of the Corporations Act;
- (j) once duly executed, register all transfers of PacMag Shares to Entrée Australia referred to in the Share Scheme on the Implementation Date;
- (k) not do anything to cause PacMag Shares to cease being quoted on ASX or to become permanently suspended from quotation prior to completion of the Transaction unless Entrée agrees in writing;
- (l) do any act or acts or transaction or transactions on behalf of each PacMag Shareholder which are within its power and are necessary or desirable to implement the transfer of the PacMag Shares pursuant to the Share Scheme and to implement the Share Scheme;
- (m) do any act or acts or transaction or transactions on behalf of each PacMag Optionholder which are within its power and are necessary or desirable to implement the cancellation of the PacMag Options pursuant to the Option Scheme and to implement the Option Scheme;

- (n) submit copies of the Scheme Booklet to Entrée and consult in accordance with clause 5.5 as to the content and presentation of the Scheme Booklet; and
- (o) if the Court refuses to make an order pursuant to section 411(1) of the Corporations Act for the convening of the Share Scheme Meeting or Option Scheme Meeting or refuses to make an order pursuant to sections 411(4)(b) of the Corporations Act approving the Share Scheme or the Option Scheme, PacMag must, on receiving a written notice from Entrée, appeal the Court's decision to the fullest extent possible unless:
 - (i) in the opinion of senior counsel, who shall be jointly briefed on the matter by PacMag and Entrée, such appeal is unlikely to succeed; or
 - (ii) there is a Superior Proposal.

PacMag and Entrée will each pay for half of the costs of any appeal referred to in this clause.

5.2 Entrée's obligations

Entrée must take all necessary steps to assist PacMag in implementing the Schemes of Arrangement as soon as is reasonably practicable including, without limitation, taking each of the following steps:

- (a) before dispatch of the Scheme Booklet, enter into the Share Scheme Deed Poll and the Option Scheme Deed Poll;
- (b) issue and pay (as the case may be) the Scheme Consideration in accordance with clause 4.1 and the Schemes;
- (c) promptly provide the Entrée Information to PacMag for inclusion in the Scheme Booklet;
- (d) promptly provide assistance or information reasonably requested by the Independent Expert to enable it to prepare its report for the Scheme Booklet;
- (e) provide to PacMag and its authorised representatives reasonable access to employees, offices and other facilities, and to the books and records, of Entrée and its subsidiaries for the purpose of implementing the Transaction provided that nothing in this clause 5.2(e) requires Entrée to provide to PacMag information concerning Entrée's:
 - (i) consideration of the Transaction; or
 - (ii) assessment of PacMag;
- (f) procure that it is represented by counsel at the Court hearings convened for the purpose of sections 411(4)(b) of the Corporations Act, at which, through its counsel, Entrée will undertake (if requested by the Court) to

do all such things and take all such steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this Agreement and the Scheme of Arrangement; and

- (g) prior to the despatch of the Scheme Booklet, enter into the Share Scheme Deed Poll and the Option Scheme Deed Poll.

5.3 **Conduct of business**

- (a) From the Execution Date up to and including the Implementation Date, PacMag must:
 - (i) conduct its business, and must cause each of its subsidiaries to conduct their respective businesses, in the ordinary and proper course of business generally consistent with the manner in which each such business and operations have been conducted in the 12 month period before the date of this Agreement and must regularly consult with Entrée on the conduct of the business;
 - (ii) maintain the condition of its business and assets;
 - (iii) keep available the services of its, and its subsidiaries', officers and employees;
 - (iv) preserve its, and its subsidiaries', relationships with suppliers, licensors, licensees, joint venturers and others with whom it, and its subsidiaries, have business dealings; and
 - (v) identify any change of control or similar provisions in any significant contracts or arrangements and obtain the consents of relevant persons who have rights in respect of those persons to the transactions contemplated by the Schemes,
- (b) From the Execution Date up to and including the Implementation Date, PacMag must not, and must ensure that each of its subsidiaries do not, except with the prior consent of Entrée (which will not be unreasonably withheld) or as required by law:
 - (i) increase the remuneration of or pay any bonus or issue any securities or options to, or otherwise vary the employment agreements with, any of its directors and employees;
 - (ii) accelerate the rights of any of its directors or employees to benefits of any kind;
 - (iii) pay a director, executive or employee a termination payment; or
 - (iv) enter into or terminate a Material Contract,or agree to do any of the matters set out in this paragraph (b).

5.4 **Appointment of directors**

As soon as practicable after the Second Court Date:

- (a) PacMag will take all actions necessary to cause the appointment of two members of the Entrée Board nominated by Entrée to the PacMag Board; and
- (b) PacMag will take all actions necessary to ensure that two members of the PacMag Board, nominated by Entrée, resign from the PacMag Board,

in each case with effect from completion of the Transaction and such that Entrée's nominees will have control of more than half of the votes that may be cast at a meeting of the PacMag Board.

5.5 **Scheme Booklet**

- (a) Each of Entrée and PacMag will work (including by attending meetings and providing information) in good faith and in a timely and co-operative manner with each other to prepare the Scheme Booklet, applications to and correspondence with Governmental Agencies and to implement the Schemes as soon as reasonably practicable and substantially in accordance with the indicative timetable in Annexure 1 or such other indicative timetable as may be agreed by the parties.
- (b) PacMag must not:
 - (i) use the Scheme Booklet for the purpose of applying to the Court for orders referred to in clause 5.1(e); or
 - (ii) despatch the Scheme Booklet to PacMag Shareholders and PacMag Optionholders,until Entrée has approved the Scheme Booklet, which approval must not be unreasonably withheld or delayed.
- (c) If Entrée and PacMag disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:
 - (i) if the disagreement relates to the form or content of the Entrée Information contained in the Scheme Booklet, PacMag will make such amendments as Entrée reasonably requires; and
 - (ii) if the disagreement relates to the form or content of any other part of the Scheme Booklet, the PacMag Board will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet.

5.6 **Issue and Trading of Consideration Shares**

The Consideration Shares will be validly issued in accordance with the all applicable laws and regulations, fully paid and of the same class as other Entrée Shares then issued and outstanding.

6. **REPRESENTATIONS AND WARRANTIES**

6.1 **PacMag Representations and Warranties**

PacMag represents and warrants to Entrée (on its own behalf and separately as trustee for each of the Entrée Indemnified Parties) that, except as specifically disclosed against the PacMag Representations and Warranties in writing by PacMag to Entrée in a disclosure letter dated as of the Execution Date, each of the PacMag Representations and Warranties are true and correct as at the Execution Date, the Second Court Date and any other date to which a PacMag Representation and Warranty is expressed to be given.

6.2 **PacMag's indemnity**

PacMag agrees with Entrée (on Entrée's own behalf and separately as trustee for each of the other Entrée Indemnified Parties) to indemnify and keep indemnified the Entrée Indemnified Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the Entrée Indemnified Parties may suffer or incur by reason of any breach of any of the PacMag Representations and Warranties.

6.3 **Entrée Representations and Warranties**

Entrée represents and warrants to PacMag (on its own behalf and separately as trustee for each of the PacMag Indemnified Parties) that, except as specifically disclosed against the Entrée Representations and Warranties in writing by Entrée to PacMag in a disclosure letter dated as of the Execution Date, each of the Entrée Representations and Warranties are true and correct as at the Execution Date, the Second Court Date and any other date to which an Entrée Representation and Warranty is expressed to be given.

6.4 **Entrée's Indemnity**

Entrée agrees with PacMag (on PacMag's own behalf and separately as trustee or nominee for each of the other PacMag Indemnified Parties) to indemnify and keep indemnified the PacMag Indemnified Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the PacMag Indemnified Parties may suffer or incur by reason of any breach of any of the Entrée Representations and Warranties.

6.5 Survival of Representations

Each of the Entrée Representations and Warranties and the PacMag Representations and Warranties;

- (a) is severable;
- (b) will survive the termination of this Agreement; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this Agreement.

6.6 Survival of Indemnities

Each indemnity in this Agreement (including those in clauses 6.2 and 6.4) will:

- (a) be severable;
- (b) be a continuing obligation;
- (c) constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this Agreement; and
- (d) survive the termination of this Agreement.

6.7 Liability of Directors and Officers

- (a) Each party agrees that it will release its rights against, and will not make any claim against, any past or present director or employee of the other in relation to information provided to it or in relation to its entry into this Agreement to the extent that the past or present director or employee has acted in good faith.
- (b) Each party holds the releases in clause 6.7(a) in respect of its directors and employees as trustee for its past and present directors and employees.

7. PUBLIC ANNOUNCEMENTS

7.1 Announcement of Transaction

Immediately after the Execution Date, the parties will each issue a public announcement of the proposed Transaction in the form to be agreed by Entrée and PacMag.

7.2 **Public Announcement and Submissions**

No:

- (a) public announcement in connection with the Transaction will be made other than in a form approved by all parties, which approval must not be unreasonably withheld and will be provided in a timely manner; and
- (b) submission for any Regulatory Approval under this Agreement will be made by a party,

without reasonable consultation with the other party, and each party will use all reasonable endeavours to provide such approval and constructively participate in such consultation as soon as practicable.

7.3 **Required disclosure**

If a party is required by law, the Listing Rules or the rules of the TSX or NYSE to make any announcement or other public statement or communication of any kind, it must before doing so:

- (a) notify the other party; and
- (b) give the other party reasonable opportunity to comment on the content of such announcement or other public statement or communication of any kind.

8. **TERMINATION**

8.1 **Termination by Entrée or PacMag**

Either Entrée or PacMag may terminate this Agreement by giving written notice to the other party if the Schemes have not become Effective on or before the End Date or if at any time prior to 8.00am on the Second Court Date:

- (a) the other party is in material breach of any clause, including a warranty, of this Agreement provided that:
 - (i) it has given written notice to the other party setting out the relevant circumstance and stating its intention to terminate; and
 - (ii) if the relevant circumstance continues to exist for 10 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date) after the notice is given,

then the party giving the notice may, in its absolute discretion, terminate this Agreement;

- (b) a Court or other Governmental Agency has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Transaction;

- (c) in the circumstances set out in, and in accordance with, clause 2.5;
- (d) prior to the Second Court Date the PacMag Board withdraws or adversely modifies its recommendation of the Transaction or makes a public statement indicating that it no longer supports the Transaction;
- (e) there is an Alternative Proposal for PacMag which has been determined to be a Superior Proposal and the PacMag Board publicly recommends the Superior Proposal (having complied with the requirements of clause 9.7); or
- (f) an Insolvency Event occurs in relation to either party or its subsidiaries.

8.2 Termination by Entrée

Entrée may terminate this Agreement by giving written notice to PacMag at any time prior to 8.00am on the Second Court Date if:

- (a) a PacMag Material Adverse Change occurs; or
- (b) a PacMag Prescribed Occurrence occurs.

8.3 Termination by PacMag

PacMag may terminate this Agreement by giving written notice to Entrée at any time prior to 8.00am on the Second Court Date if:

- (a) an Entrée Material Adverse Change occurs; or
- (b) an Entrée Prescribed Occurrence occurs.

8.4 Effect of termination

In the event of termination of this Agreement by either PacMag or Entrée pursuant to clause 8 (including without limitation pursuant to clause 2.5), this Agreement will become void and have no effect, other than in respect of any liability for an antecedent breach of this Agreement and provided that clauses 6.1 to 6.7, 10.6, 12.3 and 12.4 survive termination.

9. EXCLUSIVITY AND NON SOLICITATION

9.1 No discussions

PacMag represents and warrants that, other than the discussions with Entrée in respect of the Transaction, it is not in negotiations or discussions in respect of any Alternative Proposal for PacMag.

9.2 Non solicitation

During the Exclusivity Period, PacMag must not, and must not authorise, permit, procure or require any of its Associates to either directly or indirectly:

- (a) solicit, invite or initiate any enquiries, discussions, negotiations or proposals in relation to, or which might reasonably be expected to lead to, any Alternative Proposal for PacMag in respect of itself or its subsidiaries; or
- (b) communicate to any person any intention to do any of these things.

9.3 **No talk**

Subject to clause 9.7, during the Exclusivity Period, PacMag must not, and must not authorise, permit, procure or require any of its Associates to:

- (a) directly or indirectly participate in or continue any discussions or negotiations;
- (b) enter into any agreement, arrangement or understanding (whether or not in writing and whether or not legally binding); or
- (c) communicate any intention to do any of these things,

in relation to, or which might reasonably be expected to lead to, a Alternative Proposal for PacMag or which might otherwise lead to the Transaction not completing, whether or not directly or indirectly solicited, invited, facilitated, encouraged or initiated by PacMag or its Associates or if a person publicly announces an Alternative Proposal for PacMag.

9.4 **No Due Diligence**

Without limiting the general nature of clause 9.3, but subject to clause 9.7, during the Exclusivity Period, PacMag must not without Entrée's prior written consent:

- (a) authorise or permit any person (other than the other party or its agents) to undertake due diligence investigations on it or any of its subsidiaries where to do so would involve a breach of clause 9.3; or
- (b) provide or make available to any other person (other than the other party or its agents) or permit any such person to receive any non-public information relating to it or any of its subsidiaries,

however, this clause 9.4 does not prevent PacMag providing information to the ASX or the party's auditors and advisers acting in that capacity in the ordinary course of business or to otherwise effect the Transaction.

9.5 **Notice of approaches**

During the Exclusivity Period, PacMag must give Entrée written notice immediately upon:

- (a) becoming aware of any:
 - (i) negotiations or discussions;

- (ii) approach or attempt to initiate any negotiations or discussions;
or
- (iii) intention to make such an approach or attempt to initiate any negotiations or discussions,

in respect of any expression of interest, offer or proposal that may lead to any Alternative Proposal for PacMag;

- (b) receipt of any approach or proposal whether written or otherwise made to PacMag or any of its Associates in connection with, or in respect of any exploration or consummation of, any Alternative Proposal for PacMag or a proposed or potential Alternative Proposal for PacMag, whether unsolicited or otherwise and must disclose to Entrée in writing the party to the Alternative Proposal for PacMag and the material terms and conditions of the Alternative Proposal for PacMag, including details of the proposed consideration, timing and break fee (if applicable). All such information will be subject to Entrée's confidentiality obligations in the Confidentiality Deed;
- (c) the PacMag Board determining in accordance with clause 9.7(b) that it must do or not do anything in relation to an Alternative Proposal for PacMag to comply with any fiduciary or statutory duty of the members of the PacMag Board; and
- (d) the PacMag Board determining in accordance with clause 9.7(c) that the Alternative Proposal for PacMag is a Superior Proposal.

9.6 **Response to Alternative Merger Proposal for PacMag**

- (a) Subject to this clause 9, during the Exclusivity Period, PacMag must not and must procure that none of its directors enters into any agreement, arrangement or understanding (whether or not in writing) to undertake an Alternative Proposal for PacMag, unless PacMag has provided to Entrée:
 - (i) the information set out in clause 9.5(b) at least 5 clear Business Days before entry into of any Alternative Proposal for PacMag;
and
 - (ii) at least two clear Business Days written notice of the intention to enter into the Alternative Proposal for PacMag ("**Notification Period**"), which period may be within the period referred to in clause 9.6(a)(i).
- (b) During the Notification Period, Entrée may propose an amendment to the terms of the Schemes ("**Counterproposal**") that would provide, in Entrée's view, PacMag Shareholders and PacMag Optionholders, as applicable, an equivalent or superior outcome to the terms of the Alternative Proposal for PacMag.

- (c) If a Counterproposal which complies with clause 9.6(b) is made within the Notification Period, the PacMag Board must consider the Counterproposal and if the PacMag Board, acting reasonably, determines that the Counterproposal would provide an equivalent or superior outcome for the PacMag Shareholders and PacMag Optionholders than the Alternative Proposal for PacMag, Entrée and PacMag must use their best endeavours to agree the amendments to the terms of the Schemes and any documents relating to the Schemes which are necessary or desirable to reflect the Counterproposal, and to enter into an appropriate amended agreement or agreements to give effect to those amendments and to implement the Counterproposal, in each case as soon as reasonably practicable.
- (d) For the purposes of the PacMag Board's determination referred to in clause 9.6(c), it is acknowledged that the terms and conditions of the Counterproposal taken as a whole (excluding any fee, amount or other payment paid or payable by PacMag in connection with PacMag not proceeding with the Alternative Proposal for PacMag) must not, in the determination of the PacMag Board, acting reasonably, be less favourable than those in the Alternative Proposal for PacMag taken as a whole.

9.7 Superior Proposal and Fiduciary Duties

Nothing in clauses 9.3 or 9.4 prevents PacMag, the PacMag Board or any Associates of PacMag from doing or not doing anything with respect to a bona fide Alternative Proposal for PacMag provided that:

- (a) the bona fide Alternative Proposal for PacMag has not arisen as a consequence of a breach of clauses 9.2, 9.3 or 9.4;
- (b) the PacMag Board has determined (in good faith and acting reasonably), after consulting with its external legal counsel (whose advice is subsequently confirmed in writing), that to do so, or not to do so, as the case may be, would constitute or would be likely to constitute a breach of any fiduciary or statutory duty of the members of the PacMag Board (or any member of that board); and
- (c) the PacMag Board has determined (in good faith and acting reasonably) that the bona fide Alternative Proposal for PacMag is or is likely to be a Superior Proposal.

9.8 Warranty

PacMag represents and warrants to Entrée that, as at the date of this Agreement, no agreement, arrangement or understanding exists in relation to any expression of interest, offer or proposal by any person in relation to any Alternative Proposal for PacMag.

9.9 Legal advice

PacMag acknowledges that it has received legal advice in relation to this Agreement and the operation of clause 9.

10. REIMBURSEMENT OF COSTS

10.1 Background

- (a) PacMag and Entrée acknowledge that, if they enter into this Agreement and the Schemes are subsequently not implemented, PacMag and Entrée will incur significant costs.
- (b) In the circumstances referred to in clause 10.1(a):
 - (i) PacMag has requested that provision be made for the payments outlined in clause 10.2, without which PacMag would not have entered into this Agreement;
 - (ii) Entrée has requested that provision be made for the payments outlined in clause 10.3, without which Entrée would not have entered into this Agreement;
 - (iii) the PacMag Board believes that the Schemes will provide benefit to PacMag and PacMag Shareholders and PacMag Optionholders and that it is appropriate for PacMag to agree to the payment referred to in clause 10.2 to secure Entrée's participation in the Schemes; and
 - (iv) the Entrée Board believes that the Schemes will provide benefit to Entrée and Entrée Shareholders and that it is appropriate for Entrée to agree to the payment referred to in clause 10.3 to secure PacMag's participation in the Schemes.

10.2 Payment of Costs incurred by Entrée

- (a) Provided that Entrée has not failed to perform any material covenant required to be performed by Entrée, no representation or warranty made by Entrée is untrue in any material respect and no Entrée Material Adverse Change has occurred, if:
 - (i) any director of PacMag fails to recommend that PacMag Shareholders vote in favour of the Share Scheme, withdraws their recommendation or adversely modifies his or her support for the Share Scheme;
 - (ii) any director of PacMag fails to recommend that PacMag Optionholders vote in favour of the Option Scheme or withdraws their recommendation or adversely modifies his or her support for the Option Scheme;

- (iii) the Schemes do not proceed because a Superior Proposal is made or announced and PacMag Shareholder Approval or PacMag Optionholder Approval is not obtained;
- (iv) PacMag is in breach of clause 9 and has not ceased the conduct which has caused the breach within one Business Day following written notice from Entrée outlining the nature of the breach; or
- (v) Entrée validly terminates this Agreement in accordance with clauses 8.1(a) or 8.2,

PacMag must reimburse Entrée for:

- A. the costs and disbursements incurred by Entrée, including advisory costs;
- B. the time invested by the management and board of Entrée; and
- C. reasonable opportunity costs incurred by Entrée in pursuing the Transaction or in not pursuing other acquisitions or strategic initiatives which Entrée could have developed to further its business and objectives,

as a result of pursuing the Transaction (including by execution of this Agreement), by paying CAD\$350,000 to Entrée.

- (b) The parties acknowledge and agree that the loss actually incurred by Entrée under clause 10.2(a) will be of such nature that it cannot accurately be ascertained, but that a genuine and reasonable pre-estimate of the loss actually suffered by Entrée is CAD\$350,000.
- (c) PacMag must pay Entrée the amount claimed under clause 10.2(a) within 10 Business Days of receipt by PacMag of a demand for payment from Entrée. The demand may only be made once under this Agreement and after the occurrence of an event referred to in clause 10.2(a).
- (d) No amount is payable under clause 10.2(a) if:
 - (i) prior to the occurrence of any event under clause 10.2(a) this Agreement has already been validly terminated; or
 - (ii) the Schemes become Effective notwithstanding the occurrence of any event under clause 10.2(a).
- (e) If despite clause 10.2(d), Entrée has received payment of an amount under clause 10.2(a) it must refund that amount to PacMag within ten Business Days of demand by PacMag. The demand may only be made and after the occurrence of an event referred to in clause 10.2(a) occurring.

10.3 **Payment of Costs incurred by PacMag**

- (a) Provided that PacMag has not failed to perform any material covenant required to be performed by PacMag, no representation or warranty made by PacMag is untrue in any material respect and no PacMag Material Adverse Change has occurred, if PacMag validly terminates this Agreement in accordance with clauses 8.1(a) or 8.3, Entrée must reimburse PacMag for:
- (i) the costs and disbursements incurred by PacMag, including advisory costs;
 - (ii) the costs of management and the PacMag Board's time; and
 - (iii) reasonable opportunity costs incurred by PacMag in pursuing the Transaction or in not pursuing other acquisitions or strategic initiatives which PacMag could have developed to further its business and objectives,
- as a result of pursuing the Transaction (including by execution of this Agreement), by paying CAD\$350,000 to PacMag.
- (b) The parties acknowledge and agree that the loss actually incurred by PacMag under clause 10.3(a) will be of such nature that it cannot accurately be ascertained, but that a genuine and reasonable pre-estimate of the loss actually suffered by PacMag is CAD\$350,000.
- (c) Entrée must pay PacMag the amount claimed under clause 10.3(a) within 10 Business Days of receipt by Entrée of a demand for payment from PacMag. The demand may only be made once under this Agreement and after the occurrence of an event referred to in clause 10.3(a).
- (d) No amount is payable under clause 10.3(a) if:
- (i) prior to the occurrence of any event under clause 10.3(a) this Agreement has already been validly terminated; or
 - (ii) the Schemes become Effective notwithstanding the occurrence of any event under clause 10.3(a).
- (e) If despite clause 10.3(d), PacMag has received payment of an amount under clause 10.3(a) it must refund that amount to Entrée within ten Business Days of demand by Entrée. The demand may only be made after the occurrence of an event referred to in clause 10.3(a) occurring.

10.4 **Limitation of liability**

Notwithstanding any other provision of this Agreement:

- (a) the maximum liability of PacMag to Entrée under or in connection with this Agreement will be an amount equal to the amount payable under clause 10.2(a);
- (b) the payment by PacMag under clause 10.2(a) represents the sole and absolute liability of PacMag under or in connection with this agreement and no further damages, fees, expenses or reimbursements of any kind will be payable by PacMag under or in connection with this Agreement;
- (c) the maximum liability of Entrée to PacMag under or in connection with this Agreement will be an amount equal to the amount payable under clause 10.3(a); and
- (d) the payment by Entrée under clause 10.3(a) represents the sole and absolute liability of Entrée under or in connection with this Agreement and no further damages, fees, expenses or reimbursements of any kind will be payable by Entrée under or in connection with this Agreement.

10.5 **Compliance with law**

- (a) If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a court that any part of either PacMag's Break Fee or Entrée's Break Fee ("**Challenged Amount**"):
 - (i) is unlawful;
 - (ii) involves a breach of directors' duties; or
 - (iii) constitutes unacceptable circumstances,

then the requirement to pay the relevant Break Fee does not apply to the Challenged Amount and if a party has received the Challenged Amount, it must refund it within 10 Business Days of such final determination being made.
- (b) To the extent reasonably possible, the payer must submit in any relevant proceedings that no such determination should be made or that if any such determination is to be made, it should apply only to the extent that the Challenged Amount constitutes a payment made or to be made in excess of the amount of the actual costs incurred, directly or indirectly, by the payer as a result of the Transaction not being implemented in accordance with this Agreement (including those described in clause 10.5(c)).
- (c) If in the Takeovers Panel proceedings of a kind referred to in clause 10.5(a), the Takeovers Panel indicates to the parties or either of them that in the absence of a written undertaking pursuant to section 201A of the Australian Securities and Investments Commission Act 2001 (Cwlth), it will make a declaration of unacceptable circumstances, each of the parties may give that undertaking on their own behalf and must give reasonable consideration to giving that undertaking if requested by

the other party. Where such undertakings are given, this clause 10.5 will operate in a manner consistent with the terms of such undertakings.

- (d) Each party must not make, nor may it cause or permit to be made, any application to a court, tribunal or the Takeovers Panel for or in relation to a determination referred to in clause 10.5(a).

10.6 Survival

Any accrued obligations under this clause 10 survive termination of this Agreement.

11. NOTICES

11.1 Notice of failure to satisfy condition precedent

- (a) Each party must promptly give the other notice of a failure to satisfy a condition precedent in clause 2.1 or of any event that will prevent a condition precedent in clause 2.1 being satisfied.
- (b) Entrée or PacMag (as the case may be) will give written notice to the other party as soon as possible (and in any event no later than 5 Business Days or such shorter time to ensure that notice is given before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any condition of this Agreement resulting from the occurrence of that event, specifying the condition in question.
- (c) A waiver of such breach or non-fulfilment in respect of one condition of this Agreement will not constitute:
 - (i) a waiver of breach or non-fulfilment of any other condition of this Agreement resulting from the same event; or
 - (ii) a waiver of breach or non-fulfilment of that condition resulting from any other event.

11.2 Notices of other matters

PacMag and Entrée will promptly advise each other in writing of:

- (a) a representation or warranty provided in this Agreement by either party becoming false; or
- (b) a breach of this Agreement by it.

12. GENERAL

12.1 Further Acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to

that party) required by law or reasonably requested by any other party to give effect to this Agreement.

12.2 Notices

Any communication under or in connection with this Agreement:

- (a) must be in writing;
- (b) must be addressed as shown below:

Entrée

Address: Suite 1201, 1166 Alberni Street
Vancouver, BC V6E 3Z3,
Canada

Fax no: + 1 604 687 4770
Attention: Company Secretary

PacMag

Address: Level 2, 33 Ord Street,
West Perth, WA 6005
Australia

Fax no. + 61 8 9321 0070
Attention: Company Secretary

(or as otherwise notified by that party to the other party from time to time);

- (c) must be signed by the party making the communication or by a person duly authorised by that party;
- (d) must be delivered or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 12.2(b); and
- (e) will be deemed to be received by the addressee:
 - (i) (in the case of prepaid post) on the third Business Day after the date of posting to an address within the country of origin, and on the fifth Business Day after the date of posting to an address outside the country of origin;
 - (ii) (in the case of fax) at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a normal business day in the place of receipt, or is after 5.00pm on a normal business day in the place of receipt, when

that communication will be deemed to be received at 9.00am on the next business day in the place of receipt; and

- (iii) (in the case of delivery by hand) on delivery at the address of the addressee as provided in clause 12.2(b);, unless that delivery is not made on a business day in the place of receipt, or after 5.00pm on a business day in the place of receipt, then that communication will be deemed to be received at 9.00am on the next business day in the place of receipt.

12.3 Stamp Duties

The parties must equally pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this Agreement or the Schemes of Arrangement or the steps to be taken under this Agreement or the Schemes of Arrangement.

12.4 Expenses

Except as otherwise provided in this Agreement, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution and performance of this Agreement and the Scheme Booklet and the proposed, attempted or actual implementation of this Agreement.

12.5 Amendments

This Agreement may only be varied by a document signed by or on behalf of each of the parties.

12.6 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party.

12.7 Governing Law

- (a) This Agreement is governed by and will be construed according to the laws of Western Australia.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Western Australia and of the courts competent to determine appeals from those courts.

12.8 Business Day

Except where otherwise expressly provided, where under this Agreement the day on which any act, matter or thing is to be done is a day other than a Business Day in the place where that act, matter or thing is to be done , such act, matter or thing will be done on the next business day in that place.

12.9 Waiver

- (a) Failure to exercise or enforce or a delay in exercising or enforcing of the partial exercise or enforcement of any right, power or remedy provided by law or under this Agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this Agreement.
- (b) Any waiver or consent given by any party under this Agreement will only be effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of any term of this Agreement will operate as a waiver of another breach of that term or of a breach of any other term of this Agreement.

12.10 Consents

Any consent referred to in, or required under, this Agreement from any party may not be unreasonably withheld, unless this Agreement expressly provides for that consent to be given in that party's absolute discretion.

12.11 Counterparts

This Agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the Agreement of each party who has executed and delivered that counterpart.

12.12 Entire Agreement

- (a) To the extent permitted by law, in relation to the subject matter of this Agreement, this Agreement:
 - (i) embodies the entire understanding of the parties and constitutes the entire terms agreed upon between the parties; and
 - (ii) supersedes any prior agreement (whether or not in writing) between the parties.
- (b) Despite clause 12.12(a), but subject to this clause, the Confidentiality Deed continues to apply to the parties in accordance with its terms. The parties agree that on and from the Execution Date, clauses 8.1 to 8.8 inclusive of the Confidentiality Agreement will be of no further force or effect other than in relation to a pre-existing breach of those provisions.

12.13 No Representation or Reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this Agreement, except for representations or inducements expressly set out in this Agreement.

- (b) Each party acknowledges and confirms that it does not enter into this Agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this Agreement.
- (c) Each party acknowledges and confirms that paragraphs 12.13(a) and 12.13(b) above do not prejudice any rights a party may have in relation to information which has been filed by the other party with the ASIC or the ASX.

12.14 No Merger

The rights and obligations of the parties will not merge on completion of any transaction under this Agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

12.15 GST

- (a) Unless expressly included, the consideration for any supply under or in connection with this Agreement does not include GST.
- (b) To the extent that any supply made by a party to another party under or in connection with this Agreement is a taxable supply and a tax invoice has been provided to the recipient of the supply, the recipient must pay, in addition to the consideration to be provided under this Agreement for that supply (unless it expressly includes GST), an amount equal to the amount of that consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply.
- (c) The amount of GST payable in accordance with this clause will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.

EXECUTED by the parties:

EXECUTED for and on behalf of)	_____	_____
ENTRÉE GOLD INC.)	Director	Secretary/Director
by authority of its Directors/)		
authorised signatories)	_____	_____
)	Print name	Print name

EXECUTED by)	_____	_____
PACMAG METALS LIMITED)	Director	Secretary/Director
by authority of its Directors in)		
accordance with section 127 of)	_____	_____
the Corporations Act)	Print name	Print name

ANNEXURE 1

INDICATIVE TIMETABLE

Event	Date
Announce entry into this Agreement	November 30, 2009
Final draft of Scheme Booklet provided to Entrée	January 29, 2010
Independent Expert's Reports completed	February 5, 2010
Finalise Scheme Booklet	February 10, 2010
Lodge Scheme Booklet at ASIC and ASX	February 12, 2010
Applications in respect of the First Court Hearing Dates filed with the Court, served on ASIC and delivered to ASX	February 15, 2010
First Court Hearing Date to approve convening of Scheme Meetings	March 15, 2010
Printing and despatch Scheme Booklet to PacMag Shareholders and PacMag Optionholders	March 22, 2010
Scheme Meetings held	April 22, 2010
Second Court Hearing Dates to obtain Final Court Approvals	April 29, 2010
Lodge Court orders with ASIC (Effective Date) (One Business Day after the Second Court Hearing Dates)	April 30, 2010
Record Date (7pm EST on the date which is the Second Court Hearing Date plus 5 Business Days or such other date agreed)	May 6, 2010
Implementation Date (Record Date plus 5 Business Days)	May 13, 2010

ANNEXURE 2

PACMAG OPTIONS AND NON-SCHEME OPTIONS

Item 1: PacMag Options

Number	Series	Exercise Price	Expiry Date	Total Option Scheme Consideration for each series	Option Scheme Consideration to be provided to Option Scheme Participants for each PacMag Option held
1,291,585	PMHAM	\$1.102 each	29 February 2012	13,781 Entrée Shares and CAD\$16,088.29	0.0107 Entrée Shares and CAD\$0.0125
1,000,000	PMHAP	\$0.152 each	17 November 2010	48,138 Entrée Shares and CAD\$56,197.92	0.0481 Entrée Shares and CAD\$0.0562
1,000,000	PMHAQ	\$0.202 each	17 November 2010	39,205 Entrée Shares and CAD\$45,769.44	0.0392 Entrée Shares and CAD\$0.0458
2,083,336	PMHAI	\$0.30 each	30 June 2011	67,720 Entrée Shares and CAD\$79,058.60	0.0325 Entrée Shares and CAD\$0.0379
3,000,000	PMHAK	\$0.252 each	16 June 2011	110,172 Entrée Shares and CAD\$128,617.92	0.0367 Entrée Shares and CAD\$0.0429

Item 2: Non-Scheme Options

Number	Series	Exercise Price	Expiry Date	Total Consideration to be offered for all Non-Scheme Options	Consideration to be offered to Non-Scheme Optionholders for each Non-Scheme Option held
400,000	PMHAS	\$0.252 each	16 June 2011	14,690 Entrée Shares and CAD\$17,760	0.0367 Entrée Shares and CAD\$0.0429

ANNEXURE 3

PACMAG REPRESENTATIONS AND WARRANTIES

1. PacMag is a validly existing corporation registered under the laws of its place of incorporation.
2. The execution and delivery of this Agreement by PacMag has been properly authorised by all necessary corporate action and PacMag has full corporate power and lawful authority to execute and deliver this Agreement and to perform or cause to be performed its obligations under this Agreement.
3. PacMag is not entering into this Agreement in a representative capacity, other than as trustee for the PacMag Indemnified Parties.
4. Subject to laws generally affecting creditors' rights and the principles of equity, this Agreement constitutes legal, valid and binding obligations on PacMag and this Agreement does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which PacMag or any of its subsidiaries is a party or to which they are bound.
5. The Scheme Booklet (other than the Entrée Information) will be prepared in good faith and on the understanding that each of the Entrée Indemnified Parties will rely on that information for the purposes of preparing the Entrée Information and approving and implementing the Schemes of Arrangement.
6. The Scheme Booklet (other than the Entrée Information), as at the date they are despatched to PacMag Shareholders, will comply with the disclosure standard required by sections 411 and 412 of the Corporations Act and applicable ASIC Regulatory Guides and will not be misleading or deceptive in any material respect, whether by omission or otherwise.
7. PacMag will, as a continuing obligation, provide to Entrée and PacMag Shareholders all such further or new information which may arise after the Scheme Booklet has been despatched until the date of the Scheme Meetings which is necessary to ensure that the PacMag Information in the Scheme Booklet is not misleading or deceptive in any material respect (whether by omission or otherwise).
8. The PacMag Due Diligence Information was, to PacMag's knowledge, true and accurate in all material respects as at the date it was provided to Entrée, and PacMag has not knowingly or recklessly:
 - (d) omitted to disclose information to Entrée, the disclosure of which might reasonably be expected to have resulted in Entrée not entering into this Agreement, or entering into it on materially different terms;
 - (e) omitted anything from the PacMag Due Diligence Information such as to make any part of that information materially false or misleading;
 - (f) included anything materially false or misleading in the PacMag Due Diligence Information; or

- (g) denied access to requested information with the intention of misleading Entrée.
9. All material correspondence between PacMag and any Governmental Agency received after the Execution Date until the Effective Date will be promptly disclosed to Entrée.
 10. There are no material actions, suits, arbitrations, mediations, conciliation or administrative proceedings taking place, pending or to PacMag's knowledge threatened against PacMag or any of its subsidiaries.
 11. Neither PacMag nor any of its subsidiaries are affected by an Insolvency Event.
 12. PacMag has complied in all material respects with its continuous disclosure obligations under the Listing Rules and the Corporations Act and it is not relying on the carve-out in Listing Rule 3.1A to withhold any material information from public disclosure (except the discussions leading to this Agreement).
 13. To the best of PacMag's knowledge, information and belief, PacMag and its subsidiaries have complied in all material respects with all laws and regulations applicable to them.
 14. PacMag and its subsidiaries have all licenses, permits, approvals, consents and other authorisations required as at the Execution Date from all Governmental Agencies ("**Governmental Licences**") necessary to own, lease, stake or maintain the mining licences, claims, concessions, exploration, prospecting or other mineral property rights ("**Mining Rights**") and other property interests held, and to conduct the business now operated, by PacMag or its subsidiaries. PacMag and its subsidiaries are in compliance, in all material respects, with the terms and conditions of all such Governmental Licences. All of the Governmental Licences are valid and in full force and effect. As at the Execution Date PacMag and its subsidiaries have not received any outstanding notice of proceedings relating to the revocation or material modification of any such Governmental Licences.
 15. The Mining Rights held by PacMag and its subsidiaries ("**PacMag Mining Rights**") are in good standing, valid and enforceable, free and clean of all mortgages, charges, liens or other encumbrances and no royalties are payable in respect of them. There are no material restrictions on the ability of PacMag and its subsidiaries to use, transfer or otherwise exploit any of the PacMag Mining Rights except as required by applicable law. PacMag and its subsidiaries have not received any notice of any material claim of any sort that has been asserted by any person adverse to the rights of PacMag and its subsidiaries under any of the PacMag Mining Rights or affecting the rights of PacMag and its subsidiaries to the continued possession of such PacMag Mining Rights.
 16. All of the leases, subleases and agreements regarding real property (other than the Mining Rights) material to the mining and exploration projects of PacMag and its subsidiaries, under which PacMag and its subsidiaries have an interest, are in full force and effect. PacMag and its subsidiaries have not received notice of any claim of any sort that has been asserted by any person adverse to the rights of PacMag and its subsidiaries under any of such leases, subleases and agreements or affecting the rights of PacMag and its subsidiaries to the continued possession of the property under such leases, subleases and agreements.

17. PacMag and its subsidiaries are not in default under any document or agreement binding on it or its assets and nothing has occurred which is or would with the giving of notice or lapse of time or both, constitute an event of default, prepayment event or similar event, or which would give another party a right to terminate or right to accelerate any right or obligation, under any such document or agreement.
18. PacMag's issued securities as of the Execution Date are:
- (h) 144,667,639 PacMag Shares;
 - (i) the PacMag Options and the Non-Scheme Options,
- and it has not issued any other securities or instruments which are still outstanding and may convert into PacMag securities. Such PacMag Shares, PacMag Options and the Non-Scheme Options comprise the entire issued capital of PacMag and have been validly issued.
19. The information relating to the PacMag Options and Non-Scheme Options in Annexure 2 is true and correct.

ANNEXURE 4

ENTRÉE REPRESENTATIONS AND WARRANTIES

1. Entrée is a validly existing corporation registered under the laws of its place of incorporation. Entrée Australia is a validly existing corporation registered under the laws of its place of incorporation and is a wholly owned subsidiary of Entrée.
2. The execution and delivery of this Agreement by Entrée has been properly authorised by all necessary corporate action and Entrée has full corporate power and lawful authority to execute and deliver this Agreement and to perform or cause to be performed its obligations under this Agreement.
3. Entrée is not entering into this Agreement in a representative capacity, other than as trustee for the Entrée Indemnified Parties.
4. Subject to laws generally affecting creditors' rights and the principles of equity, this Agreement constitutes legal, valid and binding obligations on Entrée and this Agreement does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which Entrée or any of its subsidiaries is a party or to which they are bound.
5. The Entrée Information provided to PacMag in accordance with clause 2.4(b) for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that each of the PacMag Indemnified Parties will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Schemes of Arrangement in accordance with the requirements of the Corporations Act.
6. The Entrée Information provided to PacMag in accordance with clause 2.4(b), as at the date the Scheme Booklet is despatched to PacMag Shareholders, will comply with the disclosure standard required by sections 411 and 412 of the Corporations Act and applicable ASIC Regulatory Guides and not be misleading or deceptive in any material respect (whether by omission or otherwise).
7. Entrée will, as a continuing obligation, provide to PacMag all such further or new information which may arise after the Scheme Booklet has been despatched until the date of the Scheme Meetings which is necessary to ensure that the Entrée Information in the Scheme Booklet is not misleading or deceptive in any material respect, whether in content or by omission.
8. The Entrée Due Diligence Information was, to Entrée's knowledge, true and accurate in all material respects as at the date it was provided to PacMag, and Entrée has not knowingly or recklessly:
 - (j) omitted to disclose information to PacMag, the disclosure of which might reasonably be expected to have resulted in PacMag not entering into this Agreement, or entering into it on materially different terms;
 - (k) omitted anything from the Entrée Due Diligence Information such as to make any part of that information materially false or misleading;

- (l) included anything materially false or misleading in the Entrée Due Diligence Information; or
 - (m) denied access to requested information with the intention of misleading PacMag.
9. All material correspondence between Entrée and any Governmental Agency received after the Execution Date until the Effective Date will be promptly disclosed to PacMag.
 10. There are no material actions, suits, arbitrations, mediations, conciliation or administrative proceedings taking place, pending or to Entrée's knowledge threatened against Entrée or any of its subsidiaries.
 11. Neither Entrée nor any of its subsidiaries are affected by an Insolvency Event.
 12. Entrée has complied in all material respects with its continuous disclosure obligations under applicable Canadian and United States securities laws and has not filed any confidential material change reports with any Canadian securities regulatory authorities.
 13. To the best of Entrée's knowledge, information and belief, Entrée and its subsidiaries have complied in all material respects with all laws and regulations applicable to them.
 14. To the best of Entrée's information and belief, Entrée and its subsidiaries have all licenses, permits, approvals, consents and other authorisations required as at the Execution Date from all Governmental Agencies ("**Governmental Licences**") necessary to own, lease, stake or maintain the mining licences, claims, concessions, exploration, prospecting, or other mineral property rights ("**Mining Rights**") and other property interests held, and to conduct the business now operated, by Entrée or its subsidiaries. Entrée and its subsidiaries are in compliance, in all material respects, with the terms and conditions of all such Governmental Licences. All of the Governmental Licences are valid and in full force and effect. As at the Execution Date Entrée and its subsidiaries have not received any outstanding notice of proceedings relating to the revocation or material modification of any such Governmental Licences.
 15. The Mining Rights held by Entrée and its subsidiaries ("**Entrée Mining Rights**") are in good standing, valid and enforceable, free and clean of all mortgages, charges, liens (except for the lien and security interest granted by Entrée to Ivanhoe Mines Mongolia Inc. XXX ("**IMMI**") over certain Entrée Mining Rights pursuant to a joint venture between Entrée and IMMI effective June 30, 2008 ("**Joint Venture**")) or other encumbrances and no royalties (except for those payable to any Governmental Agency including the Government of Mongolia) are payable in respect of them. There are no material restrictions on the ability of Entrée and its subsidiaries to use, transfer or otherwise exploit any of the Entrée Mining Rights except as required by applicable law or as provided for under the Joint Venture. Entrée and its subsidiaries have not received any notice of any material claim of any sort that has been asserted by any person adverse to the rights of Entrée and its subsidiaries under any of the Entrée Mining Rights or affecting the rights of Entrée and its subsidiaries to the continued possession of such Entrée Mining Rights.

16. All of the leases, subleases and agreements regarding real property (other than the Mining Rights) material to the mining and exploration projects of Entrée and its subsidiaries, under which Entrée and its subsidiaries have an interest, are in full force and effect. Entrée and its subsidiaries have not received notice of any claim of any sort that has been asserted by any person adverse to the rights of Entrée and its subsidiaries under any of such leases, subleases and agreements or affecting the rights of Entrée and its subsidiaries to the continued possession of the property under such leases, subleases and agreements.
17. Entrée and its subsidiaries are not in default under any document or agreement binding on it or its assets and nothing has occurred which is or would with the giving of notice or lapse of time or both, constitute an event of default, prepayment event or similar event, or which would give another party a right to terminate or right to accelerate any right or obligation, under any such document or agreement.
18. The outstanding Entrée Shares are listed on the TSX and Entrée is not in default in any material respect of any of the requirements of the TSX.
19. The Consideration Shares to be issued and issuable to Share Scheme Participants and Option Scheme Participants pursuant to the Schemes will, upon issue, be issued as fully paid and non-assessable Entrée Shares, and will not be subject to any statutory hold period or restricted period under the securities laws of any province or territory of Canada or the rules and policies of the TSX, provided the conditions set forth in Sections 2.6(3) 2., 3., 4., and 5. of National Instrument 45-102 are satisfied.
20. Entrée's issued securities as of the Execution Date are:
 - (n) 96,322,346 Entrée Shares;
 - (o) 9,752,300 options to acquire Entrée Shares with exercise prices ranging from CAD\$1.19 to CAD\$2.58 and expiring on dates ranging from December 17, 2009 to February 12, 2014,

and it has not issued any other securities or instruments which are still outstanding and may convert into Entrée securities.

ANNEXURE 5

SHARE SCHEME OF ARRANGEMENT

ANNEXURE 6

OPTION SCHEME OF ARRANGEMENT

ANNEXURE 7

SHARE SCHEME DEED POLL

ANNEXURE 8

OPTION SCHEME DEED POLL

APPENDIX 4 – SHARE SCHEME DOCUMENT

SHARE SCHEME OF ARRANGEMENT

PURSUANT TO SECTION 411 OF THE CORPORATIONS ACT

BETWEEN

PACMAG METALS LIMITED ACN 066 353 231 of Level 2, 33 Ord Street, West Perth, Western Australia ("**PacMag**")

AND

EACH PERSON REGISTERED AS A HOLDER OF FULLY PAID ORDINARY SHARES IN THE CAPITAL OF PACMAG AT THE RECORD DATE

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Share Scheme:

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means the Australian Securities Exchange operated by ASX Limited ACN 008 624 691;

"**Business Day**" means a weekday on which trading banks are open for business in Perth, Western Australia and Vancouver, British Columbia;

"**Corporations Act**" means the Corporations Act 2001 (Cth) and the regulations made under the Act;

"**Court**" means the Federal Court of Australia or the Supreme Court of Western Australia;

"**Effective**" means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Schemes, including the Share Scheme, but in any event at no time before an office copy of the orders of the Court is lodged with ASIC;

"**Effective Date**" means the date on which the Schemes, including the Share Scheme, become Effective;

"**End Date**" means 30 June 2010 or such later date as Entrée and PacMag agree in writing;

"**Entrée**" means Entrée Gold Inc., Company No: C0725704, a company incorporated under the laws of British Columbia, Canada and with a registered address of Suite 1201, 1166 Alberni Street, Vancouver, Canada;

"**Entrée Australia**" means Entrée Australia Pty Ltd ACN 140 745 768, a wholly-owned subsidiary of Entrée;

"**Entrée Share**" means a fully paid ordinary share in Entrée;

"**EST**" means Australian Eastern Standard Time.

"**Frankfurt Stock Exchange**" means the regulated unofficial market of the Frankfurt Stock Exchange;

"**Implementation Date**" means the fifth Business Day following the Record Date or such other date as agreed by the parties in writing;

"**Ineligible Foreign Security holders**" means a Share Scheme Participant whose address, as shown in the PacMag Register, is in a jurisdiction otherwise than where Entrée (in its sole discretion) regards that the issue and allotment of Entrée Shares, either unconditionally or after compliance with conditions, in that jurisdiction under the Share Scheme is acceptable and not unduly onerous;

"**Nominee**" means a nominee for the Ineligible Foreign Security holders or the Retail Shareholders that elect to use the Sale Facility, as approved by PacMag, Entrée and ASIC if required, pursuant to the Scheme Implementation Agreement;

"**Non-Scheme Option**" means an option to subscribe for a PacMag Share which is not included in the series as detailed in the Schedule;

"**Option Scheme**" means the proposed scheme of arrangement for the PacMag Options subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved in writing by PacMag and Entrée;

"**PacMag Constitution**" means the constitution of PacMag as amended from time to time;

"**PacMag Director**" means a director of PacMag;

"**PacMag Option**" means an option to subscribe for a PacMag Share comprising the series as detailed in the Schedule;

"**PacMag Optionholder**" means each person entered in the Register as a holder of PacMag Options at the "snapshot" date for the Option Scheme Meeting or at the Record Date, as the context requires;

"**PacMag Share**" means a fully paid ordinary share in PacMag;

"PacMag Shareholder" means each person entered in the Register as a holder of PacMag Shares at the "snapshot" date for the Share Scheme Meeting or at the Record Date, as the context requires;

"Record Date" means 7.00pm EST on the fifth Business Day following the Effective Date, or any other date agreed by Entrée and PacMag in writing to be the record date to determine entitlements to receive the Share Scheme Consideration under the Share Scheme;

"Register" means the securities registers of PacMag (including PacMag Shareholders and PacMag Optionholders) maintained in accordance with the Corporations Act;

"Retail Shareholder" means a Share Scheme Participant holding a parcel of less than 5,600 PacMag Shares;

"Sale Facility" has the meaning given to that term in clause 6;

"Scheme Implementation Agreement" means the Scheme Implementation Agreement dated 28 November 2009 between Entrée and PacMag relating to the implementation of the Schemes;

"Schemes" means the inter-conditional schemes of arrangement between PacMag and PacMag Shareholders (the Share Scheme) and PacMag and PacMag Optionholders (the Option Scheme) under Part 5.1 of the Corporations Act;

"Schemes Orders" means the orders granted by the Court under Part 5.1 of the Corporations Act to give approval to the Schemes;

"Second Court Date" means the first day on which the Court hears the application for orders under section 411(4)(b) approving the Share Scheme;

"Share Scheme Consideration" means for each PacMag Share held at the Record Date, 0.1018 Entrée Shares and CAD\$0.0415 cash;

"Share Scheme Deed Poll" means the Deed Poll dated [insert] 2010 executed by Entrée in favour of the Share Scheme Participants;

"Share Scheme" means this scheme of arrangement between PacMag and PacMag Shareholders under Part 5.1 of the Corporations Act, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved in writing by PacMag and Entrée;

"Share Scheme Meeting" means the meeting of PacMag Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act;

"Share Scheme Participants" means PacMag Shareholders as at the Record Date;

"**Share Registry**" means Link Market Services Ltd, who maintains the Register on behalf of PacMag; and

"**TSX**" means the Toronto Stock Exchange.

1.2 **Interpretation**

- (a) Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.
- (b) A reference to:
 - (i) legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document or agreement, or a provision of a document or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) a party to this document or to any other document or agreement includes a permitted substitute or a permitted assign of that party;
 - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (v) anything (including a right, obligation or concept) includes each part of it.
- (c) A singular word includes the plural, and vice versa.
- (d) A word which suggests one gender includes the other genders.
- (e) If a word is defined, another part of speech or grammatical form of the expression has a corresponding meaning.
- (f) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (g) A reference to \$ or dollar or CAD is to Canadian currency, unless expressed otherwise.
- (h) A reference to this document includes the arrangement recorded by this document.
- (i) Each representation and warranty is a separate warranty and representation and its meaning is not affected by any other representation or warranty.

- (j) A reference to a Chapter, Part, Division or section is a reference to a Chapter, Part, Division or section of the Corporations Act.
- (k) A reference to time in this document is a reference to the time in Perth, Australia.

1.3 **Business Days**

If the day on or by which a person must do something under this document is not a Business Day, the person must do it on or by the next Business Day.

2. **PRELIMINARY MATTERS**

2.1 **PacMag**

- (a) PacMag is a public company incorporated in Australia and is a company limited by shares.
- (b) PacMag has been admitted to the official list of the ASX and only PacMag Shares have been granted official quotation on the ASX.
- (c) On 28 November 2009, 144,667,639 PacMag Shares were on issue.
- (d) On 28 November 2009, 8,374,921 PacMag Options were on issue.
- (e) On 28 November 2009, 400,000 Non-Scheme Options were on issue.

2.2 **Entrée and Entrée Australia**

- (a) Entrée Australia is a proprietary company registered in Australia and is limited by shares. Entrée Australia is a wholly-owned subsidiary of Entrée, a company incorporated under Canadian law.
- (b) Entrée is listed on the TSX and the NYSE Amex and Entrée Shares are traded on the TSX, the NYSE Amex and the Frankfurt Stock Exchange.

2.3 **Scheme Implementation Agreement**

PacMag and Entrée have entered into the Scheme Implementation Agreement as amended to enable and procure that the Schemes proceed.

2.4 **Share Scheme Deed Poll**

Entrée has executed the Share Scheme Deed Poll in favour of the Share Scheme Participants, pursuant to which it has covenanted to perform its obligations under the Share Scheme, including to procure that Entrée Australia provides the Share Scheme Consideration.

3. CONDITIONS

3.1 Conditions

The Share Scheme is conditional upon:

- (a) the Scheme Implementation Agreement and the Share Scheme Deed Poll being and remaining at all times in full force and effect;
- (b) all of the conditions set out in clause 2.1 of the Scheme Implementation Agreement other than clauses 2.1(c), 2.1(n) and 2.1(q), being final Court approvals of the Schemes and lodgement of the final Court orders with ASIC, having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement;
- (c) approval of the Option Scheme by a majority in number of the PacMag Optionholders present and voting, either in person or by proxy, being a majority whose debts or claims against PacMag amount in the aggregate to at least 75% of the total amount of the debts and claims of the Optionholders present and voting, either in person or by proxy, at a meeting ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act;
- (d) approval of this Share Scheme by a majority in number of the PacMag Shareholders present and voting, either in person or by proxy, being a majority whose votes represent not less than 75% of the total number of votes cast on the resolution at a meeting ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act;
- (e) approval by the Court of the Share Scheme pursuant to section 411(4)(b) of the Corporations Act;
- (f) approval by the Court of the Option Scheme pursuant to section 411(4)(b) of the Corporations Act; and
- (g) the Schemes becoming Effective by no later than the End Date.

3.2 End Date

The Share Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

3.3 Certificate

PacMag and Entrée must provide to the Court at the Second Court Hearing a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not the conditions precedent to this Share Scheme set out in clause 2.1 of the Scheme Implementation Agreement (other than the conditions precedent in clauses 2.1(c), 2.1(n) and 2.1(q) of the Scheme Implementation Agreement) are satisfied. The certificate constitutes conclusive evidence that those conditions precedent are satisfied.

4. THE SHARE SCHEME

4.1 Court Order and Effective Date

As soon as practicable following approval of the Share Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, PacMag will lodge with ASIC an office copy of the Court orders approving the Schemes, including the Share Scheme. The Schemes, including the Share Scheme will then be Effective and the lodgement date will be the Effective Date.

4.2 Appointment of PacMag as Attorney

Each Share Scheme Participant, without the need for any further act, irrevocably appoints PacMag and each and all of its directors and officers (jointly and severally) as their attorney and agent for the purpose of executing any document necessary to give effect to the Share Scheme, including without limitation, a proper instrument of transfer of its PacMag Shares for the purposes of section 1071B of the Corporations Act (which may be a master transfer of all the PacMag Shares executed for and on behalf of each Share Scheme Participant in relation to PacMag Shares).

4.3 Transfer of PacMag Shares

On the Implementation Date subject to clause 4.4:

- (a) all of the PacMag Shares held by Share Scheme Participants will be transferred to Entrée Australia without the need for any further act by any Share Scheme Participant;
- (b) PacMag will either effect a valid transfer or transfers of the PacMag Shares to be transferred to Entrée Australia, under section 1074D of the Corporations Act or deliver to Entrée Australia duly completed and executed share transfer forms (or a master transfer form) in accordance with section 1071B of the Corporations Act and Entrée Australia will execute and deliver those share transfer forms to PacMag;
- (c) all the PacMag Shares, together with all rights and entitlements attaching to those PacMag Shares as at that date will be transferred to Entrée Australia; and
- (d) PacMag must enter the name of Entrée Australia in the Register as the holder of all those PacMag Shares.

4.4 Satisfaction of Share Scheme Consideration

Entrée will, on the Implementation Date provide the Share Scheme Consideration as follows:

- (a) in the case of the cash component of the Share Scheme Consideration, Entrée will pay to each Share Scheme Participant such amount of the cash component of the Share Scheme Consideration as that Share Scheme Participant is entitled to under this Share Scheme for each

PacMag Share registered in the name of that Share Scheme Participant in Canadian currency by sending or procuring the dispatch to each such Share Scheme Participant by airmail (if possible) or ordinary mail to the address of that Share Scheme Participant recorded in the Register at the Record Date of a cheque for the amount of the cash component of the Share Scheme Consideration due to that Share Scheme Participant;

- (b) in the case of that part of the Share Scheme Consideration comprising Entrée Shares:
 - (i) if the Share Scheme Participant is an Ineligible Foreign Security holder or a Retail Shareholder that elects to use the Sale Facility, Entrée issuing to the Nominee 0.1018 Entrée Shares for each PacMag Share registered in the name of that Share Scheme Participant in accordance with the provisions of this Share Scheme; and
 - (ii) otherwise, Entrée issuing to the Share Scheme Participants 0.1018 Entrée Shares for each PacMag Share registered in the name of that Share Scheme Participant in accordance with the provisions of this Share Scheme.
- (c) Any fractional entitlement of a Share Scheme Participant to Entrée Shares will be rounded up to the nearest whole number of Entrée Shares if the fractional entitlement is 0.5 or more or down to the nearest whole number of Entrée Shares if the fractional entitlement is less than 0.5.

4.5 PacMag to execute share transfer forms

PacMag will execute the share transfer forms referred to in clause 4.3 and will deliver those share transfer forms to the Share Registry for registration.

4.6 Register

Immediately following receipt of the transfer forms in respect of the PacMag Shares, PacMag will (subject to the terms and conditions of the Share Scheme) enter the name of Entrée Australia in the Register in respect of all the PacMag Shares.

4.7 Agree to Become Shareholder

Each Share Scheme Participant, other than an Ineligible Foreign Security holder whose Share Scheme Consideration is issued to the Nominee, agrees:

- (a) to become a shareholder of Entrée;
- (b) to have their name entered in the Entrée register of shareholders and accept the Entrée Shares issued by way of part satisfaction of the Share Scheme Consideration; and
- (c) to be bound by the constitution of Entrée.

5. INELIGIBLE FOREIGN SECURITY HOLDERS

Where clause 4.4(b)(i) applies in relation to the Share Scheme Consideration of a Share Scheme Participant, PacMag will procure, and Entrée will reasonably assist PacMag in procuring, that the Nominee:

- (a) as soon as reasonably practicable, sells for the benefit of the Share Scheme Participant all the Entrée Shares issued to the Nominee under clause 4.4 in consideration for the transfer of the Share Scheme Participant's PacMag Shares;
- (b) accounts to the Ineligible Foreign Security holder for the net proceeds of sale (on an averaged basis so that all Ineligible Foreign Security holders receive the same price per Entrée Share subject to rounding to the nearest whole cent) and any income referable to those Entrée Shares, after deduction of any applicable taxes and currency conversion costs, at the Ineligible Foreign Security holder's risk in full satisfaction of the Ineligible Foreign Security holder's rights under clause 4; and
- (c) remits the net proceeds of sale in respect of the Ineligible Foreign Security holder's entitlement under this clause 5, such proceeds to be dispatched by airmail (if possible) or ordinary mail to the Ineligible Foreign Shareholder's address as shown in the Register by cheque in Australian currency, being converted by the Nominee at a date not more than 15 Business Days after the sale of the last of the Ineligible Foreign Security holder's entitlements.

6. RETAIL SHAREHOLDERS

If the Entrée Shares which would be issued as part of the Share Scheme Consideration would be issued to a Retail Shareholder, then in respect of the number of Entrée Shares to which the Retail Shareholder is entitled, the Retail Shareholder will be given the option to have those Entrée Shares allotted to the Nominee in trust for the Retail Shareholder, who will sell those Entrée Shares as soon as practicable (at the risk of the Retail Shareholder) and pay the proceeds received, after deducting any applicable taxes and currency conversion costs, to that Retail Shareholder in full satisfaction of that Retail Shareholder's right to that part of the Share Scheme Consideration comprising Entrée Shares under this Share Scheme ("**Sale Facility**").

7. DEALINGS IN PACMAG SHARES

7.1 Dealings on or Prior to Record Date

- (a) No PacMag Shareholder shall dispose of or purport or agree to dispose of any PacMag Shares or any interest therein after the close of trading of PacMag Shares on ASX on the Effective Date.
- (b) For the purpose of establishing who are Share Scheme Participants, dealings in PacMag Shares will only be recognised if:

- (i) in the case of dealings of the type to be effected using CHESS the transferee is registered in the Register as the holder of the relevant PacMag Shares by 7.00pm EST on the Record Date; and
 - (ii) in all other cases, if registrable transfers or transmission applications in respect of those dealings are received on or before 7.00pm EST on the Record Date at the place where the Register is kept.
- (c) PacMag must register transfers or registrable transmission applications of the type referred to in clause 7.1(b) by 7.00pm EST on the Record Date.

7.2 Dealings after Record Date

- (a) PacMag will not accept for registration or recognise for any purpose any transfer or transmission application in respect of PacMag Shares received after the Record Date.
- (b) For the purpose of determining entitlements to the Share Scheme Consideration, PacMag will, until the Share Scheme Consideration has been satisfied and issued in accordance with this Share Scheme, maintain the Register in accordance with this clause 7 and the Register in this form will solely determine entitlements to the Share Scheme Consideration. As from 7.00 pm EST on the Record Date, each entry current on the Register relating to the PacMag Shares will cease to be of any effect other than as evidence of entitlement to the Share Scheme Consideration in respect of the PacMag Shares relating to that entry.
- (c) All share certificates and holding statements for the PacMag Shares shall from 7.00 pm EST on the Record Date cease to have effect as documents of title in respect of such PacMag Shares, other than for the purpose of requesting registration of dealings in the Shares in accordance with clause 7.1.

7.3 Provision of Information

PacMag must procure that as soon as reasonably practicable, details of the names, registered addresses and holdings of PacMag Shares of every Share Scheme Participant as shown in the Register at the Record Date are available to Entrée in such form as Entrée may reasonably require.

8. QUOTATION OF PACMAG SHARES

- (a) It is expected that suspension of trading on the ASX in PacMag Shares will occur from the close of business on the day on which PacMag notifies the ASX that the Court has approved the Share Scheme under section 411(4)(b) of the Corporations Act.
- (b) PacMag will not do anything to cause PacMag Shares to cease being quoted on ASX or to become permanently suspended from quotation prior to completion of the acquisition of PacMag by Entrée Australia through implementation of

the Schemes in accordance with the terms of the Scheme Implementation Agreement unless Entrée agrees in writing.

9. ENTRÉE SHARES

9.1 Approval for Official Quotation

Before, or immediately following, the Second Court Date application will be made by Entrée for admission to trading of the Entrée Shares that comprise part of the Share Scheme Consideration on the TSX and NYSE Amex conditional upon allotment and issue.

9.2 Entrée Shares

All Entrée Shares issued pursuant to the Share Scheme will rank *pari passu* in all respects with other Entrée Shares on issue at the Effective Date.

9.3 Obligations to satisfy

The obligations of Entrée and Entrée Australia to satisfy that component of the Share Scheme Consideration comprising the Entrée Shares, in favour of each of the PacMag Shareholders shall be effected by Entrée and Entrée Australia procuring the following:

- (a) entry in the Entrée register of each Share Scheme Participant (other than Ineligible Foreign Security holders and Retail Shareholders that elect to use the Share Facility) in respect of the Entrée Shares issued to the Share Scheme Participant in accordance with this Share Scheme;
- (b) entry of the name of the Nominee in the Entrée register in respect of the Entrée Shares that would be otherwise due to each Ineligible Foreign Security holder and Retail Shareholders that elect to use the Share Facility in accordance with this Share Scheme; and
- (c) on the Implementation Date, sending or procuring the dispatch to each Share Scheme Participant, or the Nominee, as the case may be, by airmail (if possible) or ordinary mail to the address of that Share Scheme Participant or Nominee recorded in the Register at the Record Date, holding statements for the Entrée Shares issued to that Share Scheme Participant or the Nominee, as the case may be, as determined in accordance with the Share Scheme. In the case of joint holders of PacMag Shares, the Entrée Shares shall be forwarded to the holder whose name appears first in the Register on the Record Date.

10. GENERAL SHARE SCHEME PROVISIONS

10.1 Variations, alterations and conditions

If the Court proposes to approve the Share Scheme subject to any alterations or conditions, PacMag may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Entrée has consented.

10.2 Further actions

- (a) PacMag must use its best endeavours to enforce the Scheme Implementation Agreement.
- (b) The PacMag Shareholders consent to PacMag doing all things necessary or incidental to the implementation of the Share Scheme and the Share Scheme binds PacMag and all of the PacMag Shareholders (including those who do not attend the Share Scheme Meeting or vote at the Share Scheme Meeting).
- (c) PacMag will execute all documents and do all acts and things necessary for the implementation and performance of its obligations under the Share Scheme.

10.3 Communications

- (a) Where a notice, transfer, transmission application, direction or other communication referred to in the Share Scheme is sent by post to PacMag, it shall not be deemed to be received in the ordinary course of post on a date other than the date (if any) on which it is actually received at PacMag's registered office or at its Share Registry.
- (b) The accidental omission to give notice of the Share Scheme Meeting to any Share Scheme Participant or the non-receipt of such a notice by any Share Scheme Participant will not, unless so ordered by the Court, invalidate the Share Scheme Meeting or the proceedings at that meeting.

10.4 Share Scheme Participant warranties

Each Share Scheme Participant is deemed to have warranted to Entrée and Entrée Australia that all their PacMag Shares (including any rights attaching to those shares) which are transferred to Entrée Australia under the Share Scheme will as at the date of the transfer of them to Entrée Australia, be fully paid and, to the extent permitted by law, free from all mortgages, charges, liens, encumbrances, pledges and security interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that such Share Scheme Participant has full power and capacity to sell and to transfer such PacMag Shares together with any rights attaching to such shares.

10.5 Authority prior to registration

Pending registration by PacMag of Entrée Australia in the Register as the holder of all the PacMag Shares (other than those held by Entrée):

- (a) Entrée Australia shall be beneficially entitled to the PacMag Shares to be transferred to it under the Share Scheme; and
- (b) each Share Scheme Participant is deemed to have appointed Entrée Australia as its sole proxy, and, where appropriate, its corporate representative, to attend shareholders meetings, exercise the votes attached to the PacMag Shares registered in such Share Scheme

Participant's name and sign any shareholders resolution and no Share Scheme Participant may itself attend or vote at any such meetings or sign any resolutions, whether in person or otherwise by proxy or corporate representative.

10.6 **Inconsistency**

To the extent of any inconsistency between this Share Scheme and PacMag's Constitution, the Share Scheme to the extent not otherwise prevented at law, overrides the PacMag Constitution and binds PacMag and the PacMag Shareholders.

10.7 **Governing law**

The proper law of the Share Scheme is the law of the State of Western Australia.

SCHEDULE

PacMag Options

Number	Series	Exercise Price	Expiry Date
1,291,585	PMHAM	\$1.102 each	29 February 2012
1,000,000	PMHAP	\$0.152 each	17 November 2010
1,000,000	PMHAQ	\$0.202 each	17 November 2010
2,083,336	PMHAI	\$0.30 each	30 June 2011
3,000,000	PMHAK	\$0.252 each	16 June 2011

APPENDIX 5 – OPTION SCHEME DOCUMENT

OPTION SCHEME OF ARRANGEMENT

PURSUANT TO SECTION 411 OF THE CORPORATIONS ACT

BETWEEN

PACMAG METALS LIMITED ACN 066 353 231 of Level 2, 33 Ord Street, West Perth, Western Australia ("**PacMag**")

AND

EACH PERSON REGISTERED AS A HOLDER OF OPTIONS IN PACMAG AT THE RECORD DATE

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Option Scheme:

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means the Australian Securities Exchange operated by ASX Limited ACN 008 624 691;

"**Business Day**" means a weekday on which trading banks are open for business in Perth, Western Australia and Vancouver, British Columbia;

"**Corporations Act**" means the Corporations Act 2001 (Cth) and the regulations made under the Act;

"**Court**" means the Federal Court of Australia or the Supreme Court of Western Australia;

"**Effective**" means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Schemes, including the Option Scheme, but in any event at no time before an office copy of the orders of the Court is lodged with ASIC;

"**Effective Date**" means the date on which the Schemes, including the Option Scheme, become Effective;

"**End Date**" means 30 June 2010 or such later date as Entrée and PacMag agree in writing;

"**Entrée**" means Entrée Gold Inc., Company No: C0725704, a company incorporated under the laws of British Columbia, Canada and with a registered address of Suite 1201, 1166 Alberni Street, Vancouver, Canada;

"**Entrée Australia**" means Entrée Australia Pty Ltd ACN 140 745 768, a wholly-owned subsidiary of Entrée;

"**Entrée Share**" means a fully paid ordinary share in Entrée;

"**EST**" means Australian Eastern Standard Time.

"**Frankfurt Stock Exchange**" means the regulated unofficial market of the Frankfurt Stock Exchange;

"**Implementation Date**" means the fifth Business Day following the Record Date or such other date as agreed by the parties in writing;

"**Ineligible Foreign Security holders**" means an Option Scheme Participant whose address, as shown in the Register, is in a jurisdiction otherwise than where Entrée (in its sole discretion) regards that the issue and allotment of Entrée Shares, either unconditionally or after compliance with conditions, in that jurisdiction under the Option Scheme is acceptable and not unduly onerous;

"**Listing Rules**" means the official listing rules of ASX;

"**Nominee**" means a nominee for the Ineligible Foreign Security holders as approved by PacMag, Entrée and ASIC if required, pursuant to the Scheme Implementation Agreement;

"**Non-Scheme Option**" means an option to subscribe for a PacMag Share which is not included in the series as detailed in the Schedule;

"**Option Scheme**" means this scheme of arrangement between PacMag and PacMag Optionholders under Part 5.1 of the Corporations Act, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved in writing by PacMag and Entrée;

"**Option Scheme Consideration**" means for every PacMag Option held at the Record Date, such number of Entrée Shares and CAD\$ cash as specified opposite the relevant series of PacMag Option detailed in the Schedule;

"**Option Scheme Deed Poll**" means the Deed Poll dated [insert] 2010 executed by Entrée in favour of the Option Scheme Participants;

"**Option Scheme Meeting**" means the meeting of PacMag Optionholders ordered by the Court to be convened pursuant to Section 411(1) of the Corporations Act;

"**Option Scheme Participants**" means PacMag Optionholders as at the Record Date;

"PacMag Constitution" means the constitution of PacMag as amended from time to time;

"PacMag Director" means a director of PacMag;

"PacMag Option" means an option to subscribe for a PacMag Share comprising the series as detailed in the Schedule;

"PacMag Optionholder" means each person entered in the Register as a holder of PacMag Options at the "snapshot" date for the Option Scheme Meeting or at the Record Date, as the context requires;

"PacMag Share" means a fully paid ordinary share in PacMag;

"PacMag Shareholder" means each person entered in the Register as a holder of PacMag Shares at the "snapshot" date for the Share Scheme Meeting at the Record Date, as the context requires;

"Record Date" means 7.00pm EST on the fifth Business Day following the Effective Date, or any other date agreed by Entrée and PacMag in writing to be the record date to determine entitlements to receive the Option Scheme Consideration under the Option Scheme;

"Register" means the securities registers of PacMag (including PacMag Shareholders and PacMag Optionholders) maintained in accordance with the Corporations Act;

"Scheme Implementation Agreement" means the Scheme Implementation Agreement dated 28 November 2009 between Entrée and PacMag relating to the implementation of the Schemes;

"Schemes" means the inter-conditional schemes of arrangement between PacMag and PacMag Shareholders (the Share Scheme) and PacMag and PacMag Optionholders (the Option Scheme) under Part 5.1 of the Corporations Act;

"Schemes Orders" means the orders granted by the Court under Part 5.1 of the Corporations Act to give approval to the Schemes;

"Second Court Date" means the first day on which the Court hears the application for orders under section 411(4)(b) approving the Option Scheme;

"Share Registry" means Link Market Services Ltd, who maintains the Register on behalf of PacMag;

"Share Scheme" means the proposed scheme of arrangement for the PacMag Shares subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved in writing by PacMag and Entrée;

"Share Scheme Meeting" means the meeting of PacMag Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act;

"Share Scheme Participants" means PacMag Shareholders as at the Record Date; and

"TSX" means the Toronto Stock Exchange.

1.2 Interpretation

- (a) Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.
- (b) A reference to:
 - (i) legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document or agreement, or a provision of a document or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) a party to this document or to any other document or agreement includes a permitted substitute or a permitted assign of that party;
 - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person;
 - (v) anything (including a right, obligation or concept) includes each part of it; and
 - (vi) a recital, clause, schedule, annexure or exhibit is to a recital, clause, schedule, annexure or exhibit of or to this document and a reference to this document includes any schedule or annexure.
- (c) A singular word includes the plural, and vice versa.
- (d) A word which suggests one gender includes the other genders.
- (e) If a word is defined, another part of speech or grammatical form of the expression has a corresponding meaning.
- (f) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.

- (g) A reference to \$ or dollar or CAD is to Canadian currency, unless expressed otherwise.
- (h) A reference to this document includes the arrangement recorded by this document.
- (i) Each representation and warranty is a separate warranty and representation and its meaning is not affected by any other representation or warranty.
- (j) A reference to a Chapter, Part, Division or section is a reference to a Chapter, Part, Division or section of the Corporations Act.
- (k) A reference to time in this document is a reference to the time in Perth, Australia.

1.3 Business Days

If the day on or by which a person must do something under this document is not a Business Day, the person must do it on or by the next Business Day.

2. PRELIMINARY MATTERS

2.1 PacMag

- (a) PacMag is a public company incorporated in Australia and is a company limited by shares.
- (b) PacMag has been admitted to the official list of the ASX and only PacMag Shares have been granted official quotation on the ASX.
- (c) On 28 November 2009, 144,667,639 PacMag Shares were on issue.
- (d) On 28 November 2009, 8,374,921 PacMag Options were on issue.
- (e) On 28 November 2009, 400,000 Non-Scheme Options were on issue.

2.2 Entrée and Entrée Australia

- (a) Entrée Australia is a proprietary company registered in Australia and is limited by shares. Entrée Australia is a wholly-owned subsidiary of Entrée, a company incorporated under Canadian law.
- (b) Entrée is listed on the TSX and the NYSE Amex and Entrée Shares are traded on the TSX, the NYSE Amex and the Frankfurt Stock Exchange.

2.3 Scheme Implementation Agreement

PacMag and Entrée have entered into the Scheme Implementation Agreement as amended to enable and procure that the Schemes proceed.

2.4 **Option Scheme Deed Poll**

Entrée has executed the Option Scheme Deed Poll in favour of the Option Scheme Participants, pursuant to which it has covenanted to perform its obligations under the Option Scheme, including to satisfy the Option Scheme Consideration.

3. **CONDITIONS**

3.1 **Conditions**

The Option Scheme is conditional upon:

- (a) the Scheme Implementation Agreement and the Option Scheme Deed Poll being and remaining at all times in full force and effect;
- (b) all of the conditions set out in clause 2.1 of the Scheme Implementation Agreement other than clauses 2.1(c), 2.1(n) and 2.1(q), being final Court approvals of the Schemes and lodgement of the final Court orders with ASIC, having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement;
- (c) approval of the Option Scheme by a majority in number of the PacMag Optionholders present and voting, either in person or by proxy, being a majority whose debts or claims against PacMag amount in the aggregate to at least 75% of the total amount of the debts and claims of the Optionholders present and voting, either in person or by proxy, at a meeting ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act;
- (d) approval of the Share Scheme by a majority in number of the PacMag Shareholders present and voting, either in person or by proxy, being a majority whose votes represent not less than 75% of the total number of votes cast on the resolution at a meeting ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act;
- (e) approval by the Court of the Share Scheme pursuant to section 411(4)(b) of the Corporations Act;
- (f) approval by the Court of the Option Scheme pursuant to section 411(4)(b) of the Corporations Act;
- (g) the ASX granting a waiver from Listing Rule 6.23 in relation to the Option Scheme or PacMag Shareholders giving any necessary approvals under Listing Rule 6.23; and
- (h) the Schemes becoming Effective by no later than the End Date.

3.2 **End Date**

The Option Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

3.3 **Certificate**

PacMag and Entrée must provide to the Court at the Second Court Hearing a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not the conditions precedent to this Option Scheme set out in clause 2.1 of the Scheme Implementation Agreement (other than the conditions precedent in clauses 2.1(c), 2.1(n) and 2.1(q) of the Scheme Implementation Agreement) are satisfied. The certificate constitutes conclusive evidence that those conditions precedent are satisfied.

4. **THE OPTION SCHEME**

4.1 **Court Order and Effective Date**

As soon as practicable following approval of the Option Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, PacMag will lodge with ASIC an office copy of the Court orders approving the Schemes, including the Option Scheme. The Schemes, including the Option Scheme, will then be Effective and the lodgement date will be the Effective Date.

4.2 **Appointment of PacMag as Attorney**

Each Option Scheme Participant, without the need for any further act, irrevocably appoints PacMag and each and all of its directors and officers (jointly and severally) as their attorney and agent for the purpose of executing any document necessary to give effect to the Option Scheme and is otherwise deemed to join and concur in all acts and transactions as are necessary on the part of the Option Scheme Participant to give effect to the Option Scheme.

4.3 **Cancellation of PacMag Options**

On the Implementation Date subject to clause 4.4 all of the debts and claims evidenced by the PacMag Options and all of the rights and obligations pertaining to the PacMag Options shall be cancelled and extinguished without the need for any further act by any Option Scheme Participant, upon which each Option Scheme Participant will be entitled to receive the Option Scheme Consideration in accordance with the terms of the Option Scheme.

4.4 **Satisfaction of Option Scheme Consideration**

Entrée will, on the Implementation Date provide the Option Scheme Consideration as follows:

- (a) in the case of the cash component of the Option Scheme Consideration Entrée will pay to each Option Scheme Participant such amount of the cash component of the Option Scheme Consideration as that Option Scheme Participant is entitled to under this Option Scheme for each PacMag Option registered in the name of that Option Scheme Participant in Canadian currency by sending or procuring the dispatch to each such Option Scheme Participant by airmail (if possible) or ordinary mail to the address of that Option Scheme Participant recorded in the Register at the

Record Date of a cheque for the amount of the cash component of the Option Scheme Consideration due to that Option Scheme Participant;

- (b) in the case of that part of the Option Scheme Consideration comprising Entrée Shares:
 - (i) if the Option Scheme Participant is an Ineligible Foreign Security holder, Entrée issuing to the Nominee such number of Entrée Shares for each PacMag Option registered in the name of that Option Scheme Participant in accordance with the provisions of this Option Scheme; and
 - (ii) otherwise, Entrée issuing to the Option Scheme Participants such number of Entrée Share for each PacMag Option registered in the name of that Option Scheme Participant in accordance with the provisions of this Option Scheme.
- (c) Any fractional entitlement of an Option Scheme Participant to Entrée Shares will be rounded up to the nearest whole number of Entrée Shares if the fractional entitlement is 0.5 or more or down to the nearest whole number of Entrée Shares if the fractional entitlement is less than 0.5.

4.5 Agree to Become Shareholder

Each Option Scheme Participant, other than an Ineligible Foreign Security holder whose Option Scheme Consideration is issued to the Nominee, agrees:

- (a) to become a shareholder of Entrée;
- (b) to have their name entered in the Entrée register of shareholders and accept the Entrée Shares issued by way of satisfaction of the Option Scheme Consideration; and
- (c) to be bound by the constitution of Entrée.

5. INELIGIBLE FOREIGN SECURITY HOLDERS

Where clause 4.4(b)(i) applies in relation to the Option Scheme Consideration of an Option Scheme Participant, PacMag will procure, and Entrée will reasonably assist PacMag in procuring, that the Nominee:

- (a) as soon as reasonably practicable, sells for the benefit of the Option Scheme Participant all the Entrée Shares issued to the Nominee under clause 4.4 in consideration for the cancellation and extinguishment of the debts and claims evidenced by, and the rights and obligations pertaining to, the Option Scheme Participant's PacMag Options;
- (b) accounts to the Ineligible Foreign Security holder for the net proceeds of sale (on an averaged basis so that all Ineligible Foreign Security holders receive the same price per Entrée Share, subject to rounding to the nearest whole cent) and any income referable to those Entrée Shares, after deduction of taxes and currency conversion costs, at the

Ineligible Foreign Security holder's risk in full satisfaction of the Ineligible Foreign Security holder's rights under clause **Error! Reference source not found.**; and

- (c) remits the net proceeds of sale in respect of the Ineligible Foreign Security holder's entitlement under this clause **Error! Reference source not found.**, such proceeds to be dispatched by airmail (if possible) or ordinary mail to the Ineligible Foreign Security holder's address as shown in the Register by cheque in Australian currency, being converted by the Nominee at a date not more than 15 Business Days after the sale of the last of the Ineligible Foreign Security holder's entitlements.

6. DEALINGS IN PACMAG OPTIONS

6.1 Dealings on or Prior to Record Date

- (a) No PacMag Optionholder shall exercise or purport or agree to exercise any PacMag Options on or after the Effective Date and PacMag shall not, and shall not be obliged to, recognise or accept any notice purporting to exercise any PacMag Option which is received by PacMag after the Effective Date.
- (b) In relation to PacMag Options which are transferable, for the purpose of establishing who are Option Scheme Participants, dealings in PacMag Options will only be recognised if registrable transfers or transmission applications in respect of those dealings are received on or before 7.00pm EST on the Record Date at the place where the Register is kept.
- (c) PacMag must register transfers or registrable transmission applications of the type referred to in clause 6.1(b) by 7.00pm EST on the Record Date.

6.2 Dealings after Record Date

- (a) In relation to PacMag Options which are transferable, PacMag will not accept for registration or recognise for any purpose any transfer or transmission application in respect of PacMag Options received after the Record Date.
- (b) For the purpose of determining entitlements to the Option Scheme Consideration, PacMag will, until the Option Scheme Consideration has been satisfied and issued in accordance with this Scheme, maintain the Register in accordance with this clause 6 and the Register in this form will solely determine entitlements to the Option Scheme Consideration. As from 7.00 pm EST on the Record Date, each entry current on the Register relating to the PacMag Options will cease to be of any effect other than as evidence of entitlement to the Option Scheme Consideration in respect of the PacMag Options relating to that entry.

- (c) All option certificates for the PacMag Options shall from 7.00pm EST on the Record Date cease to have effect as documents of title in respect of such PacMag Options, other than for the purpose of requesting registration of dealings in the PacMag Options in accordance with clause **Error! Reference source not found.**

6.3 **Provision of Information**

PacMag must procure that as soon as reasonably practicable, details of the names, registered addresses and holdings of PacMag Options of every Option Scheme Participant as shown in the Register at the Record Date are available to Entrée in such form as Entrée may reasonably require.

7. **ENTRÉE SHARES**

7.1 **Approval for Official Quotation**

Before, or immediately following, the Second Court Date application will be made by Entrée for admission to trading of the Entrée Shares that comprise part of the Option Scheme Consideration on the TSX and NYSE Amex conditional upon allotment and issue.

7.2 **Entrée Shares**

All Entrée Shares issued pursuant to the Option Scheme will rank pari passu in all respects with other Entrée Shares on issue at the Effective Date.

7.3 **Obligations to satisfy**

The obligations of Entrée and Entrée Australia to satisfy that component of the Option Scheme Consideration comprising the Entrée Shares, in favour of each PacMag Optionholder shall be effected by Entrée and Entrée Australia procuring the following:

- (a) entry in the Entrée register of each Option Scheme Participant (other than Ineligible Foreign Security holders) in respect of the Entrée Shares issued to the Option Scheme Participant in accordance with this Option Scheme;
- (b) entry of the name of the Nominee in the Entrée register in respect of the Entrée Shares that would be otherwise due to each Ineligible Foreign Security holder in accordance with this Option Scheme;
- (c) all matters to assist PacMag in relation to the cancellation and extinguishment of the debts and claims evidenced by, and the rights and obligations pertaining to, the PacMag Options in accordance with the Option Scheme; and
- (d) on the Implementation Date, sending or procuring the dispatch to each Option Scheme Participant or the Nominee, as the case may be, by airmail (if possible) or ordinary mail to the address of that Option Scheme Participant or Nominee recorded in the Register at the Record

Date, holding statements for the Option Scheme Consideration issued to that Option Scheme Participant or the Nominee, as the case may be, as determined in accordance with the Option Scheme. In the case of joint holders of PacMag Options, the Option Scheme Consideration shall be forwarded to the holder whose name appears first in the Register on the Record Date.

8. GENERAL OPTION SCHEME PROVISIONS

8.1 Variations, alterations and conditions

If the Court proposes to approve the Option Scheme subject to any alterations or conditions, PacMag may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Entrée has consented.

8.2 Further actions

- (a) PacMag must use its best endeavours to enforce the Scheme Implementation Agreement.
- (b) The Option Scheme Participants agree to the cancellation and extinguishments of the debts and claims evidenced by, and the rights and obligations pertaining to, the PacMag Options in accordance with the terms of the Option Scheme.
- (c) The PacMag Optionholders consent to PacMag doing all things necessary or incidental to the implementation of the Schemes and the Option Scheme binds PacMag and all of the PacMag Optionholders (including those who do not attend the Option Scheme Meeting or vote at the Option Scheme Meeting).
- (d) PacMag will execute all documents and do all acts and things necessary for the implementation and performance of its obligations under the Schemes.

8.3 Communications

- (a) Where a notice, transfer, transmission application, direction or other communication referred to in the Option Scheme is sent by post to PacMag, it shall not be deemed to be received in the ordinary course of post on a date other than the date (if any) on which it is actually received at PacMag's registered office or at its Share Registry.
- (b) The accidental omission to give notice of the Option Scheme Meeting to any Option Scheme Participant or the non-receipt of such a notice by any Option Scheme Participant will not, unless so ordered by the Court, invalidate the Option Scheme Meeting or the proceedings at that meeting.

8.4 **Inconsistency**

To the extent of any inconsistency between this Option Scheme and PacMag's Constitution, the Option Scheme to the extent not otherwise prevented at law, overrides the PacMag Constitution and binds PacMag and the PacMag Optionholders.

8.5 **Governing law**

The proper law of the Option Scheme is the law of the State of Western Australia.

SCHEDULE

PacMag Options

Number	Series	Exercise Price	Expiry Date	Total Option Scheme Consideration for each series	Option Scheme Consideration to be provided to Option Scheme Participants for each PacMag Option held
1,291,585	PMHAM	\$1.102 each	29 February 2012	13,781 Entrée Shares and CAD\$16,088.29	0.0107 Entrée Shares and CAD\$0.0125
1,000,000	PMHAP	\$0.152 each	17 November 2010	48,138 Entrée Shares and CAD\$56,197.92	0.0481 Entrée Shares and CAD\$0.0562
1,000,000	PMHAQ	\$0.202 each	17 November 2010	39,205 Entrée Shares and CAD\$45,769.44	0.0392 Entrée Shares and CAD\$0.0458
2,083,336	PMHAI	\$0.30 each	30 June 2011	67,720 Entrée Shares and CAD\$79,058.60	0.0325 Entrée Shares and CAD\$0.0379
3,000,000	PMHAK	\$0.252 each	16 June 2011	110,172 Entrée Shares and CAD\$128,617.92	0.0367 Entrée Shares and CAD\$0.0429

APPENDIX 6 – SHARE SCHEME DEED POLL

DEED POLL

DATE 21 APRIL 2010

BY

ENTRÉE GOLD INC. (Company No. C0725704) ("**Entrée**") in favour of each holder of PacMag Shares in **PACMAG METALS LIMITED** (ACN 066 353 231) ("**PacMag**") on the Record Date ("**Share Scheme Participant**").

BACKGROUND

- A. On 28 November 2009, Entrée and PacMag entered into a scheme implementation agreement ("**Scheme Implementation Agreement**") that sets out the steps and arrangements necessary to implement the Schemes.
- B. Under the Share Scheme, all of the PacMag Shares will be transferred to Entrée Australia and in exchange PacMag Shareholders will receive from Entrée, 0.1018 Entrée Shares and CAD\$0.0415 cash for each PacMag Share.
- C. Entrée enters into this deed poll for the purposes of covenanting in favour of each Share Scheme Participant to perform certain obligations.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

In this deed poll, unless the context requires otherwise, expressions which are defined in the Scheme Implementation Agreement or the Scheme Booklet have the same meaning in this deed poll.

"**Entrée Australia**" means Entrée Australia Pty Ltd ACN 140 745 768, a wholly-owned subsidiary of Entrée.

"**Scheme Booklet**" includes the explanatory statement relating to the schemes of arrangement between PacMag and the Scheme Participants (to which this document will form an Appendix) to be sent to PacMag Shareholders and PacMag Optionholders in accordance with section 412(1)(a) of the Corporations Act.

1.2 Interpretation

In this deed poll, unless the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) the headings are used for convenience only and do not affect the interpretation of this document;

- (c) a reference to a document includes the document as modified from time to time and any document replacing it;
- (d) if something is to be done on a day which is not a Business Day then that thing must be done on the next or following Business Day;
- (e) money amounts are stated in Canadian currency unless otherwise specified; and
- (f) if a word is defined, another part of speech or grammatical form of that expression has a corresponding meaning.

1.3 Nature of Deed Poll

Entrée acknowledges that this deed poll may be relied on and enforced by any Share Scheme Participant in accordance with its terms even though the Share Scheme Participant is not party to it; and the Scheme Implementation Agreement and Scheme Booklet shall be produced for that purpose.

2. COMMENCEMENT AND TERMINATION

2.1 Commencement

Entrée's obligations under clause 3 commence when all of the conditions set out in clause 3.1 of the Share Scheme which forms Annexure 1 to the Scheme Booklet have been satisfied or waived.

2.2 Termination

This deed poll and the obligations of Entrée under this deed poll to Share Scheme Participants will automatically terminate and the terms of this deed poll will be of no further force or effect if the Scheme Implementation Agreement is terminated in accordance with its terms prior to the Effective Date.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Entrée is released from its obligations to further perform this deed poll; and
- (b) Share Scheme Participants retain the rights they have against Entrée in respect of any breach of this deed poll by Entrée which occurred before termination of this deed poll.

3. ENTRÉE'S OBLIGATIONS

In accordance with clause 5.2 of the Scheme Implementation Agreement, Entrée covenants in favour of each Share Scheme Participant to:

- (a) upon the transfer to Entrée Australia of all of the PacMag Shares on issue at the Record Date, and in consideration for that transfer, provide or procure the issue of the Scheme Consideration to each Share Scheme Participant in accordance with the Share Scheme; and
- (b) otherwise do all things necessary or expedient on its part, and on the part of Entrée Australia to implement the Share Scheme.

4. REPRESENTATIONS AND WARRANTIES

Entrée represents and warrants that:

- (a) it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) it has full legal capacity and power to enter into this deed poll and to carry out the transactions that this deed poll contemplates;
- (c) all corporate action has been taken that is necessary or desirable to authorise its entry into this deed poll and its carrying out of the transactions that this deed poll contemplates;
- (d) the Entrée Shares to be issued pursuant to the Scheme will be validly issued and will be issued by Entrée free from any encumbrances; and
- (e) this deed poll constitutes legal, valid and binding obligations, enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditors' rights generally), subject to any necessary stamping or registration.

5. GENERAL

5.1 Continuing obligations

This deed poll is irrevocable and remains in full force and effect until:

- (a) Entrée has completely performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

5.2 No assignment

A party cannot assign or otherwise transfer the benefit of this deed poll.

5.3 No variation

This deed poll cannot be waived or varied except in writing signed by the person granting the waiver and unless the variation is agreed to by PacMag, in which event Entrée will enter into a further deed poll in favour of each Share Scheme Participant giving effect to the amendment.

5.4 Notices

Any notice or other communication to Entrée under this deed poll:

- (a) may be given by personal service, post or facsimile;
 - (i) must be in writing, legible and in English addressed as shown below:

Entrée Gold Inc

Address: Suite 1201, 1166 Alberni Street,
Vancouver, Canada, BC V6E3Z3

Attention: Company Secretary

Facsimile: + 1 604 687 4770

- (ii) or to any other address the addressee requests in writing;
- (b) is deemed to be given by the sender and received by the addressee:
 - (i) if delivered in person, when delivered to the addressee;
 - (ii) if posted, 2 Business Days (or 6, if addressed outside Australia) after the date of posting to the addressee whether delivered or not; or
 - (iii) if sent by facsimile transmission, on the date shown on the transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety and in legible form to the facsimile number of the addressee notified for the purposes of this clause,

but if the delivery or receipt is on a day which is not a Business Day or is after 5.00 pm (addressee's time) it is deemed to have been received at 9.00 am (addressee's time) on the next Business Day.

5.5 Governing Law and Jurisdictions

This deed poll is governed by and must be construed in accordance with the laws of Western Australia. Entrée submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Western Australia, and any court that may hear appeals from any of those courts, in respect of all matters or things arising out of this deed poll.

5.6 Stamp Duty

All stamp duty (including fines and penalties, if any) payable in respect of this deed poll or any instrument created in connection with it must be borne by Entrée.

EXECUTED as a deed poll.

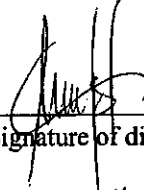
EXECUTED by **ENTRÉE GOLD INC.**



Signature of director

Lindsay Richard Bottomer

Full Name



Signature of director/secretary

Misha Forster

Full Name

APPENDIX 7 – OPTION SCHEME DEED POLL

DEED POLL

DATE 21 APRIL 2010

BY

ENTRÉE GOLD INC. (Company No. C0725704) ("Entrée") in favour of each holder of PacMag Options in PACMAG METALS LIMITED (ACN 066 353 231) ("PacMag") on the Record Date ("Option Scheme Participant").

BACKGROUND

- A. On 28 November 2009, Entrée and PacMag entered into a scheme implementation agreement ("**Scheme Implementation Agreement**") that sets out the steps and arrangements necessary to implement the Schemes.
- B. Under the Option Scheme, all PacMag Options will be cancelled and in consideration PacMag Optionholders will receive from Entrée, the Option Scheme Consideration in accordance with the Option Scheme.
- C. Entrée enters into this deed poll for the purposes of covenanting in favour of each Option Scheme Participant to perform certain obligations.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

In this deed poll, unless the context requires otherwise, expressions which are defined in the Scheme Implementation Agreement or the Scheme Booklet have the same meaning in this deed poll.

"**Entrée Australia**" means Entrée Australia Pty Ltd ACN 140 745 768, a wholly-owned subsidiary of Entrée.

"**Scheme Booklet**" includes the explanatory statement relating to the schemes of arrangement between PacMag and the Scheme Participants (to which this document will form an Appendix) to be sent to PacMag Shareholders and PacMag Optionholders in accordance with section 412(1)(a) of the Corporations Act.

1.2 Interpretation

In this deed poll, unless the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) the headings are used for convenience only and do not affect the interpretation of this document;

- (c) a reference to a document includes the document as modified from time to time and any document replacing it;
- (d) if something is to be done on a day which is not a Business Day then that thing must be done on the next or following Business Day;
- (e) money amounts are stated in Canadian currency unless otherwise specified; and
- (f) if a word is defined, another part of speech or grammatical form of that expression has a corresponding meaning.

1.3 Nature of Deed Poll

Entrée acknowledges that this deed poll may be relied on and enforced by any Option Scheme Participant in accordance with its terms even though the Option Scheme Participant is not party to it; and the Scheme Implementation Agreement and Scheme Booklet shall be produced for that purpose.

2. COMMENCEMENT AND TERMINATION

2.1 Commencement

Entrée's obligations under clause 3 commence when all of the conditions set out in clause 3.1 of the Option Scheme which forms Annexure 2 to the Scheme Booklet have been satisfied or waived.

2.2 Termination

This deed poll and the obligations of Entrée under this deed poll to Option Scheme Participants will automatically terminate and the terms of this deed poll will be of no further force or effect if the Scheme Implementation Agreement is terminated in accordance with its terms prior to the Effective Date.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Entrée is released from its obligations to further perform this deed poll; and
- (b) Option Scheme Participants retain the rights they have against Entrée in respect of any breach of this deed poll by Entrée which occurred before termination of this deed poll.

3. ENTRÉE'S OBLIGATIONS

In accordance with clause 5.2 of the Scheme Implementation Agreement, Entrée covenants in favour of each Option Scheme Participant to:

- (a) upon the cancellation of all of the PacMag Options, and in consideration for their cancellation, provide the Option Scheme Consideration to each Option Scheme Participant in accordance with the Option Scheme; and
- (b) otherwise do all things necessary or expedient on its part, and on the part of Entrée Australia to implement the Option Scheme.

4. REPRESENTATIONS AND WARRANTIES

Entrée represents and warrants that:

- (a) it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) it has full legal capacity and power to enter into this deed poll and to carry out the transactions that this deed poll contemplates;
- (c) all corporate action has been taken that is necessary or desirable to authorise its entry into this deed poll and its carrying out of the transactions that this deed poll contemplates; and
- (d) this deed poll constitutes legal, valid and binding obligations, enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditors' rights generally), subject to any necessary stamping or registration.

5. GENERAL

5.1 Continuing obligations

This deed poll is irrevocable and remains in full force and effect until:

- (a) Entrée has completely performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

5.2 No assignment

A party cannot assign or otherwise transfer the benefit of this deed poll.

5.3 No variation

This deed poll cannot be waived or varied except in writing signed by the person granting the waiver and unless the variation is agreed to by PacMag, in which event Entrée will enter into a further deed poll in favour of each Option Scheme Participant giving effect to the amendment.

5.4 Notices

Any notice or other communication to Entrée under this deed poll:

- (a) may be given by personal service, post or facsimile;
 - (i) must be in writing, legible and in English addressed as shown below:

Entrée Gold Inc

Address: Suite 1201, 1166 Alberni Street,
Vancouver, Canada, BC V6E3Z3

Attention: Company Secretary

Facsimile: +1 604 687 4770

- (ii) or to any other address the addressee requests in writing;
- (b) is deemed to be given by the sender and received by the addressee:
 - (i) if delivered in person, when delivered to the addressee;
 - (ii) if posted, 2 Business Days (or 6, if addressed outside Australia) after the date of posting to the addressee whether delivered or not; or
 - (iii) if sent by facsimile transmission, on the date shown on the transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety and in legible form to the facsimile number of the addressee notified for the purposes of this clause,

but if the delivery or receipt is on a day which is not a Business Day or is after 5.00 pm (addressee's time) it is deemed to have been received at 9.00 am (addressee's time) on the next Business Day.

5.5 Governing Law and Jurisdictions

This deed poll is governed by and must be construed in accordance with the laws of Western Australia. Entrée submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Western Australia, and any court that may hear appeals from any of those courts, in respect of all matters or things arising out of this deed poll.

5.6 Stamp Duty

All stamp duty (including fines and penalties, if any) payable in respect of this deed poll or any instrument created in connection with it must be borne by Entrée.

EXECUTED as a deed poll.

EXECUTED by **ENTRÉE GOLD INC.**



Signature of director

Lindsay Richard Bottomer

Full Name



Signature of director/secretary

Mara Forster

Full Name