

# PacMag Metals Limited

## ASX ANNOUNCEMENT

### Entrée Validates Previous PacMag Estimate with new NI 43-101 Compliant Inferred Resource of 7.1 Billion Pounds Copper at Ann Mason, Nevada

27 January 2010

Please find attached a news release by Entrée Gold Inc. (TSX:ETG; AMEX:EGI; Frankfurt:EKA) regarding a new Canadian National Instrument 43-101 ("NI 43-101") compliant resource estimate prepared for the PacMag Metals Limited Ann Mason copper-molybdenum deposit located near Yerington, Nevada. This new resource and associated independent report was completed by Wardrop Engineering Inc for Entrée in order for Entrée to fulfill its Canadian regulatory requirements.

PacMag has a 100% interest in the Ann Mason Project, which hosts the Ann Mason deposit. In 2006 PacMag commissioned Golder Associates ("Golder") to prepare a Joint Ore Reserves Committee ("JORC") compliant resource estimate for Ann Mason that outlined an in-situ Inferred Mineral Resource of 810 million tonnes grading 0.40% copper and 0.004% molybdenum at a 0.30% copper cut-off grade, estimated to contain more than 7.1 billion pounds copper. The new 2010 NI 43-101 Resource Estimate reported by Entrée validates the previous 2006 Golder estimate.

On November 29, 2009, PacMag Metals Limited ("PacMag") and TSX listed Entrée Gold Inc ("Entrée") announced a proposed merger transaction whereby Entrée will acquire all of the issued shares and options of PacMag by a scheme of arrangement.

The offer is approximately one Entrée share for each 9.83 PacMag shares and CAD\$0.0415 (Australian 4.3 cents as at 26<sup>th</sup> January 2010) for each PacMag share held on the record date. The offer may also be expressed as 0.1018 Entrée shares and CAD\$0.0415 cash for each PacMag share.

The following formula can be used to calculate the offer price in Australian dollars:  $(0.1018 \text{ ETG shares} \times \text{ETG share price}_1 \times \text{foreign exchange Rate}_2 + (\text{CAD\$0.0415} \times \text{foreign exchange rate})$  for each PMH share.

The offer, based on prices and exchange rates as at the 26<sup>th</sup> January 2010, values PacMag at approximately A\$52 million, or A\$0.36 per share.

$(0.1018 \times \text{CAD\$2.98} \times 1.0466) + (\text{CAD\$0.0415} \times 1.0466) = \text{AUD\$0.36}$  per PMH share.

The proposal offers PacMag security holders:

- a material premium to historical and market prices of PacMag;
- 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 listing;
- 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, as well as Entrée's Yerington Project that immediately adjoins the western boundary of PacMag's Ann Mason copper project in Nevada USA;

**ASX:PMH**

**Board of Directors:**

Chairman: R M Joyce

MD: M Clifford

Non-Exec: E Althaus

**Web**

[www.pacmag.com.au](http://www.pacmag.com.au)

**E-mail**

[info@pacmag.com.au](mailto:info@pacmag.com.au)

**Address:**

Level 2/33 Ord Street  
West Perth WA 6005

**Postal Address:**

PO Box 1569  
West Perth WA 6872

Tel: (08) 9481 2997

Fax: (08) 9321 0070

**Registry Enquiries:**

Link Market Services

Tel: 1300 553 490



- a combined resource base of the merged group that will include 11.6 billion pounds of copper and 5 million ounces of gold (refer to resource estimates below);
- a copper – gold focused exploration portfolio spanning 5 countries, offering a pipeline of opportunities with a range of risk profiles;
- access to Entrée's strong balance sheet (including ~CAD\$40 million cash) and supportive shareholder base including Rio Tinto (15%) and Ivanhoe (14%);
- an experienced evaluation and development team in the Entrée Board of Directors and Senior Management capable of rapidly progressing the combined assets of the two groups; and
- financial strength, with the merged group having a pro forma market capitalization in excess of A\$300 million.

The merger will proceed by way of a Share Scheme and Option Scheme (in respect of options other than those issued under the term of PacMag's Employee Share Option Plan ("ESOP")) and PacMag and Entrée have entered into a conditional scheme implementation agreement ("SIA") to implement the proposed merger. Entrée will also offer holders of ESOP options consideration to cancel their options. The Share Scheme and Option Scheme are conditional on the cancellation or exercise of all options issued under PacMag's ESOP.

The merger will apply to all PacMag shares and PacMag options on issue.

A summary of the key terms of the SIA were provided in the annexure to the announcement regarding the transaction released to the ASX on 30<sup>th</sup> November 2009.

The Directors have considered the advantages and disadvantages of the offer from Entrée and, in the absence of a superior proposal and subject to an independent expert concluding that the merger is in the best interests of PacMag shareholders and optionholders, intend to recommend that PacMag shareholders and optionholders vote in favour of the merger.

The SIA contains a number of other customary conditions, including receipt of required approval from regulators and Australian court approval. The merger is also conditional on the cancellation or exercise of all existing options issued under PacMag's ESOP.

The SIA contains customary terms typical for a transaction of this nature including no shop and no talk exclusivity provisions and a break fee payable in certain circumstances (although not linked to the outcome of the PacMag shareholder or optionholder vote in relation to the transaction).

### **Next Steps**

In due course, PacMag's shareholders and optionholders will each receive a notice of meeting relating to the Share and Option Schemes. The notice of meeting will contain full details of the proposed transaction, including the basis for the PacMag Board's recommendation regarding shareholders and optionholders approval of the proposed transaction.

PacMag has appointed an independent expert to prepare a report on whether the proposed transaction is in the best interests of PacMag's shareholders and optionholders. The independent expert's report will be included in the information to be sent to shareholders and optionholders.

It is currently anticipated that PacMag will lodge with the Australian Securities and Investments Commission (ASIC) the notice of meeting to convene the shareholder and optionholder meetings in mid-February 2010. PacMag will seek a Court order to convene a meeting of its shareholders and optionholders to approve the transaction, expected to be held in late April 2010, with transaction close expected in mid to late May.

<sup>1</sup>Available at the website [finance.yahoo.com](http://finance.yahoo.com) use Entrée code ETG.TO.

<sup>2</sup>Based on the nominal noon rate as published by the Bank of Canada on their website.

*Note that Entrée will pay the \$CAD entitlement in Australian currency, by determining the Australian currency equivalent with reference to the nominal noon rate as published by the Bank of Canada on the date at which the Schemes become effective.*

*The information in this ASX Release that relates to Exploration Results, Minerals Resources or Ore Reserves, as those terms are defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve", is based on information compiled by Mr Michael Clifford, who is a full time employee of the Company and a Member of the Australian Institute of Geoscientists. Mr Michael Clifford has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking 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 Reserve". Mr Michael Clifford consents to the inclusion in this ASX Release of the matters based on his information in the form and context in which it appears.*

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**Michael Clifford**  
**Director**

For further information please contact:  
Michael Clifford/Mike Joyce  
(08) 9481 2997 or [info@pacmag.com.au](mailto:info@pacmag.com.au)

**ABOUT PACMAG (ASX:PMH)**

*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 advanced Sentinel uranium-germanium-molybdenum project located in North Dakota, USA. Ann Mason contains an inferred mineral resource of 810 million tonnes @ 0.4% copper, 0.004% molybdenum (7.1 billion pounds of contained copper metal). PacMag also holds interests in other less advanced copper projects in Australia.*



## **Entrée Defines NI 43-101 Inferred Resource of 7.1 Billion Pounds Copper at Ann Mason, Nevada**

Vancouver, B.C., January 26, 2010 - Entrée Gold Inc. (TSX:ETG; AMEX:EGI; Frankfurt:EKA – “Entrée” or the “Company”) has received the first National Instrument 43-101 (“NI 43-101”) compliant resource estimate prepared for the Ann Mason copper- molybdenum deposit located near Yerington, Nevada. Ann Mason is estimated to contain an inferred resource of 810.4 million metric tonnes grading 0.40% copper, using a 0.30% copper cut-off (see Table 1 below). Accompanying molybdenum is estimated at 165.9 million metric tonnes at a grade of 0.01% molybdenum. Based on these figures, the Ann Mason deposit contains approximately 7.1 billion pounds of copper.

Entrée commissioned Wardrop Engineering Inc. (“Wardrop”) to prepare the NI 43-101 compliant Technical Report and Resource Estimate of the Ann Mason Copper Molybdenum Project (“2010 NI 43-101 Resource Estimate”), which is filed on SEDAR. This independent report was completed in order to fulfill Canadian regulatory requirements.

The Wardrop 2010 Inferred resource is confined by an optimized Whittle pit shell #25. Using the same pit shell, the 2010 Inferred resource estimate represents a 10.6% increase in tonnes from the 2006 model (724.7 million tonnes at 0.40% copper) with a negligible increase in grade at a 0.30% copper cut-off. The increase in tonnage is largely due to the inclusion of additional information generated by drilling after the 2006 calculation was made.

**Table 1. Ann Mason Inferred Resource - January 2010**

<b>Cu %</b>	<b>Tonnage (million t)</b>	<b>Cu %</b>
>0.4	315.22	0.485
<b>&gt;0.3</b>	<b>810.39</b>	<b>0.399</b>
>0.2	1409.96	0.336

Entrée announced on November 29, 2009 that it had signed a definitive agreement with PacMag Metals Limited (ASX:PMH – “PacMag”) to implement Australian Schemes of Arrangement to acquire all of the issued shares and options of PacMag. PacMag has a 100% interest in the Ann Mason Project, which hosts the Ann Mason deposit. PacMag commissioned Golder Associates (“Golder”) to prepare a Joint Ore Reserves Committee (“JORC”) compliant resource estimate in 2006 that outlined an in-situ Inferred Mineral Resource of 810 million tonnes grading 0.40% copper and 0.004% molybdenum at a 0.30% copper cut-off grade, estimated to contain more than 7.1 billion pounds copper. The 2010 NI 43-101 Resource Estimate confirms the 2006 Golder estimate.

Greg Crowe, President and CEO of Entrée commented, “The recent NI 43-101 inferred resource calculation validates the earlier work done by PacMag, and suggests there is significant scope to expand the deposit by further drilling. Once the merger with PacMag is complete, we intend to



commence a substantial exploration program, including additional drilling to potentially expand the resource and to further test the southern and western portions of the Ann Mason deposit.”

The grades at Ann Mason compare favourably with a number of current producers and development projects in western North America where large open pit porphyry deposits currently in production generally mine copper grades between 0.28 % to 0.56% copper.

In addition to the defined resource, significant copper oxide and deeper sulphide mineralization has been intersected at Blue Hills, approximately 5 km to the west of Ann Mason. The oxide copper target covers an area of 1.5 km by 350 m, and includes near-surface intercepts of 21.3 m of 0.46% copper, 36.3 m of 0.46% copper and 39.6 m of 0.26 % copper. The surface copper anomaly in soils appears to extend to the west onto adjoining ground held by HoneyBadger Exploration Inc. (TSX.V: TUF – “HoneyBadger”), which is under option to Entrée.

At the Shamrock prospect, located 5 km to the southeast of Ann Mason, drilling by PacMag has confirmed the presence of high grade near surface copper mineralization (e.g. 33.6 m of 1.72 % copper) in altered limestone.

Work is also being planned for the contiguous Blackjack and Roulette properties under option agreements with HoneyBadger and Bronco Creek Exploration, Inc. (a wholly owned subsidiary of Eurasian Minerals, TSX.V:EMX). The properties adjoin the Ann Mason property to the west and south.

## **ABOUT ENTRÉE GOLD INC.**

Entrée Gold Inc. is a Canadian mineral exploration company focused on the worldwide exploration and development of gold and copper prospects. Entrée’s expertise is in exploring for deep and/or concealed ore deposits and with a treasury currently in excess of C\$40 million, is well funded for future activities. Ivanhoe Mines and Rio Tinto are major shareholders of Entrée, holding approximately 14% and 15% of issued and outstanding shares, respectively.

Entrée’s flagship property is in Mongolia, where it holds two mining licences and one exploration licence comprising the 179,590 hectare Lookout Hill property that completely surrounds the 8,500-hectare Oyu Tolgoi project of Ivanhoe Mines, and hosts the Hugo North Extension of the Hugo Dummett copper-gold deposit and the Heruga copper-gold-molybdenum deposit.

The Lookout Hill property is subject to a joint venture with Oyu Tolgoi LLC (OTLLC) whereby following expenditure of US\$35 million by OTLLC, Entrée now retains a 20% to 30% carried interest through to production, with Entrée’s share of development costs to be repaid from future production cash flow.

The Hugo North Extension deposit hosts a 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. Entrée retains a 20% carried interest in these resources.



Entrée Gold Inc.

The Heruga deposit contains an Inferred resource of 760 million tonnes grading 0.48% copper, 0.55 g/t gold and 142 ppm molybdenum, estimated to contain 8 billion pounds of copper and 13.4 million ounces of gold. Entrée also retains a 20% carried interest in this resource.

Both resources were calculated using a 0.6 % copper equivalent cut-off. The copper equivalent grades were estimated using metal prices of US\$1.35 per pound copper, US\$650 per ounce gold and US\$10 per pound molybdenum. All resources at Hugo North Extension and Heruga were calculated using a 0.6% copper-equivalent cut-off.

Entrée continues to explore its large landholdings in Mongolia, including the coal discovery Nomkhon Bohr, and is also evaluating the Huaixi copper project in Zhejiang Province in China.

In North America, Entrée is exploring for porphyry-related copper systems in Arizona, New Mexico, Nevada and British Columbia. Entrée's Nevada property is contiguous with the western boundary of PacMag's Ann Mason copper project and increases substantially the area of prospective tenure within that district.

### **Qualified Person**

Dr. Robert Morrison, Ph.D., MAusIMM (CP), and Lead Senior Resource Geologist with Wardrop is a Qualified Person as defined by NI 43-101. Dr. Morrison supervised the preparation of the technical information in this release.

### **Competent Person Statement**

The information in this Release that relates to PacMag Exploration Results, Mineral Resources or Ore Reserves, as those terms are defined in the 2004 Edition of the "Australasian Code for Reporting of exploration Results, Resources and Ore Reserves", is based on information compiled by Mr Michael Clifford, who is a full time employee of PacMag and a Member of the Australian Institute of Geoscientists. Mr Clifford has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Resources and Ore Reserves". Mr Clifford consents to the inclusion in this Release of the matters based on his information in the form and context in which it appears.

### **FURTHER INFORMATION**

Monica Hamm, Manager, Investor Relations  
Entrée Gold Inc.  
Tel: 604-687-4777  
Toll Free: 866-368-7330  
E-mail: [mhamm@entreegold.com](mailto:mhamm@entreegold.com)

Peter Oates, Corporate Communications  
Entrée Gold Inc.  
Tel: 604-687-4777  
Toll Free: 866-368-7330  
E-mail: [poates@entreegold.com](mailto:poates@entreegold.com)

*This News Release contains forward-looking statements. Forward-looking statements are statements which relate to future events. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements include those relating to the successful completion of the transaction and implementation of the Schemes of Arrangement. These statements are only predictions and involve*



Entrée Gold Inc.

*known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.*

*While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results. Readers are referred to the sections entitled "Risk Factors" in the Company's periodic filings with the British Columbia Securities Commission, which can be viewed at [www.SEDAR.com](http://www.SEDAR.com), and with the United States Securities and Exchange Commission, which can be viewed at [www.SEC.gov](http://www.SEC.gov).*