

PacMag Metals Limited

16th June 2010

ASX:PMH

Board of Directors:

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MD: M Clifford
Non-Exec: E Althaus

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FEDERAL COURT ORDERS LODGED WITH ASIC

PacMag Metals Limited advises that following the Federal Court of Australia approving the schemes of arrangement between PacMag and its shareholders and optionholders to effect a merger between PacMag and Entree Gold Inc (**Schemes**) on the 15th June 2010, PacMag has today lodged the Court Orders with the Australian Securities and Investment Commission.

As a result, each of the Schemes is now effective. A copy of the Court order is attached.

The timetable for further steps to implement the Schemes (including the Record Date and the Implementation Date) will not change from that previously specified in the Scheme Booklet.

Yours faithfully



Melinda Nelmes
Company Secretary



PACMAG METALS LIMITED ACN 066 353 231

Plaintiff

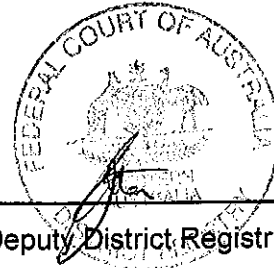
ORDER

JUDGE: Justice Gilmour
DATE OF ORDER: 15 June 2010
WHERE MADE: Perth

THE COURT ORDERS THAT:

1. Pursuant to section 1322(4)(a) of the Corporations Act 2001 (Cth) (**the Act**), the Shareholders' Scheme Meeting held on 4 June 2010 and the proceedings at that meeting are not invalid by reason of non-compliance with order 7 made by this Honourable Court on 22 April 2010.
2. Pursuant to section 411(4)(b) of the Act, the scheme of arrangement between the Plaintiff and its Shareholders, a copy of which is annexed hereto and marked "A", is approved.
3. Pursuant to section 411(4)(b) of the Act, the scheme of arrangement between the Plaintiff and its Optionholders, a copy of which is annexed hereto and marked "B", is approved.
4. Pursuant to section 411(12) of the Act, the Plaintiff be exempted from compliance with section 411(11) of the Act, in relation to the schemes of arrangement referred to in Orders 2 and 3.

Date that entry is stamped: 14 June 2010



Deputy District Registrar

Filed on behalf of the Plaintiff
Maxim Litigation Consultants
Level 16 QV1
250 St Georges Terrace

Tel: (08) 9214 5000
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Ref: IA:26360

"A"

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;

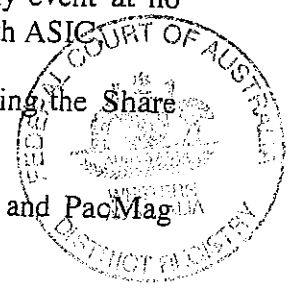
"Corporations Act" means the Corporations Act 2001 (Cth) and the regulations made under the Act;

"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;



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"**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;

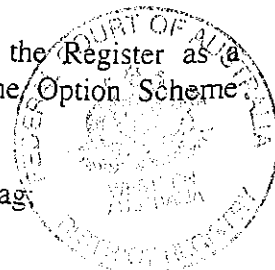
"**PacMag Constitution**" means the constitution of PacMag as amended from time to time;

"**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;



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"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;

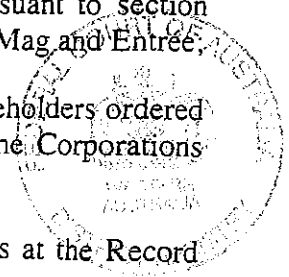
"Share Scheme Consideration" means for each PacMag Share held at the Record Date, 0.1018 Entrée Shares and CAD\$0.0415 cash;

"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;



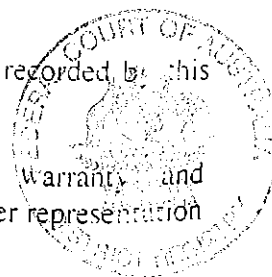
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"Share Registry" means Link Market Services Ltd. who maintains the Register on behalf of PacMag; and

"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.



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- (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.



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3. CONDITIONS

3.1 Conditions

The Share Scheme is conditional upon:

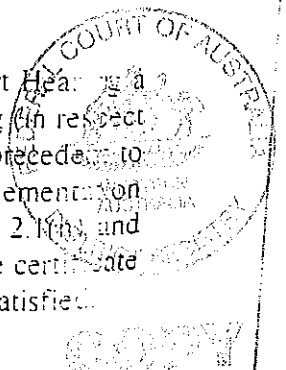
- (a) the Scheme Implementation Agreement and the Share Scheme Deed Poll being and remaining at all times in full force and effect;
- (b) all of the conditions set out in clause 2.1 of the Scheme Implementation Agreement other than clauses 2.1(c), 2.1(n) and 2.1(q), being final Court approvals of the 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

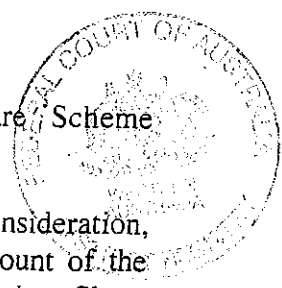
On the Implementation Date subject to clause 4.4:

- (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.

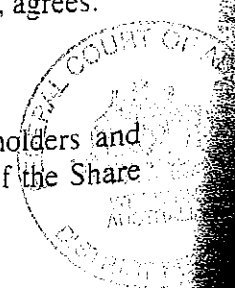
4.6 **Register**

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.

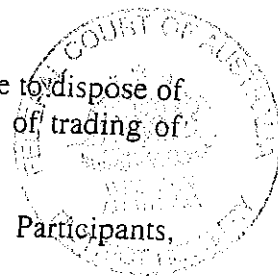
6. RETAIL SHAREHOLDERS

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:



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- (i) in the case of dealings of the type to be effected using CHESST 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

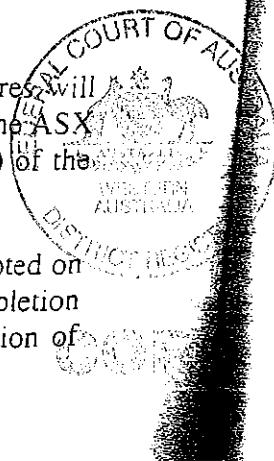
- (a) PacMag will not accept for registration or recognise for any purpose any transfer or transmission application in respect of PacMag Shares received after the Record Date.
- (b) For the purpose of determining entitlements to the Share Scheme Consideration, PacMag will, until the Share Scheme Consideration 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.

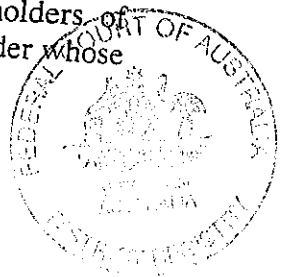
9.2 **Entrée Shares**

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



"B"

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;

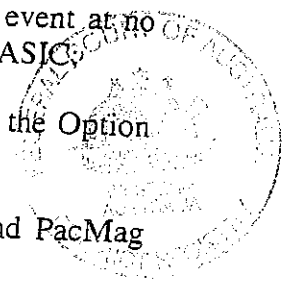
"Corporations Act" means the Corporations Act 2001 (Cth) and the regulations made under the Act;

"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;

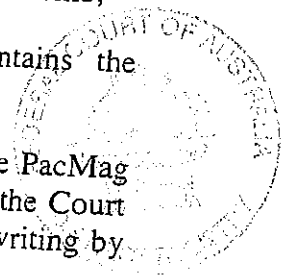
"Schemes" means the inter-conditional schemes of arrangement between PacMag and PacMag Shareholders (the Share Scheme) and PacMag and PacMag Optionholders (the Option Scheme) under Part 5.1 of the Corporations Act;

"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

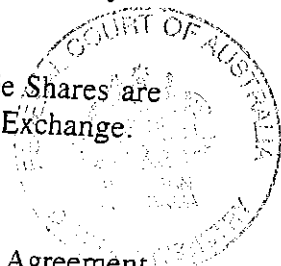
- (a) PacMag is a public company incorporated in Australia and is a company limited by shares.
- (b) PacMag has been admitted to the official list of the ASX and only PacMag Shares have been granted official quotation on the ASX.
- (c) On 28 November 2009, 144,667,639 PacMag Shares were on issue.
- (d) 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.

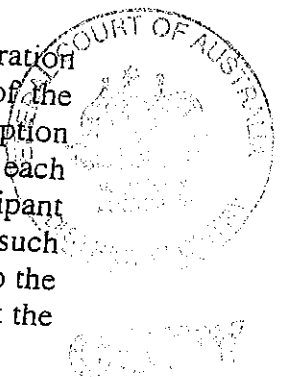
4.3 Cancellation of PacMag Options

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

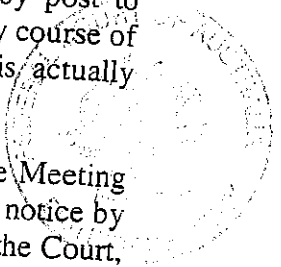
If the Court proposes to approve the Option Scheme subject to any alterations or conditions, PacMag may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Entrée has consented.

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.

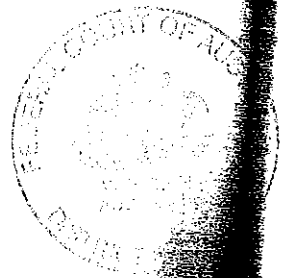


8.4 **Inconsistency**

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 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



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