

Magma Board Recommends Shareholders Accept Panoramic's Revised Offer

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PERTH, WESTERN AUSTRALIA -- ([Marketwire](#)) -- 05/15/12 -- [Magma Metals Limited](#) (TSX: MMW) (ASX: MMW) ("Magma" or the "Company") notes the announcement yesterday by [Panoramic Resources Limited](#) ("Panoramic") that it has acquired a relevant interest in 54.15% of Magma shares. Today Magma released its Second Supplementary Target's Statement in response, a copy of which is available on the Company's website at www.magametals.com.au and is filed under the Company's profile on SEDAR at www.sedar.com.

As a consequence of Panoramic acquiring a relevant interest in more than 50% of Magma's shares, Magma shareholders who accept (or have already accepted) Panoramic's offer will now receive 1 Panoramic share for every 7 Magma shares ("Revised Offer").

Having regard to the matters discussed below, the Magma Directors are unanimous in their view that Magma shareholders should now ACCEPT the Revised Offer.

As at the date of this announcement, and in the absence of a superior proposal, it is the intention of the Magma Directors to accept the Revised Offer in respect of Magma shares owned or controlled by them, representing approximately 4% of Magma shares on issue.

Magma requested BDO Corporate Finance (WA) Pty Ltd ("BDO") to review the conclusions in its Independent Expert's Report dated 2 March 2012 in light of developments since that time. A copy of the Supplementary Independent Expert's Report from BDO dated 15 May 2012 is appended to the Second Supplementary Target's Statement. In summary, BDO has concluded:

"In our opinion the Revised Offer is not fair, however, in our opinion, it is reasonable."

In considering their revised recommendation, the Directors also took account of the following matters:

- With more than 50% of the Magma shares, Panoramic will have the ability to determine the composition of the Magma Board such that it has effective control of the Company.
- Magma shareholders who do not accept the Revised Offer risk being locked in as minority holders after the close of the offer if Panoramic does not achieve more than 90% acceptances and thereby move to compulsory acquisition. It is likely that the market for Magma shares on ASX and TSX in those circumstances will be illiquid.
- Magma and its advisers undertook a comprehensive process to test the market for alternative proposals which may have delivered superior value compared to the Panoramic Offer. No such proposals were forthcoming, and while a superior proposal still cannot be ruled out, it now appears unlikely.
- If Panoramic does not acquire 100% of the shares in Magma, it is likely that Magma will, at some point, need to raise additional equity capital in order to pursue its corporate objectives. Equity market conditions, particularly for junior explorers and developers, continue to prove challenging and there is no guarantee that such equity capital would be available on acceptable terms. While the Magma Board would expect Panoramic to provide financial support to Magma, this may be on terms that require minority shareholders to provide additional funds or face further dilution of their equity.

Magma Chairman Max Cozijn said: "While the Board has confidence in the potential of Magma's assets, we also believe that, in light of the change in circumstances since the time of our initial recommendation, Magma shareholders should now accept the Revised Offer."

Based on the closing price of Panoramic shares on ASX yesterday of \$0.965, the Revised Offer values Magma at approximately \$0.138 per Magma share, representing a premium of 73% to the pre-offer price of Magma shares. While this is still significantly below the valuation range contained in BDO's Independent Expert's Report dated 2 March 2012, the Magma Directors consider the Revised Offer to be reasonable in the circumstances, particularly having regard to the risks of remaining as a minority shareholder in a

potentially illiquid company.

Magma shareholders should be aware that the Panoramic share price may fall further, following the close of Panoramic's Revised Offer, if holders of new Panoramic shares issued as a result of the Revised Offer decide to sell those shares.

If Magma shareholders have any doubts in relation to their response to the Revised Offer, or the consequences of accepting the Revised Offer, they should seek independent professional advice without delay.

Instructions on how to accept the Revised Offer are contained in Panoramic's Bidder's Statement.

Magma Shareholder Information Line

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Cautionary Statement

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