



magma metals

23 March 2012

Dear Shareholder

I am writing to you in relation to the current takeover offer by Panoramic Resources Limited ("**Panoramic**") for your shares in Magma Metals Limited (the "**Offer**").

By now you will have received Panoramic's Bidder's Statement as well as Magma's Target's Statement, your directors' formal response to the Offer, and a Supplementary Target's Statement. Panoramic is offering 2 Panoramic shares for every 17 of your Magma shares. This equates to \$0.14 per Magma share based on the closing price of Panoramic shares on the ASX today of \$1.19.

According to information released by Panoramic, up to the date of this letter Panoramic had received acceptances under its Offer for approximately 3.7% of Magma's shares. The Offer remains subject to a number of conditions, including a 90% minimum acceptance condition.

Information on the current status of the Thunder Bay North ("**TBN**") project was provided in the Independent Valuation Report prepared by SRK Consulting (Australasia) Pty Ltd ("**SRK**"), which was annexed to the Target's Statement. This included information on the studies undertaken by Magma and its consultants to enhance the economics of the TBN project since March 2011 when the Technical Report on the Preliminary Economic Assessment of the project was issued. Section 8.12 of SRK's Independent Valuation Report included information on the financial model resulting from these studies.

It has come to Magma's attention that the disclosure in Section 8.12 may not be in accordance with current Australian Securities & Investments Commission policy in relation to forward-looking information. The Board therefore advises Magma shareholders to disregard the information in Section 8.12 of SRK's report and all references to it elsewhere in the Target's Statement.

In this context, it is important to note that the information contained in Section 8.12 was **not used** by SRK or the independent expert, BDO Corporate Finance (WA) Pty Ltd ("**BDO**") in forming their opinions on the value of Magma or the Panoramic Offer. Accordingly, there is no change to BDO's opinion that the Panoramic Offer is **NEITHER FAIR NOR REASONABLE**.

The Board remains of the view that the Panoramic Offer fails to reflect fair value for your Magma shares and has been opportunistically timed to exploit the recent weakness in the Magma share price. On this basis, your directors maintain their unanimous recommendation to Magma shareholders to **REJECT** the Offer.

FOR AND ON BEHALF OF THE BOARD

Max Cozijn
Chairman

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