



**magma metals**

**Magma Metals Limited**

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15 May 2012

ASX & TSX: MMW

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## **MAGMA BOARD RECOMMENDS SHAREHOLDERS ACCEPT PANORAMIC'S REVISED OFFER**

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Perth, Western Australia – Magma Metals Limited (ASX & TSX: “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 annexed to this announcement.

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**

**Australia:** 1800 452 002 (Toll Free)  
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Please direct enquiries or requests for further information to:

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**Cautionary Statement**

Certain information contained in this announcement constitutes “forward-looking information” under Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” , “is expected”, “estimates”, “intends”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Although management believes that the expectations expressed in such forward-looking information disclosed herein are based on reasonable assumptions, these statements are not guarantees of future performance. A number of factors could cause actual results, performance or achievements to differ materially from those in the forward-looking information. Such factors include future metal prices, exploration and evaluation results, future availability of capital and general economic, market or business conditions, government regulation of mining operations, failure of equipment or processes to operate as anticipated, risks inherent in mineral exploration and development including unusual or unexpected geological formations. Descriptions of these risks can be found in the Company’s various statutory reports, including its Annual Information Form available on its website at [www.magmametals.com.au](http://www.magmametals.com.au) and on the SEDAR website at [www.sedar.com](http://www.sedar.com). Magma Metals Limited makes no representation and can give no assurance, guarantee or warranty, express or implied, as to, and can take no responsibility and assume no liability for, the authenticity, validity, accuracy or completeness of, or any errors in or omission from, any information, statement or opinion contained in this report.



magma metals

## Second Supplementary Target's Statement

This is the second supplementary target's statement under section 644 of the *Corporations Act 2001* (Cth) (**Second Supplementary Target's Statement**) issued by Magma Metals Limited ABN 72 114 581 047 (**Magma** or **Company**) in relation to an off-market takeover bid made by Panoramic Resources Limited ABN 47 095 792 288 (**Panoramic**), pursuant to which Panoramic proposes to acquire all shares it does not already own in Magma.

This Second Supplementary Target's Statement supplements, and should be read together with, Magma's Target's Statement dated 9 March 2012 and the first supplementary target's statement dated 15 March 2012 (together, the **Target's Statement**). Unless the context otherwise requires, terms defined in the Target's Statement have the same meaning where used in this Second Supplementary Target's Statement.

This Second Supplementary Target's Statement is dated 15 May 2012, being the date on which this Second Supplementary Target's Statement was lodged with ASIC.

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in doubt as to its contents, please consult your professional adviser without delay.

Financial Adviser



Legal Adviser



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## 1. Introduction

On 27 April 2012, Panoramic released its third supplementary bidder's statement setting out its intention to increase the consideration under its current takeover bid for Magma from 2 Panoramic shares for every 17 Magma shares to 1 Panoramic share for every 7 Magma shares on issue, conditional upon Panoramic achieving a relevant interest in more than 50% of Magma shares by 7.00pm (Sydney time) on 8 May 2012 (**Revised Offer**).

On 7 May 2012, Panoramic released a fourth supplementary bidder's statement, which together with a notice in accordance with section 650F of the Corporations Act:

- (a) declared the Offer free from all defeating conditions, including the 90% minimum acceptance condition; and
- (b) extended to 7.00pm (Sydney time) on 17 May 2012 the time for Panoramic to achieve a relevant interest in more than 50% of Magma shares in order for the Revised Offer to apply.

On 14 May 2012 Panoramic announced that it had acquired a relevant interest in 54.15% of the Magma shares on issue. As a result, the Revised Offer now applies and all shareholders who accept the Revised Offer (and all shareholders who have previously accepted into the bid), will receive 1 Panoramic share for every 7 Magma shares they hold.

Based on the closing price of Panoramic shares on ASX yesterday of \$0.965, the Revised Offer values Magma at \$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 fair value range contained in the Independent Expert's Report dated 2 March 2012 prepared by BDO Corporate Finance (WA) Pty Ltd (**BDO Corporate Finance**), 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 following the close of Panoramic's Offer, particularly if holders of new Panoramic shares issued as a result of acceptances of the Offer decide to sell those shares.

## 2. Supplementary report of BDO Corporate Finance

Magma requested BDO Corporate Finance to review the conclusions in its Independent Expert's Report dated 2 March 2012 in light of developments since that time. A copy of a Supplementary Report from BDO Corporate Finance dated 15 May 2012 (**Supplementary BDO Report**) is attached at Annexure 1.

In summary, BDO Corporate Finance has concluded:

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

## 3. Change in Directors' recommendations and intentions

Having regard to the conclusions reached by BDO Corporate Finance in the Supplementary BDO Report and the matters discussed below, the Magma Directors **unanimously recommend that Magma shareholders now ACCEPT the Revised Offer**.

As at the date of this Second Supplementary Target's Statement, and in the absence of a superior proposal, it is the intention of the Directors to accept the Revised Offer in respect of those Magma shares held by them or which they control, representing approximately 4% of the Magma shares on issue.

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

- (a) With control over more than 50% of the Magma shares, Panoramic will have the ability to determine the composition of the Magma Board now that it has effective control of the Company.
- (b) 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 sufficient acceptances to move to compulsory acquisition. It is likely that the market for Magma shares on ASX and TSX in those circumstances will be illiquid.
- (c) Magma and its financial adviser undertook a comprehensive process to test the market for alternative proposals which might have delivered superior value to shareholders compared to the Panoramic Offer. No such proposals were forthcoming, and while a superior proposal still cannot be ruled out, it now appears unlikely.
- (d) 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, or at all. 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.

#### **4. Offer Period extended by law**

Under section 624(2) of the Corporations Act, if within the last 7 days of the Offer Period Panoramic's Offer consideration is improved or Panoramic's voting power in Magma increases to more than 50%, the Offer Period is automatically extended by 14 days from the date on which that event occurred.

Magma expects that Panoramic will confirm when the Offer is to close shortly.

#### **5. How to accept the Revised Offer**

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

#### **6. Consent of BDO Corporate Finance**

BDO Corporate Finance has given, and has not before the time of lodgement of this Second Supplementary Target's Statement with ASIC withdrawn, its written consent to the inclusion of:

- (a) each statement made by BDO Corporate Finance; and
- (b) the Supplementary BDO Report,

in the form and context in which they appear in this Second Supplementary Target's Statement.

#### **7. Further information**

Magma Shareholders requiring additional information should call the Magma Shareholder Information Line on 1800 452 002 (toll free in Australia), 1 866 921 3145 (toll free in North America), or +61 2 8256 3379 if calling from elsewhere, or should consult their stockbroker or other professional adviser without delay.

Announcements relating to Magma and the Panoramic Offer can be obtained from Magma's website at [www.magmametals.com.au](http://www.magmametals.com.au).

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## 8. Approval of Second Supplementary Target's Statement

This Second Supplementary Target's Statement is dated 15 May 2012 (being the date on which this Second Supplementary Target's Statement was lodged with ASIC) and has been approved by a resolution passed by all Directors.

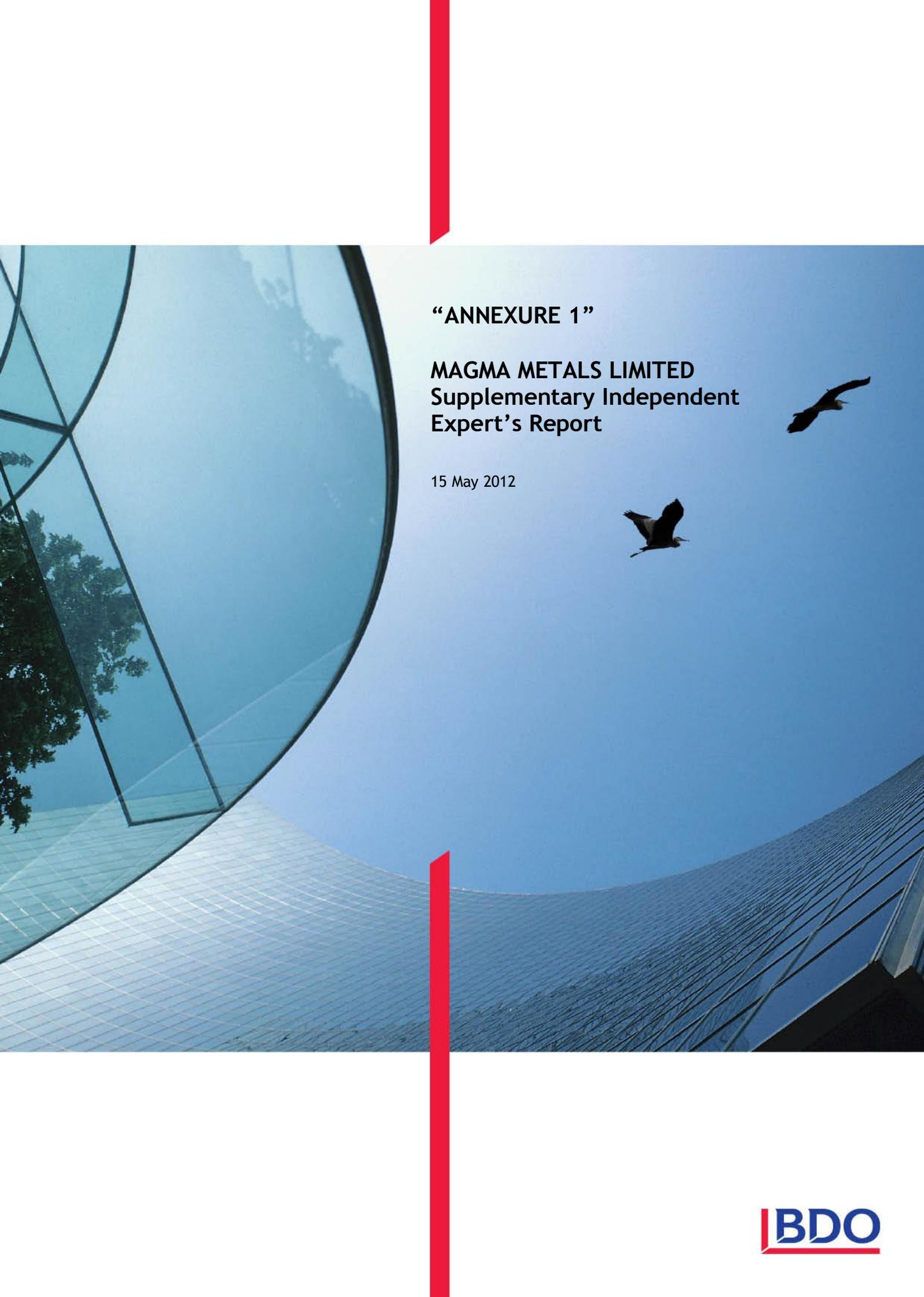
A copy of this Second Supplementary Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the content of this Second Supplementary Target's Statement.

Signed for and on behalf of  
Magma Metals Limited



Keith Watkins  
Managing Director & CEO

15 May 2012



**“ANNEXURE 1”**

**MAGMA METALS LIMITED  
Supplementary Independent  
Expert’s Report**

15 May 2012



## Financial Services Guide

15 May 2012

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (“BDO” or “we” or “us” or “ours” as appropriate) has been engaged by Magma Metals Limited (“Magma”) to provide an independent expert’s report on the off market bid by Panoramic Resources Limited (“Panoramic”) to purchase all of the shares it does not already own in Magma. You will be provided with a copy of our report as a retail client because you are a shareholder of Magma.

### 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 entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). 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



## Financial Services Guide

Page 2

### **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, including our initial independent expert's report dated 2 March 2012, is approximately \$55,000.

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 Magma 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 Subiaco 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](http://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](mailto: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.



## TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	2
3.	Outline of the Revised Offer	5
4.	Valuation of consideration	6
5.	Is the Revised Offer fair?	7
6.	Is the Revised Offer reasonable?	8
7.	Conclusion	10
8.	Disclaimers and consents	10

15 May 2012

Magma Metals Limited  
Level 1, Hampden Park, 52-54 Monash Avenue  
Nedlands WA 6009

Dear Sirs

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 3 February 2012 Panoramic Resources Limited (“**Panoramic**”) announced a proposal to acquire all of the outstanding shares it did not already own in Magma Metals Limited (“**Magma**” or “**the Company**”) by way of an off-market takeover bid. Panoramic offered two Panoramic shares for every 17 Magma shares it did not currently own (“**the Offer**”).

On 7 May 2012 Panoramic declared the Offer unconditional and confirmed that should Panoramic acquire more than 50% before the scheduled Offer close date on 17 May 2012, it would increase the consideration to one Panoramic share for every seven Magma shares (“**the Revised Offer**”).

On 14 May 2012 Panoramic announced it had acquired 54.15% of the shares in Magma arising from acceptances of Panoramic’s Offer.

BDO Corporate Finance (WA) Pty Ltd prepared an independent expert report dated 2 March 2012 which was included in the Target Statement prepared by the directors of Magma in relation to the Offer. In that report we expressed an opinion that the Offer was neither fair nor reasonable to the Magma shareholders not associated with Panoramic.

## 2. Summary and Opinion

### 2.1 Purpose of the report

The directors of Magma have requested that BDO Corporate Finance (WA) Pty Ltd (“BDO”) prepare a supplementary independent expert’s report (“our Report”) to express an opinion as to whether or not the Revised Offer is fair and reasonable to the non associated shareholders of Magma (“Shareholders”).

Our Report is to be included in the Supplementary Target’s Statement for Magma in order to assist the Shareholders in their decision whether to accept the Revised Offer. Our report should be read in conjunction with our independent expert’s report dated 2 March 2012 and Magma’s previous Target’s Statements and Supplementary Target’s Statements.

### 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 Revised Offer as outlined in the body of this report. We have considered:

- How the value of a Magma share compares to the value of the consideration offered by Panoramic;
- The likelihood of a superior alternative offer being available to Magma;
- Whether a premium for control is being offered in relation to the acquisition of Magma shares and whether this is appropriate;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Revised Offer; and
- The position of Shareholders if they do not accept the Revised Offer.

### 2.3 Opinion

**We have considered the terms of the Revised Offer as outlined in the body of this report and have concluded that the Revised Offer is not fair but is reasonable to Shareholders.**

In our opinion the Revised Offer is not fair, however, in our opinion, it is reasonable. Of particular relevance is the fact that Panoramic now holds a controlling interest in Magma (54.15%) and therefore, in our opinion, it is unlikely that an alternative bidder will offer Shareholders a premium in excess of that being offered by Panoramic.

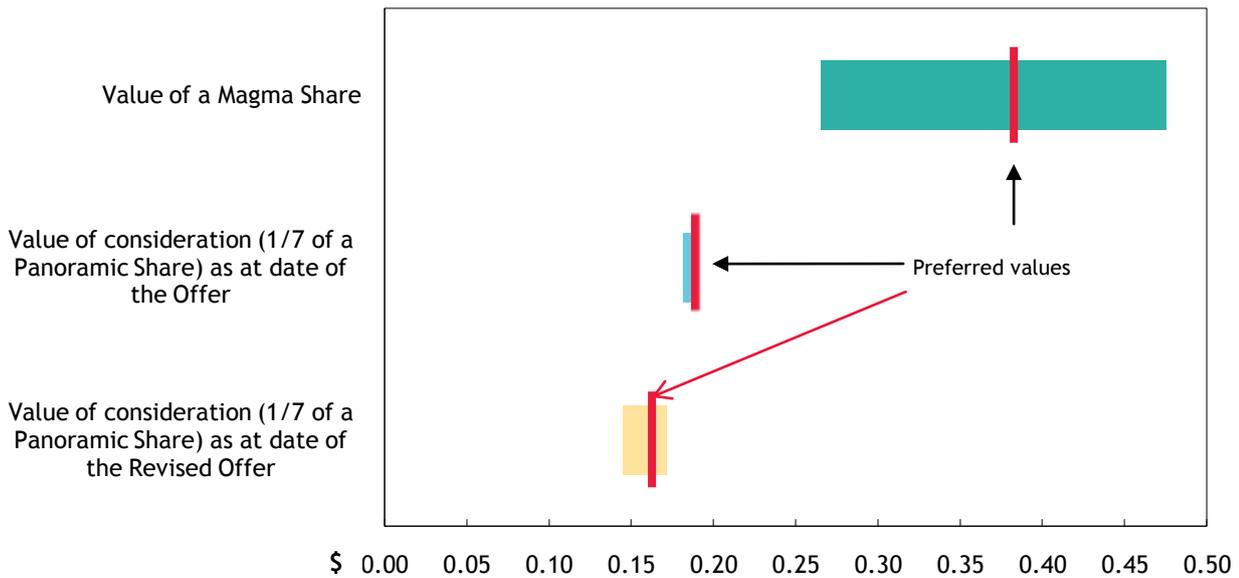
## 2.4 Fairness

In Section 5 of this report we determine how the value of a Magma Share compares to the consideration of 1/7 of a Panoramic Share (as per the Revised Offer ratio), as detailed hereunder.

	This report reference	Low \$	Preferred \$	High \$
Value of a Magma Share		0.2650	0.3697	0.4750
Value of consideration per Magma Share (1/7 of a Panoramic Share)	4.1			
- as at date of the Offer (2 February 2012)		0.1814	0.1886	0.1886
- as at date of the Revised Offer (4 May 2012)		0.1450	0.1571	0.1714

The above valuation ranges are graphically presented below:

Valuation Summary



The above pricing indicates that, in the absence of any other relevant information, the Revised Offer is not fair for Shareholders.

## 2.5 Reasonableness

We have considered the analysis in Sections 5 and 6 of this report, in terms of both

- advantages and disadvantages of the Revised Offer; and
- alternatives, including the position of Shareholders if the Revised Offer is not accepted.

In our opinion, the position of Shareholders if the Revised Offer is successful is more advantageous than the position if the Revised Offer is not successful. Accordingly, in the absence of any other relevant information we believe that the Revised Offer is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
6.4	No alternative bid providing a premium for control is likely	6.5	The Offer is not fair
6.4	Diversification and exposure to producing assets	6.5	Dilution of shareholders
6.4	Future funding potential of the Combined Group	6.5	Change of risk exposure
6.4	Stronger Balance Sheet of the Combined Group	6.5	Availability of funding for the Thunder Bay North project
6.4	Cost synergies	6.5	Panoramic's lack of experience in PGM and Canada
6.4	Panoramic management's expertise in bringing projects into production		
6.4	Access to greater liquidity		

Other key matters we have considered include:

Section	Description
6.1	Lack of an alternative Offer
6.2	The practical level of control
6.3	Post announcement movements in share price

### 3. Outline of the Revised Offer

On 3 February 2012 Panoramic announced a proposal to acquire all of the shares it did not already own in Magma by way of an off-market takeover bid. Panoramic offered two Panoramic shares for every 17 Magma shares it did not then own. The Offer did not extend to Magma Options.

On 7 May 2012 Panoramic declared the Offer unconditional and confirmed that should Panoramic acquire more than 50% of the Magma Shares before the scheduled Offer close date on 17 May 2012, it would increase the consideration to one Panoramic share for every seven Magma shares (“the Revised Offer”). Our Report is prepared on the basis that Panoramic is obliged to make the Revised Offer.

#### Conditions

On 7 May 2012 Panoramic declared the Offer unconditional.

#### Capital structure

On 14 May 2012 Panoramic lodged a ‘Notice of change of interests of substantial holder’ stating that it held a 54.15% voting power in Magma. Further details of the Revised Offer can be found in the Fourth Supplementary Bidder’s Statement.

Under the Revised Offer, Panoramic will offer one Panoramic share for every seven Magma shares it does not currently own. The impact on the relative shareholdings of Magma and Panoramic, assuming 100% acceptance, are illustrated below.

Magma Shareholding	Pre-Offer Shareholding		Current Shareholding 14 May 2012		100% Acceptance of Offer	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Panoramic	24,971,074	9.34%	144,781,029	54.15%	267,380,923	100%
Other Magma Shareholders	242,409,849	90.66%	122,599,894	45.85%	-	-
Total Shares on an undiluted basis	267,380,923	100%	267,380,923	100%	267,380,923	100%

Panoramic Shareholding	Pre-Offer Shareholding		100% Acceptance of Offer	
	No. of Shares	%	No. of Shares	%
Panoramic	207,050,710	100%	207,050,710	85.67%
Other Magma Shareholders	-	-	34,629,978	14.33%
Total Shares on an undiluted basis	207,050,710	100%	241,680,688	100%

If the Revised Offer is successful, 34,629,978 Panoramic Shares will be issued to Shareholders for their 242,409,849 Magma Shares, and other Magma shareholders will then hold an interest of approximately 14.33% in Panoramic. This compares to other Magma shareholders holding an interest of approximately 12.11% in Panoramic under the initial Offer.

## 4. Valuation of consideration

### 4.1 Quoted Market Prices for Panoramic Securities

We consider that the quoted market price of Panoramic Shares is likely to represent the value of the consideration if the takeover bid is successful, due to the much larger market capitalisation and size and scale of operations of Panoramic compared to Magma.

#### Initial Offer

Information on the initial Offer was announced to the market on 3 February 2012. Our analysis of the quoted market price of a Panoramic share is based on the pricing prior to the announcement of the Offer, because the value of a Panoramic share after the announcement may include the effects of any change in value as a result of the Offer.

	Low \$	Preferred \$	High \$
Quoted market price value of a Panoramic Share (2 February 2012)	1.27	1.32	1.32

#### Conditional Revised Offer

Information on the Revised Offer was announced to the market on 7 May 2012, so we have also provided an analysis of the quoted market price of a Panoramic share to 4 May 2012, being the last trading day prior to the announcement of the Revised Offer.

The volume weighted average market price for 10, 30, 60 and 90 day periods to 4 May 2012, being the last trading day prior to the announcement of the Revised Offer, is provided below:

	4 May 2012	10 Days	30 Days	60 Days	90 Days
Closing price	\$1.015				
Volume weighted average price		\$1.0649	\$1.0970	\$1.1683	\$1.2004

Our assessment is that a range of values for Panoramic shares based on market pricing as at 4 May 2012, after disregarding post announcement pricing, is between \$1.015 and \$1.20, with a preferred value of \$1.10, as summarised in the table below:

	Low \$	Preferred \$	High \$
Quoted market price value of a Panoramic Share (4 May 2012)	1.015	1.10	1.20

Our preferred value is based on our analysis of the volume weighted average prices, with particular reference to the 30 day VWAP, as we believe the volume weighted average price is more reflective of the value over the recent trading period as opposed to the reference of the closing (last trade) price occurring on 4 May 2012.

## 4.2 Assessment of Value of consideration

The results of the valuation performed are summarised in the table below:

	Low \$	Preferred \$	High \$
Quoted market price value of a Panoramic Share			
- as at date of the Offer (2 February 2012)	1.27	1.32	1.32
- as at date of the Revised Offer (4 May 2012)	1.015	1.10	1.20
Value of consideration per Magma Share (1/7 of a Panoramic Share)			
- as at date of the Offer (2 February 2012)	0.1814	0.1886	0.1886
- as at date of the Revised Offer (4 May 2012)	0.1450	0.1571	0.1714

Based on the results above we consider the value of the consideration per Magma Share of 1/7 of a Panoramic Share (based on the Revised Offer ratio), to be between \$0.1814 and \$0.1886, with a preferred value of \$0.1886, based on the quoted market price as at the date of the Offer.

Based on the results above we consider the value of the consideration per Magma Share of 1/7 of a Panoramic Share (based on the Revised Offer ratio), to be between \$0.1450 and \$0.1714, with a preferred value of \$0.1571, based on the quoted market price as at the date of the Revised Offer.

## 5. Is the Revised Offer fair?

The value of the Revised Offer of one Panoramic Share for every seven Magma Shares Panoramic does not own is compared below:

	This report reference	Low \$	Preferred \$	High \$
Value of a Magma Share		0.2650	0.3697	0.4750
Value of consideration per Magma Share (1/7 of a Panoramic Share)	4.1			
- as at date of the Offer (2 February 2012)		0.1814	0.1886	0.1886
- as at date of the Revised Offer (4 May 2012)		0.1450	0.1571	0.1714

We note from the table above that the value of a Magma Share is greater than the value of the consideration per Magma Share, being 1/7 of a Panoramic Share, in our low, preferred and high valuation ranges both as at date of the Offer and as at the date of the Revised Offer. Therefore, we consider that the Revised Offer is not fair.

## 6. Is the Revised Offer reasonable?

### 6.1 Alternative Proposal

We are unaware of any alternative proposal that might offer Shareholders a premium over the value ascribed to that resulting from the Revised Offer. We have been informed that discussions had taken place between the Company and third parties but at the date of this report no alternative proposal has been made that might offer the Shareholders of Magma a premium over the value ascribed to that resulting from the Revised Offer. Management and Magma’s advisers pursued an extensive search with all logical buyers approached.

In addition we note that Panoramic now holds a 54.15% interest which provides it with control of Magma, preventing other parties from acquiring a controlling stake (unless Panoramic also sells), which means a bid with a control premium is now not likely to be made for Magma.

### 6.2 Practical Level of Control

If the Revised Offer is successful in achieving 100% acceptance then Magma shareholders will hold an interest of approximately 14.33% in Panoramic.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are ordinary resolutions and special resolutions. An ordinary resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. As Panoramic currently holds a relevant interest in excess of 50% of Magma, Panoramic already has the ability to pass ordinary resolutions, and non associated Magma shareholders are not be able to pass ordinary or special resolutions, or block ordinary resolutions.

### 6.3 Consequences of not Accepting the Offer

#### Potential decline in share price

We have analysed movements in Magma’s share price since the Offer was announced. A graph of Magma’s share price since the announcement is set out below.



As evident in the above chart, the share price of Magma exhibited a significant increase (75% - 100%) following the announcement of the Offer from Panoramic.

Given the above analysis, it is possible that if the Revised Offer is not successful then Magma’s share price may decline. As Panoramic has control and a stake in excess of 50% it is likely that there will also be a reduction in liquidity which may further weaken the market price for Magma shares in the future.

#### 6.4 Advantages of Accepting the Revised Offer

We have considered the following advantages when assessing whether the Revised Offer is reasonable.

Advantage	Description
No alternative bid providing a premium for control is likely	As Panoramic now has control of Magma it is unlikely that an alternative bidder would make an offer for Magma that would result in a control premium being paid to the minority shareholders. Our assessed value of Magma includes a premium for control in accordance with RG111. As such, although the Revised Offer is not fair it may be considered reasonable when compared to the value of a Magma Share on a minority interest basis.
Diversification and increased exposure to producing assets and other development projects	If the Revised Offer is successful Shareholders will be exposed to a more diversified portfolio of assets across a greater number of projects, including the producing Savannah (East Kimberley) and Lanfranchi (Kambalda) underground nickel mines. Shareholders will also be exposed to the Gidgee Gold Project and Panoramic’s other projects, such as the Copernicus Nickel Project and gold exploration projects in Finland and Norway.
Future funding potential	With the increase in diversification and an increased asset backing the opportunity for funding potential future developments could increase, particularly as Panoramic has operating cash flows. However, this may be offset by having an expanded portfolio of assets which require funding or may result in some projects not being funded in the short to medium term.
Combined Group will have a stronger Balance Sheet	Upon acceptance of the Revised Offer the combined Group will have cash reserves of approximately \$72 million, based on the statement made by Panoramic in the Bidders Statement, adjusted for Panoramic’s updated cash balance of \$62m from the March 2012 Quarterly Report.
Cost synergies	There is potential to realise certain cost synergies such as corporate overheads and rationalisation of management structures upon the acceptance of the Revised Offer. Panoramic intends to consolidate head office functions (company secretarial, treasury, financial reporting, information technology) and believes it is likely integration will involve some redundancies. We do not have sufficient information to be able to quantify the synergies available.
Management’s expertise in bringing projects into production	Panoramic has a proven history of bringing projects into production which may be of benefit to the future development of Magma’s assets.
Access to greater liquidity	Panoramic’s shares displayed a high level of liquidity with 121.71% traded to 12 February 2012 when the bid for Magma was announced, compared to 16.66% for Magma in the same period. It would be expected that as Panoramic now holds in excess of 50% of Magma’s issued shares, liquidity would decrease. This would mean that it may be difficult for Shareholders to sell their holdings.

## 6.5 Disadvantages of Accepting the Revised Offer

If the Revised Offer is accepted, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
The Revised Offer is not fair	As set out in Section 5, the Revised Offer is not fair.
Dilution of shareholders	<p>Prior to the Offer Magma shareholders other than Panoramic owned approximately 90.66% of the Company. If the Revised Offer is successful Shareholders will hold approximately 14.33% of Panoramic.</p> <p>Panoramic has effective control of Magma. Panoramic will have the power to control the financial and operational aspects of Magma. Magma shareholders will have limited capacity to influence the operations of Panoramic and the Magma assets.</p>
Change of risk exposure	<p>Magma shareholders will be exposed to different risk profiles if the Revised Offer is accepted. Magma is an exploration company focused on platinum group metals at its Thunder Bay North Project, whilst Panoramic is a production and exploration focused company with two producing nickel mines in Western Australia.</p> <p>Magma shareholders may not wish to be exposed to the risk profile of Panoramic's projects.</p>
Availability of funding for the Thunder Bay North project	If the Revised Offer is successful, the Thunder Bay North Project will be one of several projects held by Panoramic, and may have to compete with other Panoramic projects for funding.
Panoramic's lack of experience in PGM and Canada	Panoramic's operations have historically been in nickel in Australian-based operations. They do not have experience in relation to PGM or Canadian assets.

## 7. Conclusion

We have considered the terms of the Revised Offer as outlined in the body of this report and have concluded that the Revised Offer is not fair but is reasonable to the Shareholders.

## 8. Disclaimers and consents

This report has been prepared at the request of Magma for inclusion in the Supplementary Target's Statement which will be sent to all Magma Shareholders. Magma engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the off market takeover bid made by Panoramic to purchase all the shares it does not already own in Magma.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Supplementary Target's Statement. 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 Supplementary Target's Statement 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 or review of Magma or Panoramic in accordance with standards issued by the Auditing and Assurance Standards Board. 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. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Magma. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Revised Offer, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Magma, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Magma. The valuer engaged for the mineral asset valuation, SRK Perth, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to 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**



**Adam Myers**  
Director



**Sherif Andrawes**  
Director