

Magma Metals Limited: Chairman's Letter to Shareholders

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PERTH, WESTERN AUSTRALIA -- (Marketwire) -- 02/24/12 -- [Magma Metals Limited](#) (TSX: MMW)(ASX: MMW) ('Magma' or the 'Company') reports the release of the following letter from its Chairman, Max Cozijn.

Dear Shareholder,

By now you are probably aware that [Panoramic Resources Limited](#) ('Panoramic') has announced an unsolicited takeover offer for your shares in Magma Metals Limited (the 'Offer').

You will shortly be receiving Panoramic's formal Offer document, called a Bidder's Statement, in the mail. This will be followed by the Target's Statement, which will be your directors' formal response to the Offer.

Under the Offer, Panoramic is offering 2 Panoramic shares for every 17 Magma shares that you own. At the time of writing, Panoramic's Offer is valued at approximately \$0.145 per Magma share. It is important to note that the value of the Offer will fluctuate in line with the market value of Panoramic shares.

The Board's preliminary assessment of the Offer suggests that it has been opportunistically timed to exploit weakness in the Magma share price, before a number of initiatives designed to generate additional value for shareholders have had the chance to mature. These include the announced spin-out of the Western Australian gold assets and the release of the results of ongoing technical and engineering work designed to enhance the economics of the company's flagship Thunder Bay North project in Canada.

We have also raised with Panoramic a number of concerns regarding what we consider to be misleading or incomplete information in the Bidder's Statement. Although Panoramic has issued a Replacement Bidder's Statement to address our concerns regarding what we saw as overstatement of Panoramic's financial position, several other issues have not been resolved to our satisfaction in the version of the document you will shortly receive.

In particular, we have sought clarification from Panoramic regarding the outlook for its nickel operations, given the weak nickel price environment. However, Panoramic has declined to provide us with any further information about its likely future financial performance.

These matters, together with the Board's recommendation in relation to the Offer, will be more fully explained in the Target's Statement, which we expect will be dispatched to shareholders in the next two weeks.

The Panoramic Offer meanwhile must remain open until at least 24 March 2012, so there will be plenty of time for shareholders to make an informed decision in relation to the Offer. In the meantime, the Board strongly urges shareholders to TAKE NO ACTION in relation to the current Panoramic Offer.

You will gain NO ADVANTAGE by accepting the Panoramic Offer at this early stage, even if you are otherwise inclined to do so. Indeed, by doing so not only will you be unable to sell your Magma shares on market at a higher price if the opportunity arises, but you may also miss out on the benefits of any superior alternative proposal that might emerge.

Since the Offer was announced, your Board has instituted a process to ensure that all options to maximise shareholder value are investigated and carefully considered. This could include value-accretive transactions with other third parties at either the corporate or asset level. The Board's firm view is that if control of Magma is to pass, it should be on fair and reasonable terms.

As noted above, further details of the Board's recommendation will be provided in the Target's Statement, which you should receive in mid-March. A copy will also be available from Magma's website at www.magmametals.com.au, as will news of any other developments in relation to Panoramic's Offer.

In closing, we reiterate our advice to shareholders that they TAKE NO ACTION in relation to Panoramic's Offer at this stage.

Yours sincerely,

Max Cozijn, Chairman

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