



**MAGMA
METALS**
LIMITED
ABN 72 114 581 047

Magma Metals Limited

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28th January 2009

ASX: MMB

QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

HIGHLIGHTS

Thunder Bay North Pt-Pd-Cu-Ni Project, Ontario

- Resource drilling continued during the quarter in the Current Lake and Beaver Lake areas. Several thick high-grade drill intersections were recorded, including:

**TBND104: 50.00m @ 5.75g/t Pt+Pd, 0.66% Cu & 0.36% Ni,
including 13.45m @ 9.82g/t Pt+Pd, 1.03% Cu & 0.53% Ni.**

**TBND122: 42.75m @ 5.43g/t Pt+Pd, 0.66% Cu & 0.33% Ni,
including 26.75m @ 7.19g/t Pt+Pd, 0.85% Cu & 0.39% Ni**

- Reconnaissance drilling of magnetic targets established that the complex of mafic-ultramafic conduits, which hosts mineralization in the Current Lake and Beaver Lake areas, is regionally extensive and there is significant potential for further discoveries.

Australian Ni-Cu-PGM Projects

- LANDTEM geophysical surveys at Laverton identified several promising EM conductors which may reflect massive sulphide nickel mineralization. It is planned to drill-test these in 2009.

Corporate

- Terry Burgess was appointed Non-Executive Director and Graeme Scott was appointed Chief Financial Officer & Company Secretary.
- The Company retained \$7.3 million in cash at the end of the quarter.

EXPLORATION REVIEW

Magma Metals Limited (“Magma”) and its wholly owned subsidiary Magma Metals (Canada) Limited (“Magma Canada”) conducted several field exploration programs during the December quarter on its projects in the Thunder Bay region of northwest Ontario, Canada and the East Yilgarn region of Western Australia. The results of these programs and plans for further exploration work are described below. The locations of the Company’s projects are shown in Figure 1.

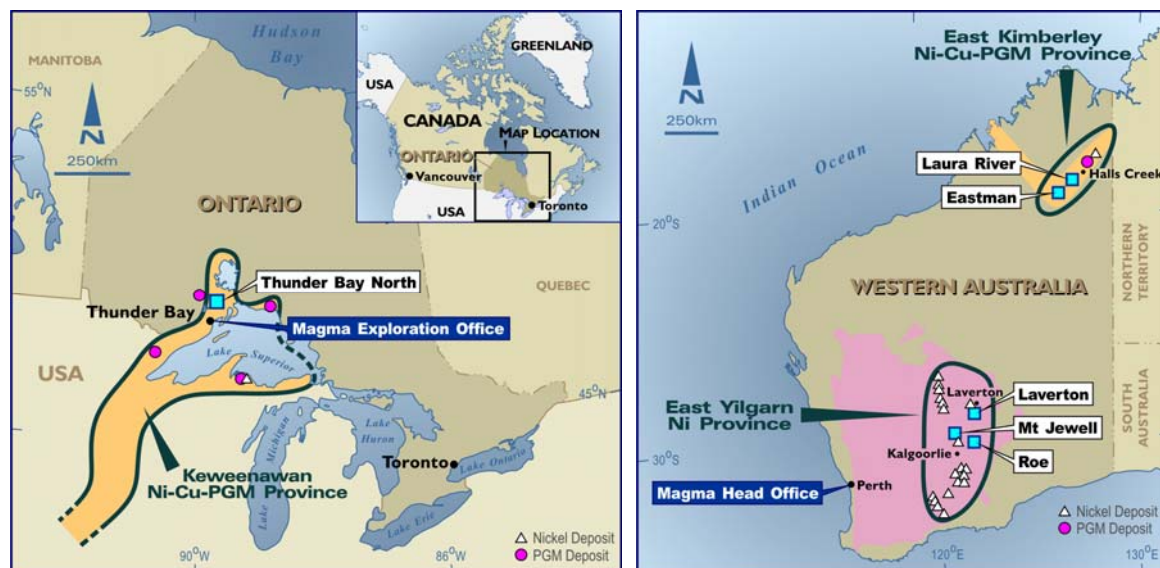


Figure 1. Project Locations

NORTHWEST ONTARIO, CANADA

Thunder Bay North Platinum-Palladium-Copper-Nickel Project

An approximately 30,000m resource definition diamond drilling program is in progress over a strike length of about 2.5km in the Current Lake Intrusive Complex in the Thunder Bay North project (Figures 1 to 4). So far, approximately 18,000m have been drilled, mainly in the second half of 2008. Information from this program will be combined with that from 17,500m of drilling completed in previous programs to form the basis for initial resource estimates for the project. It is anticipated that the current drilling program will be completed around the end of the second quarter of 2009 with the resource estimates following early in the second half of 2009. Results released during the quarter included the following excellent intersections:

Current Lake:

TBND104:	50.00m @ 5.75g/t Pt+Pd, 0.66% Cu & 0.36% Ni from 39.50m
including:	13.45m @ 9.82g/t Pt+Pd, 1.03% Cu & 0.53% Ni
TBND107:	20.40m @ 7.61g/t Pt+Pd, 0.80% Cu & 0.36% Ni from 34.00m
including:	9.25m @ 10.93g/t Pt+Pd, 1.05% Cu & 0.43% Ni
TBND122:	42.75m @ 5.43g/t Pt+Pd, 0.66% Cu & 0.33% Ni from 23.25m
including:	26.75m @ 7.19g/t Pt+Pd, 0.85% Cu & 0.39% Ni
TBND123:	38.55m @ 4.23g/t Pt+Pd, 0.63% Cu & 0.35% Ni from 27.10m
including:	6.00m @ 6.20g/t Pt+Pd, 0.83% Cu & 0.42% Ni
and:	4.65m @ 5.35g/t Pt+Pd, 0.84% Cu & 0.49% Ni

Beaver Lake:

BL08-55:	10.50m @ 3.56g/t Pt+Pd, 0.41% Cu & 0.22% Ni from 279.00m including: 3.90m @ 6.37g/t Pt+Pd, 0.70% Cu & 0.35% Ni
BL08-67:	15.30m @ 3.35g/t Pt+Pd, 0.45% Cu & 0.27% Ni from 355.00m including: 5.10m @ 5.84g/t Pt+Pd, 0.81% Cu & 0.45% Ni
BL08-69:	22.50m @ 3.84g/t Pt+Pd, 0.50% Cu & 0.16% Ni from 353.00m including: 7.00m @ 6.96g/t Pt+Pd, 0.90% Cu & 0.47% Ni

The ratio of Pt to Pd in these intersections is approximately 1:1; this is a consistent ratio in all the drilling so far conducted at the project.

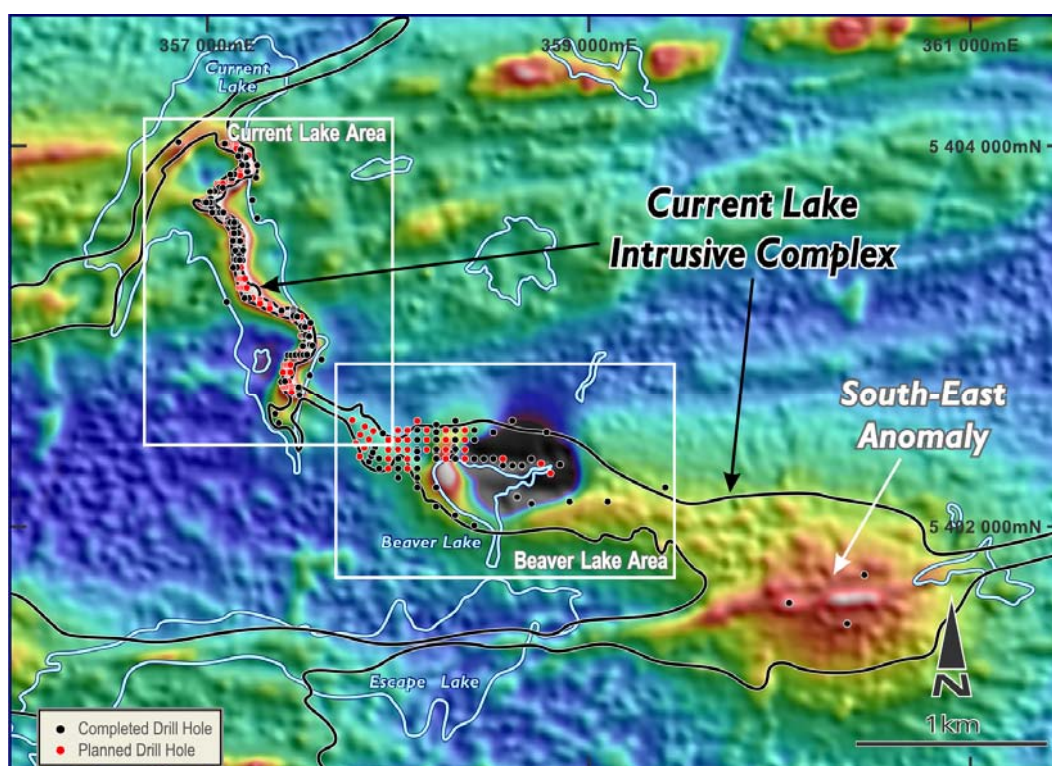


Figure 2. Current Lake Intrusive Complex – Magnetics & Drilling

Drilling recently re-commenced after the Christmas – New Year break with one drill-rig. This is presently drilling a pattern of planned holes from the ice on Current Lake (Figure 3). Once drilling on the ice has been completed the drill-rig will move to the Beaver Lake area to complete the planned holes in that area (Figure 4).

In addition to the drilling, a number of geophysical surveys are planned for the first half of 2009. These include down-hole and surface electrical and electro-magnetic surveys to map potential zones of disseminated and massive sulphide mineralization.

Regional Reconnaissance Drilling

During the quarter, reconnaissance drilling was undertaken in several magnetic anomalies interpreted to represent potentially mineralized intrusive complexes. Eight diamond holes were drilled for 3,466m (Figure 5), including one hole in the Sunday Lake magnetic anomaly 25km west-southwest of Current Lake. Seven of the eight holes intersected gabbro hybrid, melagabbro and/or peridotite rocks similar to those intersected in drilling in the Current Lake and Beaver Lake areas. A number of intervals contained disseminated sulphides.

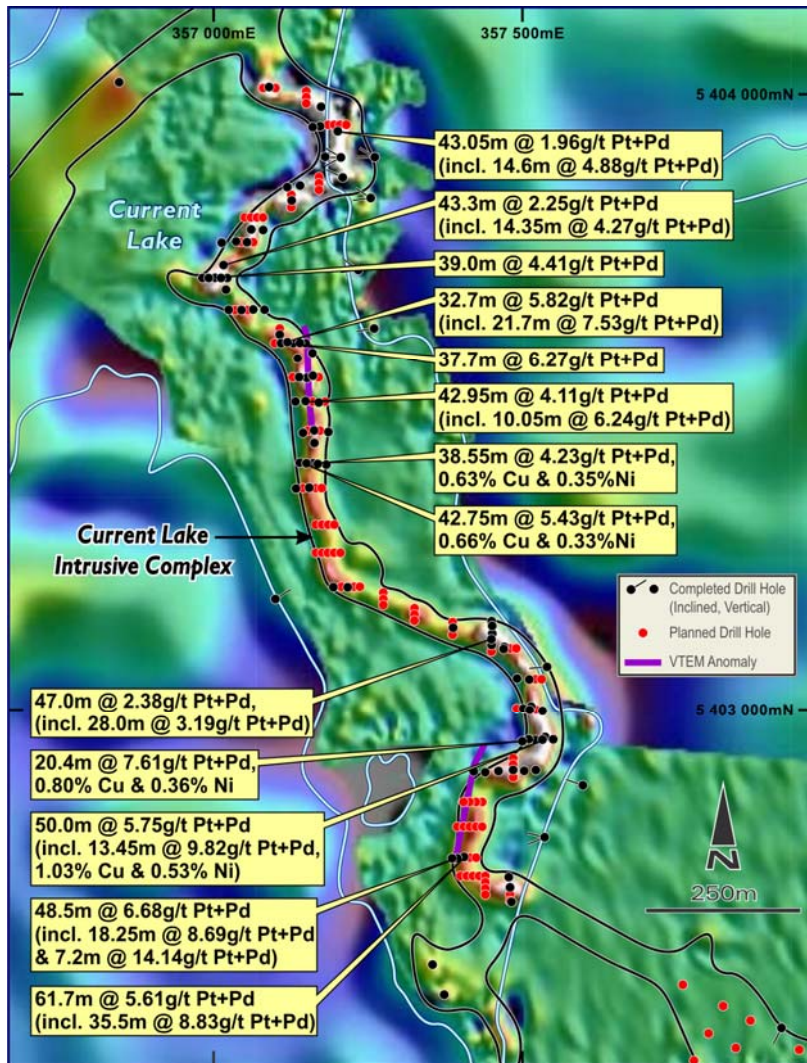


Figure 3. Current Lake Drilling and Magnetics

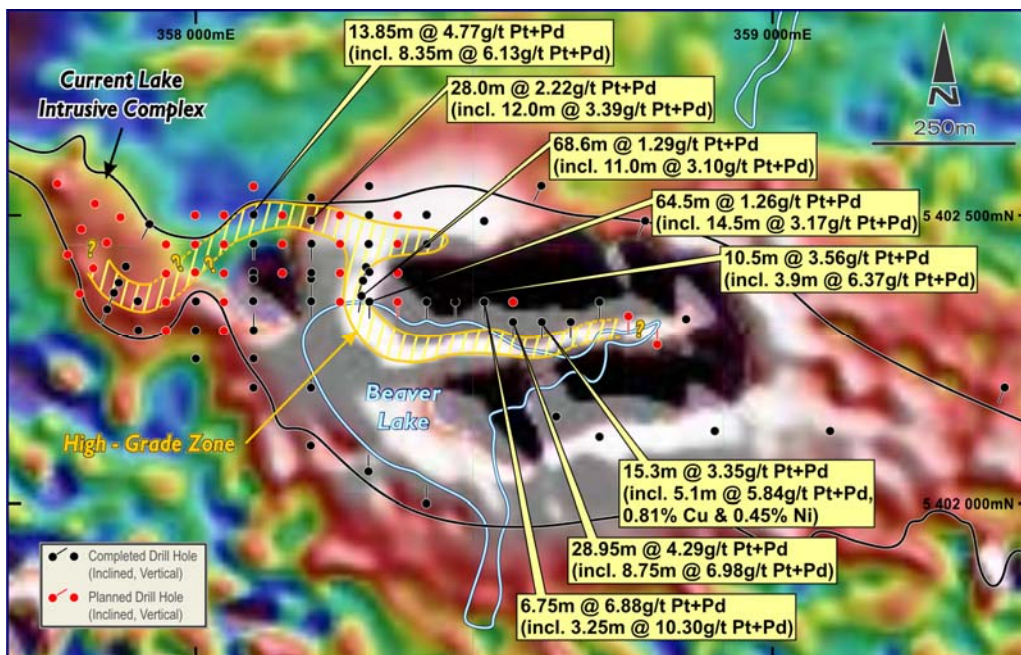


Figure 4. Beaver Lake Drilling and Magnetics

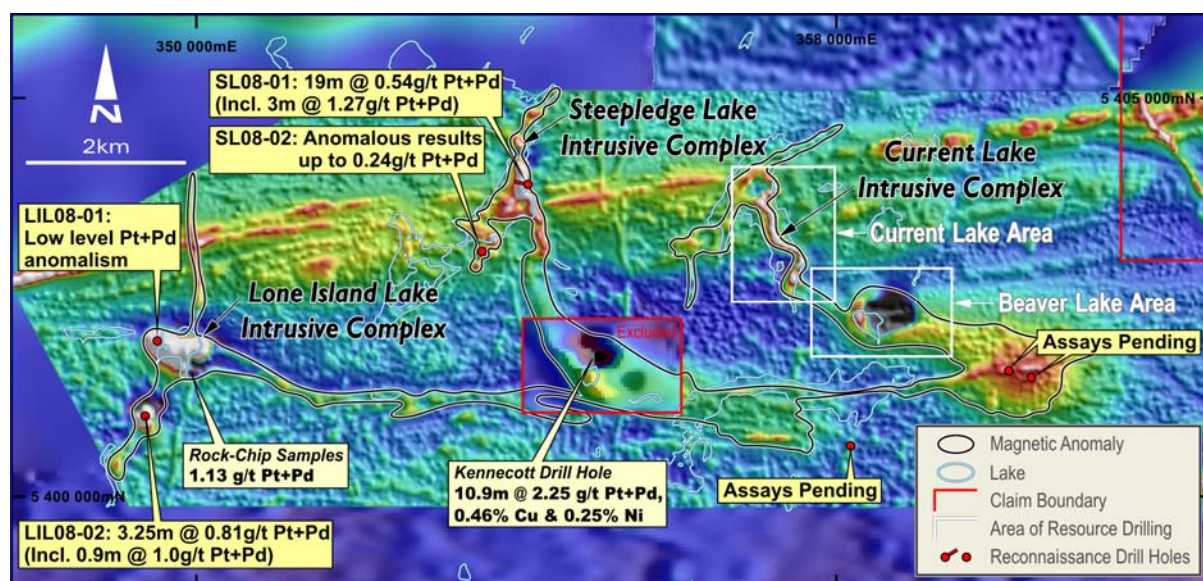


Figure 5. Regional Reconnaissance Drilling

Assays have been received for four of these holes, SL08-01, SL08-02, LIL08-01 & LIL08-02 (Figure 5, Table 1):

- SL08-01 intersected **19m @ 0.54g/t Pt+Pd, 0.10% Cu & 0.11% Ni from 118m, including 3m @ 1.27g/t Pt+Pd, 0.23% Cu & 0.15% Ni.**
- SL08-02 intersected 18m of peridotite from 66m with anomalous Pt+Pd values up to 0.24g/t.
- LIL08-01 returned weakly anomalous Pt+Pd values up to 65ppb.
- LIL08-02 intersected **3.25m @ 0.81g/t Pd+Pd & 0.15% Cu from 63m, including 0.9m @ 1.00g/t Pt+Pd & 0.20% Cu.**

Pt:Pd ratios are approximately 1:1. Assay results for the remaining drill-holes are pending.

Table 1. Reconnaissance drill-hole information

Drill Hole	Easting (m)	Northing (m)	Azimuth (Deg)	Dip (Deg)	Depth (m)
SL08-01	354145	5403906	270	-45	258
SL08-02	353540	5403085	0	-90	192
LIL08-01	349560	5401940	0	-90	264
LIL08-02	349365	5401070	0	-90	189

These are very encouraging results given the reconnaissance nature of the drilling and indicate that the magma conduit complex is regionally extensive and is mapped by the aeromagnetic anomalies. The drill intercepts from the Steeple Lake and Lone Island Lake Intrusive Complexes indicate significant potential for mineralization.

The potential of the Steeple Lake Intrusive Complex is further emphasized by the recent release of a report on Kennecott drilling results by the Ministry of Northern Development and Mines. The report documents results from a single drill-hole completed in March 2008 which intersected 10.9m @ 2.25g/t Pt+Pd, 0.46% Cu & 0.25% Ni from 362.5m, including 3m @ 4.77g/t Pt+Pd, 0.92% Cu & 0.39% Ni, within a 234m interval of gabbro and peridotite (Figure 5).

Geophysical surveys and further drilling are planned in 2009 to follow-up these results.

EAST YILGARN, WESTERN AUSTRALIA

Laverton Nickel Project (Magma earning 100% of the Ni-Cu-PGM rights from Carbon Energy Ltd)

A large LANDTEM ground electromagnetic (EM) survey was completed during the quarter to map conductors which may reflect nickel-sulphide bodies within the strike extensive Red Flag and Lancefield Ultramafic Units (Figure 6). Several promising EM anomalies have been mapped and modelled. A reconnaissance drilling program is being planned to test these anomalies later in 2009.

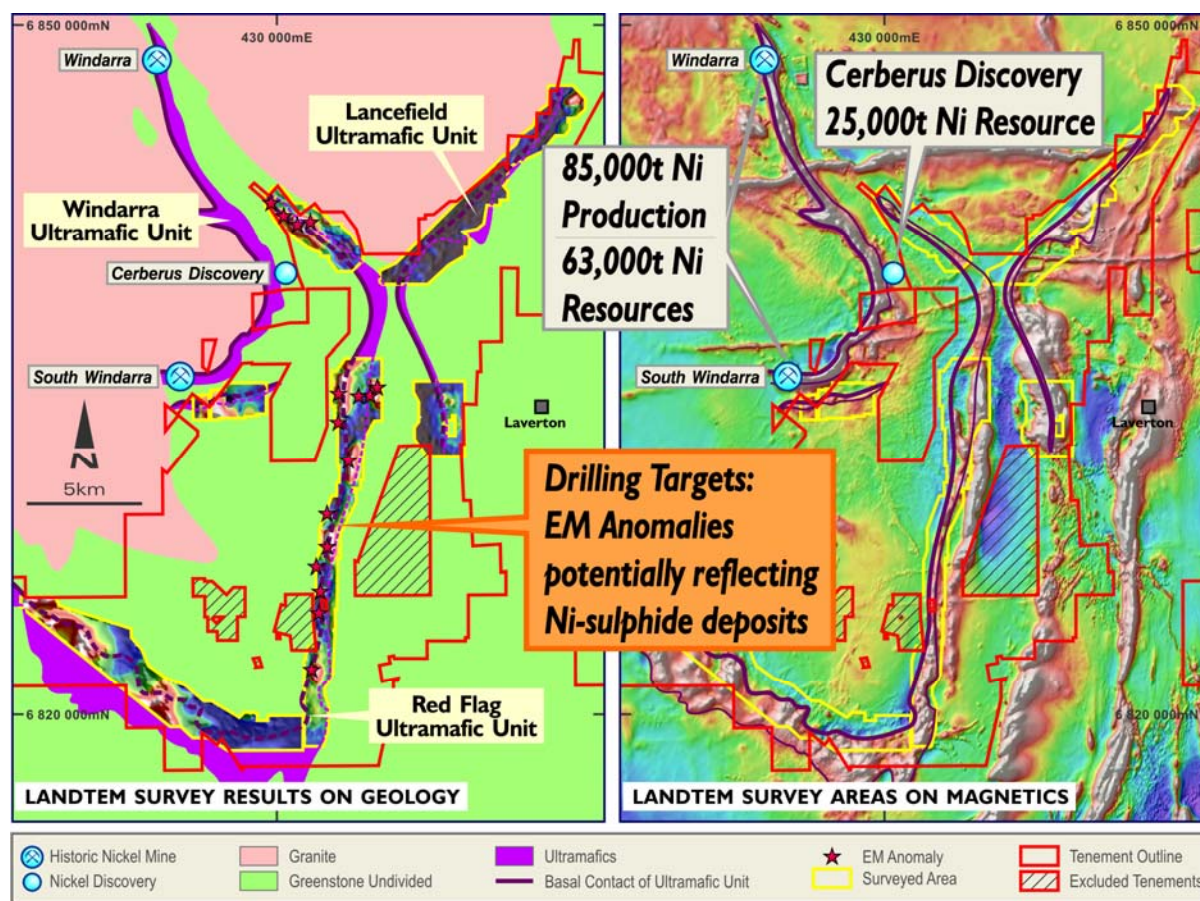


Figure 6. Laverton LANDTEM Survey and EM Anomalies

Poseidon Nickel Limited which owns the historic Windarra and South Windarra mines in the Windarra Ultramafic Unit, recently announced the discovery of the Cerberus nickel sulphide deposit comprising an Inferred Mineral Resource of 1Mt @ 2.45% Ni containing 25,000t of nickel metal. This deposit is immediately adjacent to Magma's tenement boundary and it is possible that the deposit could extend into Magma's tenements which contain both the down-dip extent of the Windarra Ultramafic unit to the east as well as approximately 1.5km of strike of this unit to the south of the Cerberus discovery.

An EM survey and a drilling program are being designed to investigate possible extensions of this deposit into Magma's tenements. This work is planned for the first half of 2009.

EAST KIMBERLEY, WESTERN AUSTRALIA

Eastman Project (Magma 70%, Navigator Resources 30%)

During the quarter Magma completed its earn-in on the Eastman project and now has a 70% interest in the project. Navigator Resources retains a 30% free-carried interest.

CORPORATE

During the quarter Mr Terry Burgess was appointed a Non-Executive Director of the Company. Terry is Head of Business Development (Base Metals) with Anglo American. Mr Graeme Scott was also appointed Chief Financial Officer and Company Secretary.

Magma retained \$7.3 million in cash at the end of the quarter.

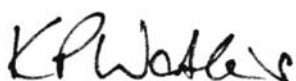
The Total Issued Capital of Magma Metals Limited at 31 December 2008 was 112,715,282 Shares. Details of 22,220,140 Unlisted Options are provided below:

Unlisted Options:

- 1,775,500 Unlisted 20c Options expiring 30/6/11
- 4,000,000 Unlisted 20c Director Options expiring 31/10/11
- 1,000,000 Unlisted 50c Options expiring 31/7/12
- 1,625,000 Unlisted employee Options exercisable at prices ranging from 20c to \$1.00 and expiring over periods from 30/11/09 to 1/11/13.
- 2,050,000 Unlisted 83c Director and employee Options expiring 31/10/12.
- 11,769,640 Unlisted 50c Options expiring 9/05/10

Additional information on the Company and its projects is available on the Company's website at www.magmametals.com.au.

For and on behalf of the Board



Keith Watkins
Managing Director
Magma Metals Limited

Competent Persons Statement:

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Dr Keith Watkins and/or Mr Ralph Porter, the Managing Director and Exploration Director of Magma Metals Limited, respectively, who are both Members of the Australasian Institute of Mining and Metallurgy. Both Dr Watkins and Mr Porter have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Watkins and Mr Porter consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Note: Drill-hole location and detailed assay data for all drill-holes mentioned in this report but not provided herein have been provided in previous announcements in the December quarter. These are available on the Company's website at www.magmametals.com.au.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MAGMA METALS LIMITED

ABN

ABN 72 114 581 047

Quarter ended ("current quarter")

31 DECEMBER 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Full year (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation (net)	(4,126)	(6,256)
(b) development	-	-
(c) production	-	-
(d) administration (net)	(374)	(646)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	167	263
1.5 Interest and other costs of finance paid	(2)	(3)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(4,335)	(6,642)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(56)	(88)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material) - Bonds	-	-
Net investing cash flows	(56)	(88)
1.13 Total operating and investing cash flows (carried forward)	(4,391)	(6,730)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(4,391)	(6,730)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. (Net)	4	8,137
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(3)	(6)
1.18	Dividends paid	-	-
1.19	Other – Trade Creditors/Debtors	-	-
	Net financing cash flows	1	8,131
	Net increase (decrease) in cash held	(4,390)	1,401
1.20	Cash at beginning of quarter/year to date	11,561	6,339
1.21	Exchange rate adjustments to item 1.20	135	(434)
1.22	Cash at end of quarter	7,306	7,306

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	161
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	-

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements/bonds	75	75

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,917
4.2 Development	-
Total	1,917

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	168	757
5.2 Deposits at call	7,138	10,804
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	7,306	11,561

Changes in interests in mining tenements

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Refer Covering Quarterly Activity Report attached hereto		
6.2	Interests in mining tenements acquired or increased	Refer Covering Quarterly Activity Report attached hereto		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference +securities <i>(description)</i>	Nil	Nil	-	-
7.2 Changes during quarter	-	-	-	-
7.3 +Ordinary securities	112,715,282	112,715,282	Various	Fully Paid
7.4 Changes during quarter				
(a) Increases through Issue				
- placement	-	-	-	-
- option exercise	20,000	20,000	20¢	Fully Paid
- tenements	-	-	-	-
(b) Decreases through return of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	Nil	Nil	-	-
7.6 Changes during quarter	-	-	-	-
7.7 Options			<i>Exercise Price</i>	<i>Expiry Date</i>
<i>Unlisted Options 20¢</i>	1,775,500	-	20¢	30/06/2011
<i>Unlisted Options 20¢</i>	4,000,000	-	20¢	31/10/2011
<i>Unlisted Options 20¢</i>	125,000	-	20¢	30/11/2009
<i>Unlisted Options 50¢</i>	75,000	-	50¢	01/09/2011
<i>Unlisted Options 75¢</i>	75,000	-	75¢	01/09/2012
<i>Unlisted Options \$1</i>	100,000	-	\$1	01/09/2013
<i>Unlisted Options 50¢</i>	200,000	-	50¢	01/05/2011
<i>Unlisted Options 75¢</i>	300,000	-	75¢	01/05/2012
<i>Unlisted Options \$1</i>	500,000	-	\$1	01/05/2013
<i>Unlisted Options 50¢</i>	1,000,000	-	50¢	31/07/2012
<i>Unlisted Options 83¢</i>	2,050,000	-	83¢	31/10/2012
<i>Unlisted Options 50¢</i>	11,769,640	-	50¢	09/05/2010
<i>Unlisted Options 50¢</i>	75,000	-	50¢	01/11/2011
<i>Unlisted Options 75¢</i>	75,000	-	75¢	01/11/2012
<i>Unlisted Options \$1</i>	100,000	-	\$1	01/11/2013
7.8 Issued during quarter				
<i>Unlisted Options 50¢</i>	75,000	-	50¢	01/11/2011
<i>Unlisted Options 75¢</i>	75,000	-	75¢	01/11/2012
<i>Unlisted Options \$1</i>	100,000	-	\$1	01/11/2013
7.9 Exercised during quarter				
<i>Unlisted Options 20¢</i>	20,000	-	20¢	30/06/2011
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	Nil	Nil		
7.12 Unsecured notes <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date:**28.January 2009**.....

Print name:**Graeme Scott**.....

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