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ASX Announcement

ASX: MMB

MAGMA ACQUIRES OPTION ON AUSTRALIAN GOLD EXPLORATION PROJECT

KEY POINTS

- Option for a 100% interest in the Griffins Find gold exploration project in Western Australia acquired from a private individual.
- 55,000 ounces of gold was produced in the 1980's from two shallow open pit mines at Griffins Find.
- The project contains a 4km x 2km area of gold anomalism around these pits which has only been subject to relatively shallow drilling.
- There are several immediate high-quality drilling targets, including a 1,300m x 250m gold zone with shallow drill intersections in laterite, bedrock and deep leads (buried alluvial channels), including:
 - GFAC08-76: 10m @ 15.65g/t gold from 30m (deep lead)
 - GFAC08-94: 10m @ 5.34g/t gold from 28m (deep lead)
 - GFR07-56: 6m @ 3.03g/t gold from surface (laterite)
 - GFR08-07: 4m @ 8.08g/t gold from 18m (bedrock)
and 3m @ 6.38g/t gold from 32m (bedrock).

Magma Metals Limited ("Magma") has acquired an option to purchase a 100% interest in tenements covering the Griffins Find gold exploration project in the southwest of Western Australia from a private individual. The terms of the agreement include:

- An initial payment of \$50,000 or 100,000 Magma shares on completion of a formal legal agreement;
- The option may be exercised within five years for \$1.25 million in cash or an equivalent value in Magma shares at a 5% discount to the 30-day volume weighted average price at the exercise date; and
- A sliding gold royalty decreasing from an initial 1.8% for the first 100,000 ounces to 0.55% for greater than 1 million ounces production.

The Griffins Find gold project is located within a poorly exposed Archaean greenstone belt in the wheat-belt area of Western Australia, approximately 320km southeast of Perth and 15km northwest of the town of Lake Grace (Figure 1). Gold was first discovered in this area in 1957 and about 55,000 ounces of gold at a grade of 2.8g/t was mined from two shallow open-pit mines (approximately 55m & 20m deep) in the 1980's.

There are very few drill-holes deeper than 100m outside of the immediate vicinity of the larger open-pit mine (Figure 1). There is a large gold-anomalous area around the open pits which forms a gold system "footprint" of at least 4km x 2km in size. Within this footprint anomalous gold values have been recorded in soil samples and shallow rotary air-blast and air-core drilling. **The size of this footprint in relation to the small open-pit mines is encouraging and could indicate potential for a substantial gold system.**

An analysis of historic exploration data and recent work conducted by the current tenement holder indicates that there are four immediate high-quality drilling targets (Figure 1):

- **Target 1:** A 1,300m x 250m zone of shallow gold mineralization, to the south-east of the open-pits, which is open to the north and comprises gold hosted in deep leads (buried alluvial channels with a likely proximal source), laterite and bedrock – some of the better high-grade gold drill intersections are shown in Figure 1 and listed in Table 1.
- **Target 2:** A series of large soil anomalies to the south and west of the open-pits, one of which is 900m x 300m in size with peak values of 5.5, 6.0 and 7.4g/t gold.
- **Target 3:** A number of untested Induced Polarization (IP) anomalies which form a linear trend parallel to the main rock units (IP anomalies may represent disseminated sulphide mineralization).
- **Target 4:** Potential strike and depth extensions to the open-pit mineralization which have not been systematically tested.

Targets 1 and 2 have been significantly enhanced by drilling undertaken over the last three years by the private individual who currently owns the tenements. The results shown in Figure 1 and Table 1 are from this work.

The option on this project represents an opportunity to evaluate a gold system with strong potential for significant scale for which a large database of shallow geochemical data already exists. The exploration budget for the first year of the option will be of the order of \$500,000 which will largely fund initial drilling of the targets listed above.

Magma's strategic focus is on precious and base metals in Canada and Australia. The Company's principal project is the Thunder Bay North platinum-palladium-copper-nickel discovery in northwest Ontario for which an initial JORC and NI43-101 compliant resource estimate is in progress. Magma frequently reviews project opportunities in Canada and Australia with the objective of increasing the quality of its project portfolio and developing a focus on precious and base metals targets with early development potential. The Griffins Find project will significantly enhance the Company's Australian exploration project portfolio.



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 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.

Table 1. Target 1: Selected Assay Results

Drill Hole Number	From (m)	To (m)	Length (m)	Au (g/t)	Rock Type
GFR07-27	2	4	2	1.62	laterite
GFR07-44	0	2	2	3.68	laterite
GFR07-50	0	2	2	3.87	laterite
GFR07-56	0	6	6	3.03	laterite
GFR07-114	10	12	2	7.34	bedrock
GFR07-128	14	17	3	4.90	bedrock
GFR08-07	18	22	4	8.08	bedrock
and	32	35	3	6.38	bedrock
GFR08-08	22	25	3	6.54	bedrock
GFAC08-70	23	39	16	3.87	deep lead
GFAC08-76	30	40	10	15.65	deep lead
GFAC08-83	30	36	6	8.18	deep lead
GFAC08-94	28	38	10	5.34	deep lead
GFAC09-225	27	29	2	8.54	deep lead
GFAC09-231	26	30	4	4.27	deep lead

Results are reported for selected drill-holes at a lower cut-off grade of 0.5g/t Au. There is no internal dilution. Samples are a mixture of 1m samples and 2-6m composite samples.

Table 2. Target 1: Drill Hole Collar and Depth Information

Drill Hole Number	Easting (MGA, m)	Northing (MGA, m)	Azimuth (Deg)	Dip (Deg)	Depth (m)
GFR07-27	624236	6339038	0	-90	23
GFR07-44	624216	6339098	0	-90	30
GFR07-50	624216	6339118	0	-90	30
GFR07-56	624216	6339138	0	-90	35
GFR07-114	624742	6338628	0	-90	12
GFR07-128	624702	6338668	0	-90	17
GFR08-07	624742	6338608	0	-60	45
GFR08-08	624762	6338628	270	-60	45
GFAC08-70	624258	6339388	0	-90	45
GFAC08-76	624223	6339510	0	-90	53
GFAC08-83	624239	6339410	0	-90	43
GFAC08-94	624219	6339534	0	-90	63
GFAC09-225	624234	6339070	0	-90	33
GFAC09-231	624254	6339030	0	-90	33

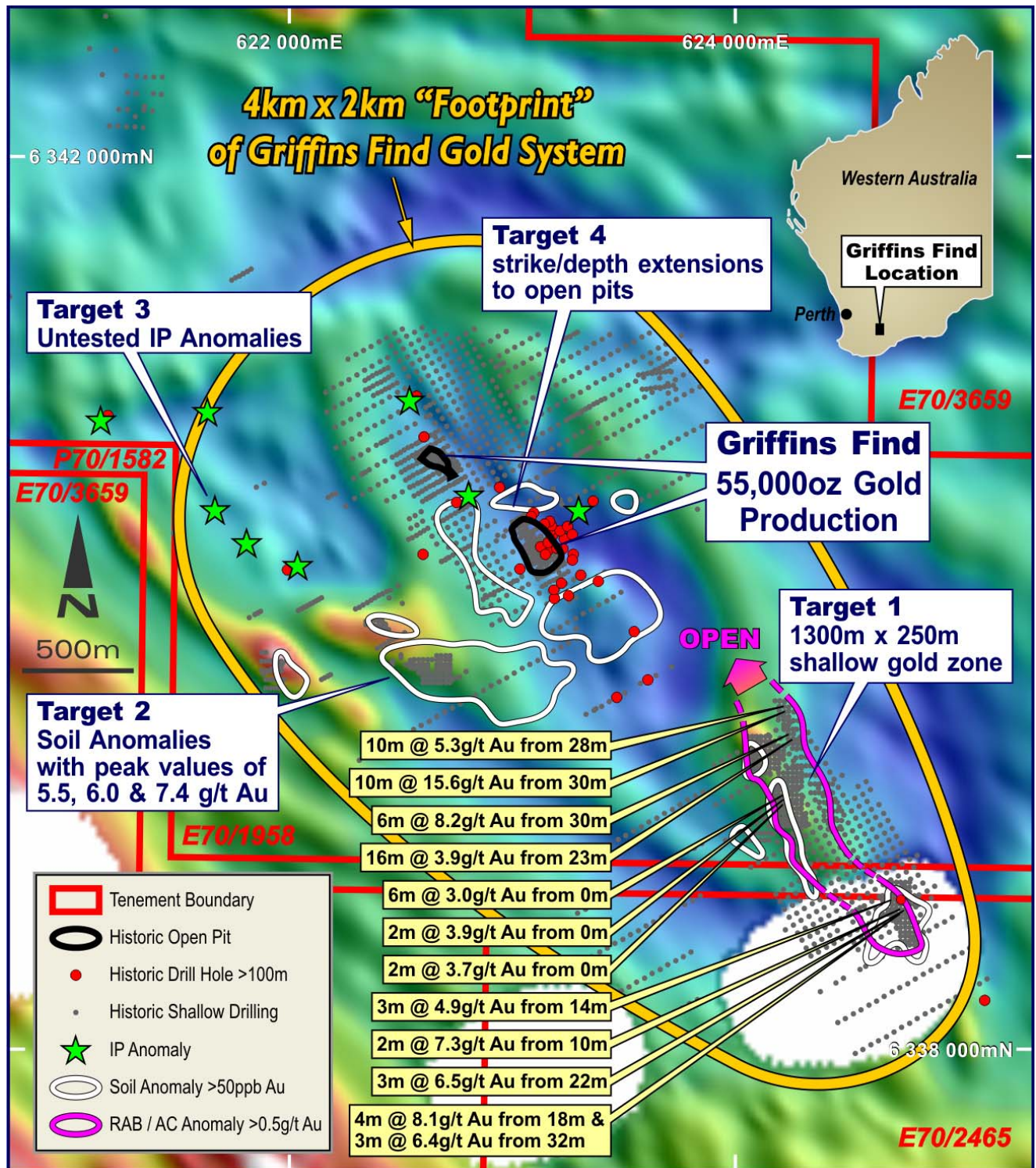


Figure 1. Griffins Find Project – Gold Targets on Aeromagnetics