



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

**AND CONTROLLED ENTITIES**

**FIFTH ANNUAL REPORT**

**30<sup>TH</sup> JUNE 2009**

# Highlights

## Thunder Bay North Platinum-Palladium Project, Canada

- Independent initial Mineral Resource estimates have been completed for a 3.4km strike length of the Current Lake Intrusive Complex by SRK Consulting (Canada) Inc. Combined Indicated and Inferred Resources are estimated to be 8.2 million tonnes at 2.4g/t Pt+Pd, 0.3% Cu & 0.2% Ni. On a Platinum Equivalent basis this equates to 8.2 million tonnes at 2.6g/t Pt-equivalent for 690,000 ounces Pt-equivalent.
- Reconnaissance drilling in the Steepledge Lake and Lone Island Lake Intrusive Complexes to the west of Current Lake established that these are also mafic-ultramafic intrusions which contain Pt-Pd-Cu-Ni mineralization.
- Further staking has consolidated a ground position of approximately 700km<sup>2</sup> in the region.

## Australian Projects

- *Laverton Nickel Project*: Major electro-magnetic survey identifies several drilling targets in the Red Flag Ultramafic Unit.
- *Griffins Find Gold Project*: Option negotiated to acquire 100% of this high-potential project.

## Corporate Activities

- 13.47 million share placement to Anglo American raising \$8.082 million completed in September 2008.
- \$16 million capital raising completed in May 2009; \$17 million cash retained at 30 June 2009.
- Preparations underway for compliance listing on the Toronto Stock Exchange (TSX).

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**ABN 72 114 581 047**  
**AND CONTROLLED ENTITIES**

**FIFTH ANNUAL REPORT AND FINANCIAL STATEMENTS**

**30<sup>TH</sup> JUNE 2009**

*Incorporated under the Corporations Law in the  
State of Western Australia on 2<sup>nd</sup> June 2005.*

**CORPORATE INFORMATION**

**Directors:**

**Managing Director**

K.P Watkins B.Sc.(Hons), PhD,  
MAusIMM, FAIG

**Exploration Director**

R.R.G. Porter B.Sc. MSc,  
MAusIMM, MSEG

**Executive Director**

M.D.J. Cozijn B.Com, ASA, MAICD

**Non-Executive Director**

T.B. Burgess B.Sc.(Hons), FAusIMM,  
FIMMM, ACMA, CEng

**Company Secretary**

G. Scott FCCA

**Registered & Principal Office**

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West Perth WA 6005  
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Facsimile: + 618 9324 1700  
Email: [magma@magmametals.com.au](mailto:magma@magmametals.com.au)

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**Exploration Office Canada**

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Ontario P7B 6A5  
CANADA

**Auditors**

**WHK Horwath**

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PERTH WA 6000

**Share Registry Perth**

**Security Transfer Registrars Pty Ltd**

770 Canning Highway  
APPLECROSS WA 6153

**Solicitors Perth**

**Clayton Utz**

QV.1 Building, Level 27  
250 St Georges Terrace  
Perth WA 6000  
AUSTRALIA

**Solicitors Toronto**

**Cassels Brock**

2100 Scotia Plaza, 40 King Street West  
Toronto  
Ontario M5H 3C2  
CANADA

**Stock Exchange Listing**

The Company's shares are listed under the  
code MMB on the Australian Stock  
Exchange Limited.

**Annual General Meeting**

The Annual General Meeting of Magma  
Metals Limited, will be held in the  
President's Room, The Celtic Club,  
1st Floor, 48 Ord Street, West Perth,  
Australia on 5<sup>th</sup> November 2009 at 4.30pm.

**Web site**

[www.magmametals.com.au](http://www.magmametals.com.au)

## Managing Director's Letter

Dear Shareholder

On behalf of the Board of Directors it is with pleasure that I present the Magma Metals Limited ("Magma") Annual Report for 2009.

During 2009 the focus of Magma's exploration effort was on the Thunder Bay North platinum – palladium project in Canada. A major resource definition drilling campaign was completed which comprised a total of 33,500m of diamond drilling and defined a zone of platinum-palladium-copper-nickel mineralization 3.4km long within the Current Lake Intrusive Complex. This drilling was combined with 17,000m of drilling completed previously to form the basis for JORC and NI43-101 compliant initial resource estimates for the project.

SRK Consulting in Toronto independently estimated combined Inferred and Indicated Mineral Resources of 8.2 million tonnes at 2.4g/t Pt+Pd, 0.3% Cu & 0.2% Ni. It is planned to complete a Scoping Study on this resource during the coming year. In addition, further drilling will be completed to investigate the potential to extend resources along strike to the east and north within the Current Lake Intrusive Complex and to determine the mineralization potential of two other intrusive complexes, Steepledge Lake and Lone Island Lake, to the west.

In Western Australia a large surface electro-magnetic survey at Laverton identified several nickel-sulphide targets. A copper-gold target was identified at the Laura River project in the East Kimberley. Subsequent to the end of the year, an option was negotiated to acquire the highly prospective Griffins Find gold project in the southwest Yilgarn Craton. Drilling programs are planned on each of these projects in the coming year.

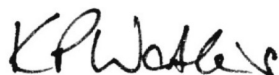
In the Operations Review section of this report we provide an overview of progress made during the year and an indication of our exploration plans for the coming year for each project.

During the year the Company raised \$24.082 million in additional capital. In September 2008, a share placement was made to Anglo American for \$8.082 million and in May 2009 the Company completed a \$16 million capital raising which was substantially oversubscribed. These funds will be applied mainly to the Thunder Bay North project and enable us to make significant progress towards our goal of defining and developing an economic resource on this project.

Plans for a dual listing on the Toronto Stock Exchange advanced during the year and it is now intended to complete this exercise in the December quarter of 2009. This will provide direct exposure to investors in the world's deepest capital market for resource companies. This is a logical step given that the location of our principal project is in Canada.

On behalf of the Board of Directors, I would like to thank all shareholders for their support as we look forward to another exciting year for the Company.

Yours faithfully,



**Dr Keith P Watkins**  
**Managing Director**  
**Magma Metals Limited**

# Operations Review

## Projects

Magma Metals Limited (“Magma”) is focused on exploration and development of precious and base metals deposits in established mineral provinces in Canada and Australia – the Midcontinent Rift region in Ontario and the Yilgarn Craton and Halls Creek Orogen in Western Australia. Magma’s exploration program last year was focused on its Thunder Bay North Pt-Pd-Cu-Ni project in Ontario as drilling to define the project’s first resource estimate was completed. However, limited work was undertaken in Western Australia on several projects. The results of these programs and plans for further work in Canada and Australia are summarised below. Comprehensive descriptions of each project and the principal exploration targets are available on the Company’s website at [www.magmametals.com.au](http://www.magmametals.com.au). The locations of the Company’s projects are shown in Figure 1.

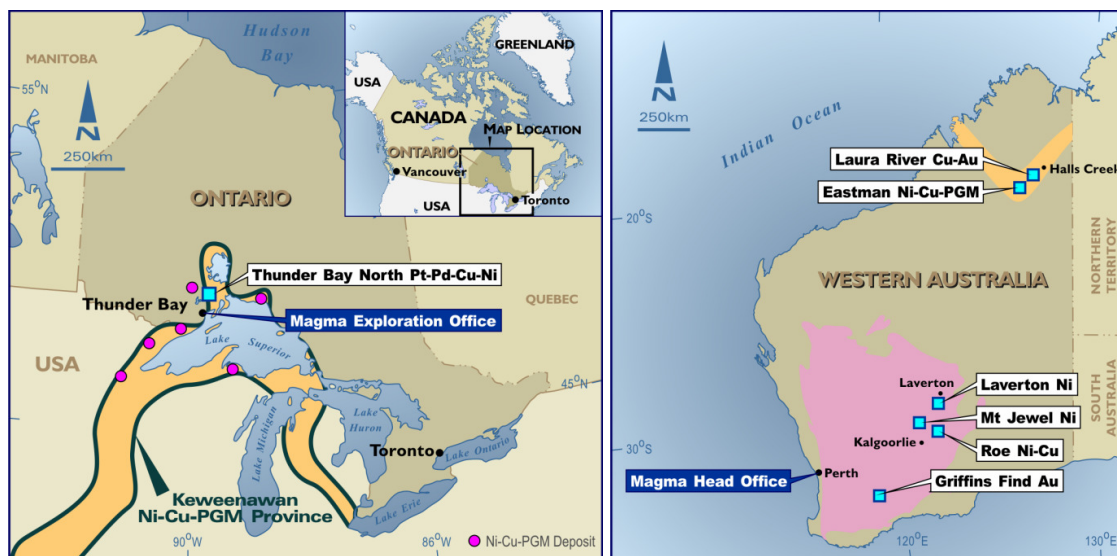


Figure 1. Project Locations

## Midcontinent Rift, Ontario, Canada

Exploration in Canada is undertaken by Magma’s wholly owned subsidiary, Magma Metals (Canada) Limited (“Magma Canada”), which operates out of an office in the city of Thunder Bay. The Thunder Bay North project is in the northern part of the Proterozoic Midcontinent Rift region, an important emerging Ni-Cu-PGM province (Figure 2). The geology of this region is analogous to that of the giant Noril’sk – Talnakh Ni-Cu-PGM camp in Russia and mineralization has been known in the area for many years; however, up until recently it appeared to be mostly of relatively low grade. The Eagle and Tamarack discoveries in the USA, as well as Magma’s discovery at Thunder Bay North, all made this decade, have demonstrated that higher grade mineralization is also present and that the province has significant potential to be a major North American Ni-Cu-PGM camp.

### ***Thunder Bay North Platinum-Palladium Project (Magma 100%, Beaver Lake Claim option to acquire 100%)***

A resource definition drilling program comprising 231 holes for 33,500m, which commenced in June 2008, was completed during the year in the Current Lake Intrusive Complex, an approximately 5km long mafic-ultramafic magma conduit. The drilling program defined platinum-palladium-copper-nickel mineralization over a strike length of 3.4km in the north-western part of the complex (Figure 3). Information from this drilling campaign was combined with that from 17,000m of drilling completed in previous programs to form the basis for initial JORC and NI43-101 compliant resource estimates for the project.

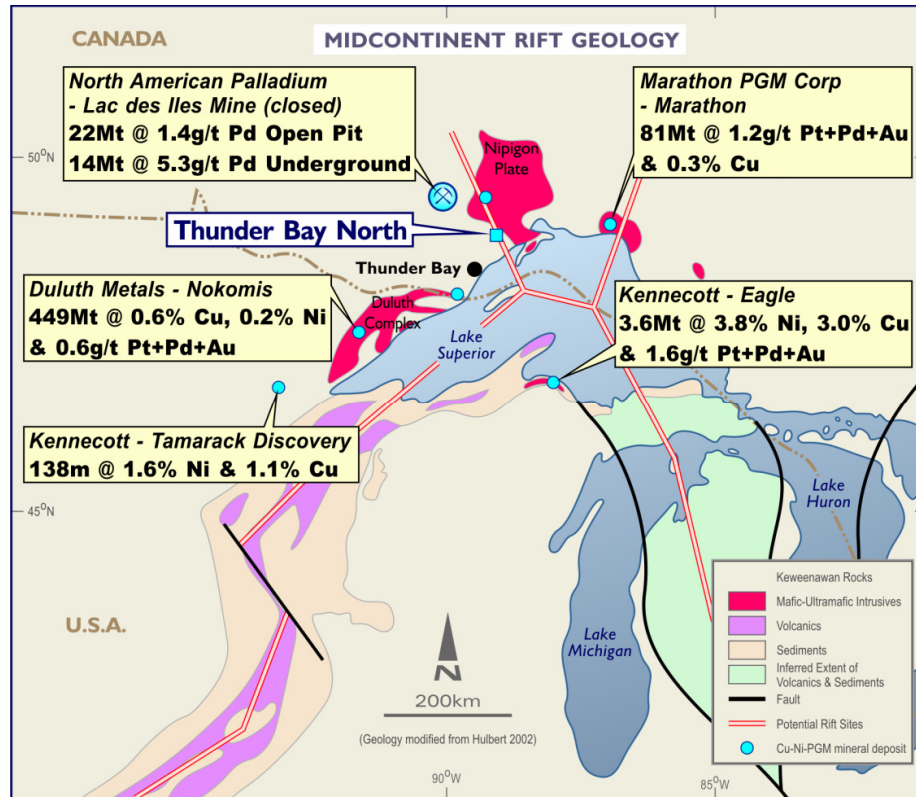


Figure 2. Midcontinent Rift Ni-Cu-PGM Province

SRK Consulting in Toronto have independently estimated initial Mineral Resources for the project. Combined Indicated and Inferred Mineral Resources are estimated to be:

<b>Open Pit:</b>	<b>7.33 million tonnes at 2.31g/t Pt+Pd, 0.29% Cu &amp; 0.20% Ni</b>
<b>Underground:</b>	<b>0.85 million tonnes at 2.89g/t Pt+Pd, 0.35% Cu &amp; 0.25% Ni</b>
<b>Total:</b>	<b>8.18 million tonnes at 2.38g/t Pt+Pd, 0.30% Cu &amp; 0.21% Ni</b>

The resource estimates are summarised in Table 1 and the resource models are shown in Figures 4 and 5.

Mineralization in the Current Lake Intrusive Complex is open to the east and north and further drilling is in progress to investigate the potential to extend the resources into these areas.

Reconnaissance drilling in the Steepledge Lake and Lone Island Lake Intrusive Complexes to the west of Current Lake returned encouraging results during the year and drilling is now in progress at Steepledge Lake to investigate the mineralization potential of this complex. Drilling is also planned later in the 2009-2010 year at Lone Island Lake (Figure 6).

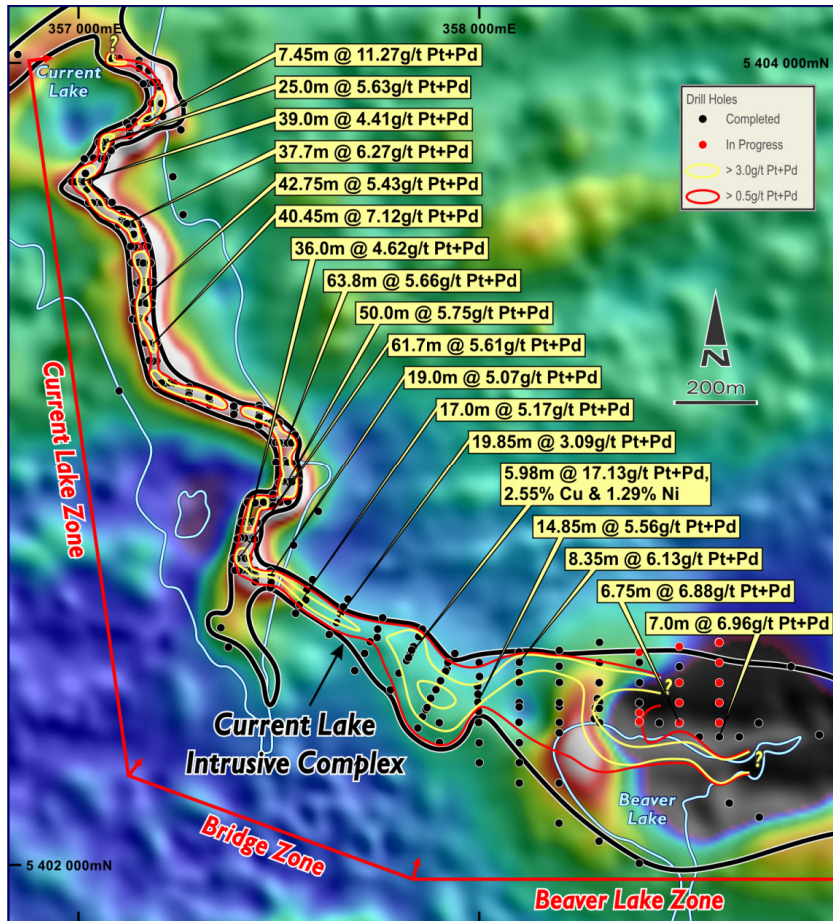


Figure 3. Drilling in the north-west part of the Current Lake Intrusive Complex

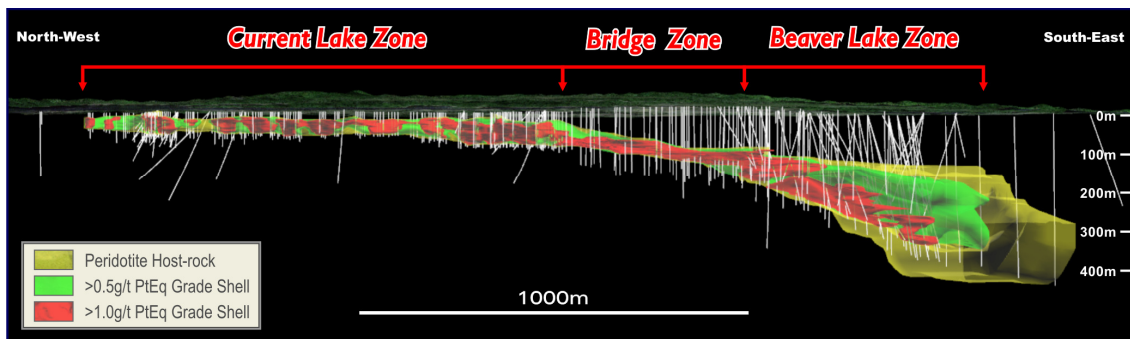


Figure 4. Resource Model with Drilling

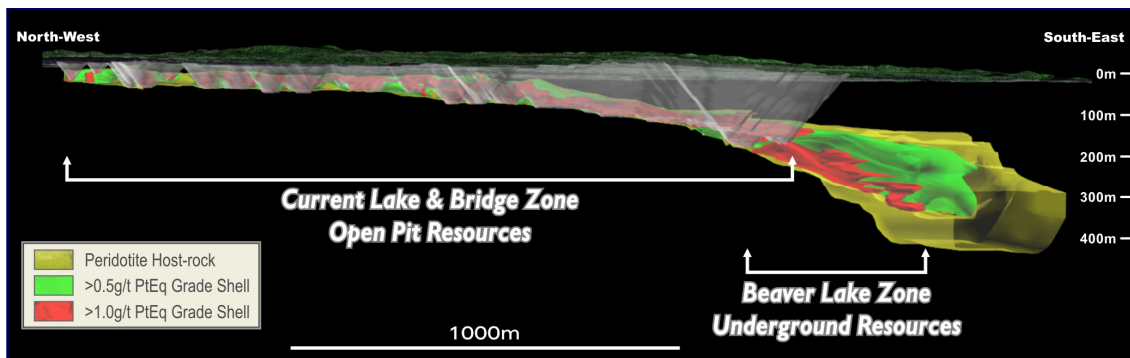


Figure 5. Open Pit and Underground Resource Areas

**Table 1. Mineral Resource Estimates – Thunder Bay North**

Resource Category & JORC Classification	Tonnage (000's t)	Grade								
		PtEq	Pt	Pd	Au	Ag	Cu	Ni	Co	
		(g/t)					%			
<b>Open Pit (1.0g/t PtEq cut-off):</b>										
Indicated: Current-Bridge	3,825	2.97	1.40	1.32	0.09	1.96	0.33	0.22	0.015	
Indicated: Beaver Lake	470	1.68	0.80	0.75	0.05	1.20	0.19	0.17	0.015	
Inferred: Current-Bridge	1,481	2.37	1.08	1.02	0.07	1.69	0.28	0.18	0.014	
Inferred: Beaver Lake	1,552	1.95	0.91	0.86	0.06	1.39	0.22	0.19	0.016	
<b>Total Open Pit</b>	<b>7,328</b>	<b>2.55</b>	<b>1.19</b>	<b>1.12</b>	<b>0.08</b>	<b>1.74</b>	<b>0.29</b>	<b>0.20</b>	<b>0.015</b>	
<b>Underground (2.0g/t PtEq cut-off):</b>										
Indicated: Beaver Lake	286	3.67	1.66	1.52	0.10	2.42	0.42	0.28	0.018	
Inferred: Beaver Lake	563	3.02	1.44	1.35	0.09	2.02	0.32	0.23	0.017	
<b>Total Underground</b>	<b>849</b>	<b>3.26</b>	<b>1.50</b>	<b>1.39</b>	<b>0.10</b>	<b>2.13</b>	<b>0.35</b>	<b>0.25</b>	<b>0.017</b>	
Total Indicated	4,581	2.88	1.35	1.27	0.08	1.91	0.32	0.22	0.015	
Total Inferred	3,596	2.29	1.06	1.00	0.07	1.62	0.26	0.19	0.015	
<b>Total Indicated &amp; Inferred</b>	<b>8,177</b>	<b>2.62</b>	<b>1.23</b>	<b>1.15</b>	<b>0.08</b>	<b>1.78</b>	<b>0.30</b>	<b>0.21</b>	<b>0.015</b>	
<b>Contained Metal</b>										
		PtEq	Pt	Pd	Au	Ag	Cu	Ni	Co	
		(000's oz)					(Tonnes)			
<b>Open Pit (1.0g/t PtEq cut-off):</b>										
Indicated: Current-Bridge		366	172	162	11	241	12,755	8,270	570	
Indicated: Beaver Lake		25	12	11	1	18	878	811	69	
Inferred: Current-Bridge		113	52	48	3	81	4,154	2,736	205	
Inferred: Beaver Lake		97	45	43	3	70	3,478	2,887	241	
<b>Total Open Pit</b>		<b>601</b>	<b>281</b>	<b>264</b>	<b>18</b>	<b>410</b>	<b>21,265</b>	<b>14,704</b>	<b>1,085</b>	
<b>Underground (2.0g/t PtEq cut-off):</b>										
Indicated		34	15	14	1	22	1,193	799	52	
Inferred		55	26	24	2	37	1,790	1,296	94	
<b>Total Underground</b>		<b>89</b>	<b>41</b>	<b>38</b>	<b>3</b>	<b>59</b>	<b>2,983</b>	<b>2,095</b>	<b>146</b>	
Total Indicated		425	199	187	13	281	14,826	9,879	691	
Total Inferred		265	123	115	8	188	9,422	6,919	540	
<b>Total Indicated &amp; Inferred</b>		<b>690</b>	<b>322</b>	<b>302</b>	<b>21</b>	<b>469</b>	<b>24,248</b>	<b>16,798</b>	<b>1,231</b>	

**Notes:**

1. In the table "Current-Bridge" refers to the Current Lake Zone and Bridge Zone combined, "Beaver Lake" refers to the Beaver Lake Zone (Figures 4 and 5).
2. The Open Pit lower grade cut-off is 1.0g/t PtEq & the Underground lower grade cut-off is 2.0g/t PtEq.
3. PtEq: Platinum Equivalent Grade was estimated using metal prices, recoveries and the formula shown below:

**Assumptions Considered for the Platinum Equivalency Formula:**

Parameter	Platinum	Palladium	Gold	Silver	Copper	Nickel	Cobalt
Metal price (US\$):	\$1,200/oz	\$250/oz	\$930/oz	\$13/oz	\$2.30/lb	\$7.00/lb	\$15.00/lb
Process Recovery:	75%	75%	50%	65%	90%	90% (*)	90% (*)

\* Process recoveries for nickel and cobalt are estimated for the proportion of these metals hosted by sulphides only

**Platinum Equivalency Formula:**

$$\begin{aligned}
 \text{PtEq (gpt)} = & \text{Pt (gpt)} + \text{Pd (gpt)} \times 0.21 + \text{Au (gpt)} \times 0.52 + \text{Ag (gpt)} \times 0.01 + \text{Cu (\%)} \times 1.58 \\
 & + [\text{Ni (ppm)}_{\text{total}} - (\text{MgO (\%)} \times 63.49 - 587.2)] \times 0.00048 \\
 & + [\text{Co (ppm)}_{\text{total}} - (\text{MgO (\%)} \times 3.8188 + 23.94)] \times 0.00103
 \end{aligned}$$

*Further details on the resource estimate were provided in an announcement made on 7<sup>th</sup> September 2009 which is available on the Company's website.*



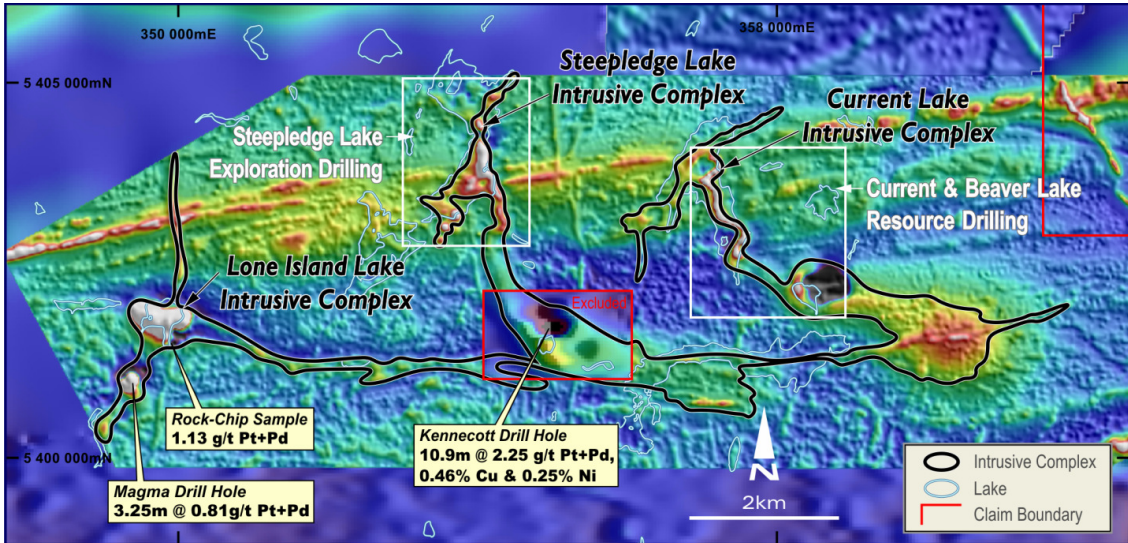


Figure 6. Regional Magnetic Image showing Intrusive Complexes

It is planned to complete a Scoping Study on the Current Lake – Beaver Lake resources during the 2009-2010 year to establish key economic parameters for potential development of the project.

### Yilgarn Craton, Western Australia

Exploration programs were conducted on the Laverton and Mt Jewell projects during the year. The Company acquired an option over the Griffins Find gold project subsequent to the year-end.

#### Laverton Nickel Project (Magma earning 100% of the Ni-Cu-PGM rights)

A major surface electro-magnetic (EM) survey was completed during the year over the main nickel-prospective ultramafic units. The survey was designed to detect conductors which could reflect massive sulphide nickel mineralization to a depth of approximately 300m. Several promising EM conductors were mapped in the Red Flag Ultramafic Unit (Figure 7). These have been modelled and drilling is planned in the 2009-2010 year to test these targets.

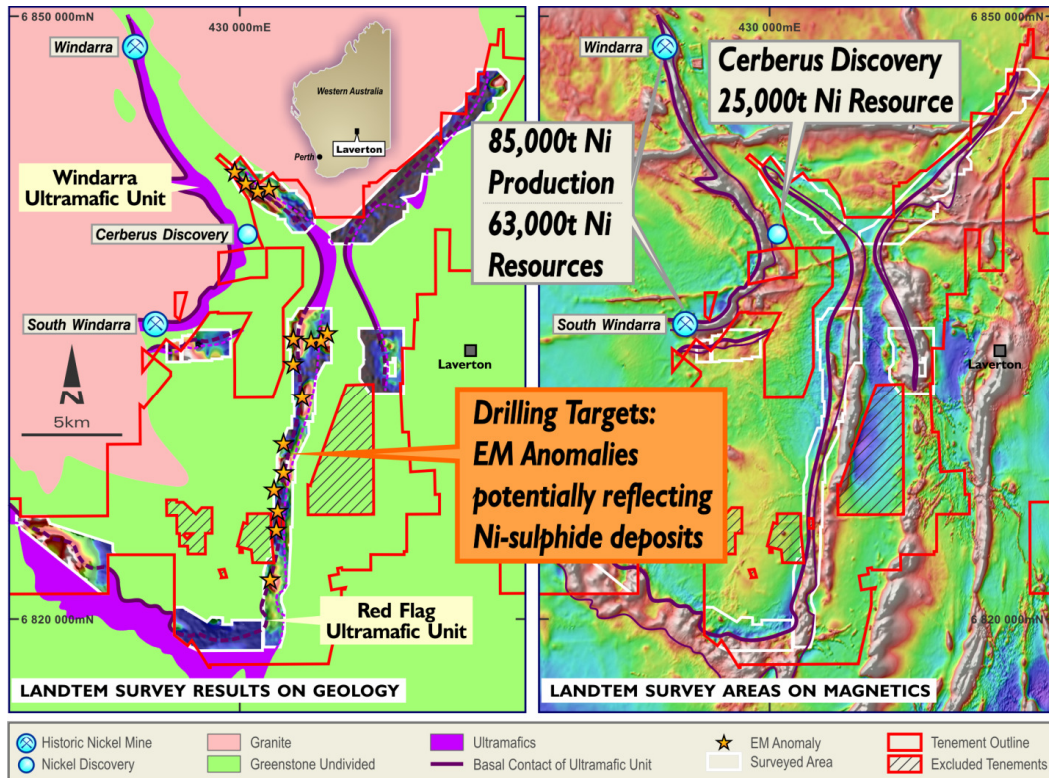


Figure 7. Laverton EM anomalies

### **Mt Jewell Nickel Project (Magma 80%)**

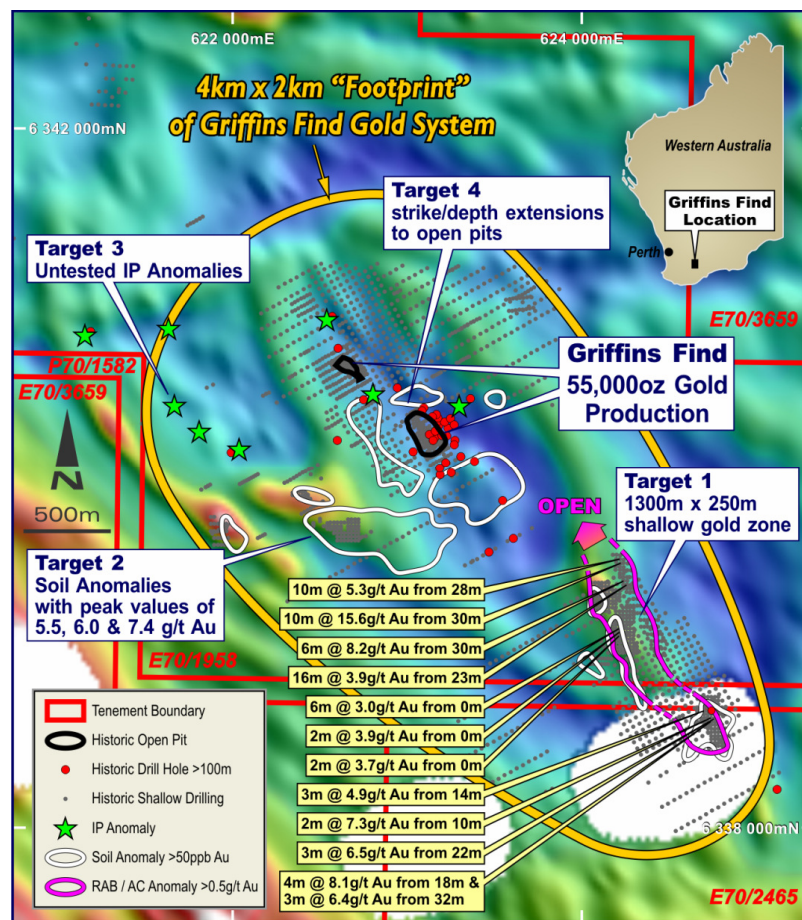
A small surface EM survey was conducted over the southern part of the project area containing the Mt Jewell prospect during the year; no significant EM conductors were detected. During the coming year another EM survey is planned over a 10 kilometre strike length of the main nickel-prospective ultramafic unit in the northern part of the project. The survey will utilize the same technology as the Laverton survey and should be capable of detecting EM conductors to approximately 300m depth.

### **Roe Nickel-Copper-PGM Project (Magma 100%)**

No field programs were conducted on this project during the year. Consideration is being given to joint venturing the project.

### **Griffins Find Gold Project (Magma has an option to acquire 100%)**

Subsequent to the end of the year, Magma acquired an option to purchase a 100% interest in the Griffins Find gold exploration project, approximately 320km southeast of Perth, from a private individual (Figure 8).



**Figure 8. Griffins Find Gold Project**

Approximately 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 in the project area. There is a large gold-anomalous area around these 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. There are very few drill-holes deeper than 100m outside of the immediate vicinity of the larger open-pit mine. 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 8).

## Halls Creek Orogen, Western Australia

The Halls Creek Orogen in the East Kimberley region of Western Australia is a Proterozoic belt prospective for a range of metals. Magma has been exploring two projects in this belt over the last three years for Ni-Cu-PGM and Cu-Zn and has recently developed a Cu-Au target in the Laura River project. Minor drilling programs were completed on these projects during the year.

### **Laura River Copper-Gold Project (Magma earning a 70% interest)**

A six hole 798m drilling program was completed during the year to test soil anomalies at the Argonaut prospect. There were no significant results.

An iron-oxide Cu-Au target has been identified at the Amphitheatre prospect and an approximately 1,000m two-hole drilling program has been designed to test this target. The drilling is planned for later this year.

### **Eastman Nickel-Copper-PGM & Copper-Zinc Project (Magma 70%)**

A fourteen hole 1,790m drilling program was completed during the year on this project. Twelve holes tested various surface geochemical and EM targets near the basal contact of the Eastman Bore mafic-ultramafic intrusion for Ni-Cu-PGM mineralization. Drill-hole ERC075 intersected 18m @ 0.40g/t Pt, 0.86g/t Pd & 0.12g/t Au (1.39g/t Pt+Pd+Au), including 7m @ 0.63g/t Pt, 1.40g/t Pd & 0.16g/t Au (2.18g/t Pt+Pd+Au) in the eastern part of the intrusion. Several of the other holes intersected narrow (1-8m) zones of low-grade (0.5-1.2g/t Pt+Pd+Au) mineralization.

Two holes were drilled at the Yellowstone copper-zinc prospect in the northern part of the project area. These tested an electromagnetic anomaly associated with a surface geochemical anomaly and returned no significant results.

Consideration is being given to joint venturing the project.

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## Competent Persons Statement

*The information in this report that relates to Exploration Results is based on information compiled or reviewed 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" (the JORC Code). 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.*

*The information in this report that relates to Thunder Bay North Mineral Resources was compiled by Dorota El-Rassi P.Eng (APEO #100012348) and Glen Cole, P.Geo (APGO #1416), both full time employees of SRK Consulting Canada Inc., Ms El-Rassi and Mr Cole have sufficient experience, which is relevant to the style of mineralization 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" (the JORC Code) and independent qualified persons as this term is defined in National Instrument 43-101. Ms El-Rassi and Mr Cole consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

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## Corporate

Two capital raisings were completed during the year for total gross proceeds of \$24.082 million. In September 2008, it was agreed to place 13.47 million shares to Anglo American at 60 cents per share, raising gross proceeds of \$8.082 million. In May 2009, the Company completed a \$16 million capital raising through the issue of 50 million shares at an issue price of \$0.32 per share. The shares were issued predominantly to domestic and international institutional clients of Hartleys Limited. The placement was substantially oversubscribed. Anglo American participated in the placement, maintaining its 12% interest in the Company.

Magma retained \$17 million in cash at 30 June 2009.

Terry Burgess was appointed a non-executive director of the Company during the year.

Magma is pursuing a dual listing (compliance listing) on the Toronto Stock Exchange (TSX) and it is anticipated that this exercise will be completed early in the December quarter 2009.

The total issued capital of Magma Metals Limited at 30 June 2009 was 163,150,032 shares. There were 22,785,390 unlisted options with exercise prices between \$0.20 and \$1.00 with expiry dates ranging from November 2009 to April 2014.

**MAGMA METALS LIMITED**  
**ABN 72 114 581 047**  
**AND CONTROLLED ENTITIES**

**CORPORATE GOVERNANCE**

**Statement**

Magma Metals Limited ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reasons for the adoption of its own practice, in compliance with the "if not, why not" regime.

**Disclosure of Corporate Governance Practices**

**Summary Statement**

	ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>		ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 <sup>3</sup>	n/a	n/a
Recommendation 1.3 <sup>3</sup>	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2 <sup>3</sup>	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3		✓	Recommendation 6.2 <sup>3</sup>	n/a	n/a
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6 <sup>3</sup>	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 <sup>3</sup>	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1		✓
Recommendation 3.3 <sup>3</sup>	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1		✓	Recommendation 8.3 <sup>3</sup>	n/a	n/a
Recommendation 4.2		✓			

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

**Website Disclosures**

Further information about the Company's charters, policies and procedures may be found at the Company's website at [www.magmametals.com.au](http://www.magmametals.com.au), under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

<b>Charters</b>	<b>Recommendation(s)</b>
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
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<b>Policies and Procedures</b>	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on ASX Listing Rule Compliance (summary) and Compliance Procedures (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

## **Disclosure – Principles & Recommendations**

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2008/2009 financial year ("**Reporting Period**").

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### **Principle 1 – Lay solid foundations for management and oversight**

#### **Recommendation 1.1:**

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

#### **Disclosure:**

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and to assist the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair of the Audit Committee, as appropriate.

#### **Recommendation 1.2:**

Companies should disclose the process for evaluating the performance of senior executives.

#### **Disclosure:**

The Managing Director is responsible for evaluating the senior executives. Such performance evaluations are undertaken by the Managing Director in the form of informal discussions.

#### **Recommendation 1.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

#### **Disclosure:**

During the Reporting Period a performance evaluation of senior executives did occur. The evaluations were performed in accordance with the process disclosed above at Recommendation 1.2.

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### **Principle 2 – Structure the Board to add value**

#### **Recommendation 2.1:**

A majority of the Board should be independent directors.

#### **Notification of Departure:**

The Board does not have a majority of independent directors. None of the directors are currently independent.

**Explanation for Departure:**

The Board considers that its composition is, and continues to be, appropriate given the current size and operations of the Company. The Board believes that each of the directors possesses the appropriate mix of skills and expertise relevant to the Company's business.

The Board continues to regularly review its composition in light of the Company's circumstances and future direction and will appoint independent directors if considered appropriate.

**Recommendation 2.2 and 2.3:**

The Chair should be an independent director and the roles of Chair and Managing Director should not be exercised by the same individual.

**Notification of Departure:**

The Chair is not independent. The roles of Chair and Managing Director are carried out by the same person, Dr Watkins.

**Explanation for Departure:**

The Board considers that Dr Watkins' appointment in these dual roles is the most appropriate structure given the Company's present circumstances. The Board considers that Dr Watkins is suitably qualified and experienced to lead the Company both strategically and in its day-to-day management because of his industry experience, including over 30 years geological research, exploration and business development experience in Australia and several other countries for precious and base metals as well as tantalum and minerals sands, including ten years as "Head of Exploration" with Goldfields Ltd and Sons of Gwalia Ltd.

The Board continues to regularly review its composition in light of the Company's circumstances and future direction.

**Recommendation 2.4:**

The Board should establish a Nomination Committee.

**Notification of Departure:**

The Company has not established a separate Nomination Committee.

**Explanation for Departure:**

The full Board considers those matters and issues that would usually fall to a Nomination Committee. Given its size and composition, the Board considers that no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

**Recommendation 2.5:**

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

**Disclosure:**

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Nomination Committee is responsible for evaluating the Managing Director.

## **Recommendation 2.6:**

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

### **Disclosure:**

#### **Skills, Experience, Expertise and Term of Office of each Director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

#### **Identification of Independent Directors**

There are currently no independent directors of the Company.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

#### **Company's Materiality Thresholds**

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

#### **Statement Concerning Availability of Independent Professional Advice**

To assist directors with independent judgement, it is the Board's Policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

#### **Nomination Matters**

The full Board, in its capacity as the Nomination Committee, held one meeting during the Reporting Period. All eligible Board members (messrs Watkins, Cozijn and Porter) attended the meeting. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

## **Performance Evaluation**

During the Reporting Period an evaluation of the Board, its committees and individual directors was not formally carried out as it was not considered to be a beneficial procedure given the size and composition of the Board. However, informal discussions were held regarding overall Board performance and its compositional suitability to carry out its role in the Company's present circumstances. The Board continues to consider its structure and composition, with reference to the Company's future direction and the performance of its directors.

## **Selection and (Re)Appointment of Directors**

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Pursuant to the Company's Constitution, at every annual general meeting, one third of the directors (except the Managing Director) are required to retire from office and submit themselves for re-election and in any event no director may retain office for more than 3 years without submitting themselves for such re-election. Re-appointment of directors is not automatic.

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## **Principle 3 – Promote ethical and responsible decision-making**

### **Recommendation 3.1:**

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### **Disclosure:**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

### **Recommendation 3.2:**

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

#### **Disclosure:**

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

### **Recommendation 3.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

#### **Disclosure:**

Please refer to the section above marked Website Disclosures.



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## **Principle 4 – Safeguard integrity in financial reporting**

### **Recommendation 4.1:**

The Board should establish an Audit Committee.

### **Notification of Departure:**

The Company has not established a separate Audit Committee.

### **Explanation for Departure:**

The full Board considers those matters and issues that would usually fall to an Audit Committee. Given its size and composition, the Board considers that no efficiencies or other benefits would be gained by establishing a separate Audit Committee. The Board holds meetings separate from its regular Board meetings when considering audit-related matters. Such meetings are minuted and function in accordance with the Audit Committee Charter adopted by the Board. The Board deals with any conflicts of interest that may occur when convening in the capacity of Audit Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

### **Recommendation 4.2:**

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

### **Notification of Departure:**

The Audit Committee comprises the full Board and is not structured in accordance with the compositional recommendation.

### **Explanation for Departure:**

Given that the Board is comprised of three executive directors and one non-executive director and none of the directors are independent, the Company is unable to satisfy the Audit Committee compositional requirements. When the Board convenes as the Audit Committee, Mr Cozijn chairs the meeting. Mr Cozijn is not Chair of the Board. The explanation for departure in Recommendation 4.1 explains how the Company performs the functions of the Audit Committee including its processes for dealing with any conflicts of interest that occur.

### **Recommendation 4.3:**

The Audit Committee should have a formal charter.

### **Disclosure:**

The Company has adopted an Audit Committee Charter.

### **Recommendation 4.4:**

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

### **Disclosure:**

The full Board, in its capacity as the Audit Committee, held two meetings during the Reporting Period. Dr Watkins and Mr Cozijn were in attendance at both meetings, Mr Porter and Mr Burgess attended one meeting. When the Board meets as the Audit Committee, Mr Cozijn chairs the meeting. To assist the Board to fulfil its function as the Audit Committee, it has adopted an Audit Committee Charter.

The explanation for departure set out under Recommendation 4.1 above explains how the functions of the Audit Committee are performed.

Details of each of the director's qualifications are set out in the Director's Report.

All members of the Board consider themselves to be financially literate and have industry knowledge. Dr Watkins has a Graduate Diploma in Applied Finance and Investment. Further, Mr Cozijn holds a Bachelor of Commerce and is an Associate of the Australian Society of Certified Practising Accountants. Mr Burgess is a member of the Chartered Institute of Management Accountants (ACMA). Both Mr Cozijn and Mr Burgess's qualifications and experience enable them to meet the tests of financial expertise.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

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## **Principle 5 – Make timely and balanced disclosure**

### **Recommendation 5.1:**

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

#### **Disclosure:**

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

### **Recommendation 5.2:**

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

#### **Disclosure:**

Please refer to the section above marked Website Disclosures.

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## **Principle 6 – Respect the rights of shareholders**

### **Recommendation 6.1:**

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

#### **Disclosure:**

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

### **Recommendation 6.2:**

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

**Disclosure:**

Please refer to the section above marked Website Disclosures.

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**Principle 7 – Recognise and manage risk****Recommendation 7.1:**

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

**Disclosure:**

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the Policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the Policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

For part of the Reporting Period, the Company had an informal risk management system in place. In January 2009, the Company documented and formally adopted its system and procedures to manage its material business risk. The system includes a risk register prepared by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks has been allocated to members of senior management. The risk register is reviewed and updates presented to the Board every 6-8 weeks.

The Company has identified a series of risks which it has classified as either internal risks or external risks:

Internal Risks – Management, Funding, Technical (Project), Compliance and Legal  
External Risks – Market Conditions, Metal Prices, Technological and Exchange rates

These risks are provided here to assist investors to understand better the nature of the risks faced by the Company and the industry in which it operates. They are not necessarily an exhaustive list. Details of the Company's financial risk management is provided in note 23 of the Financial Statements.

**Recommendation 7.2:**

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

**Disclosure:**

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

**Recommendation 7.3:**

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Disclosure:**

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

**Recommendation 7.4:**

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

**Disclosure:**

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

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**Principle 8 – Remunerate fairly and responsibly****Recommendation 8.1:**

The Board should establish a Remuneration Committee.

**Notification of Departure:**

The Company has not established a separate Remuneration Committee.

**Explanation for Departure:**

The full Board considers those matters and issues that would usually fall to a Remuneration Committee. Given its size and composition, the Board considers that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

**Recommendation 8.2:**

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

**Disclosure:**

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

**Recommendation 8.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

**Disclosure:**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The full Board held three meetings during the Reporting Period. Dr Watkins, Mr Cozijn and Mr Porter attended all meetings, Mr Burgess attended the one meeting to which he was eligible following his appointment to the Board.

To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

**MAGMA METALS LIMITED**  
**ABN 72 114 581 047**  
**AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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Your Directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June 2009.

**Directors**

The names of Directors in office at any time during or since the end of the year are:

K.P. Watkins  
R.R.G. Porter  
M.D.J. Cozijn  
T.B. Burgess (appointed 5 January 2009)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Company Secretary**

G. Scott held the position of Company Secretary for the second half of the financial year taking over from M.D.J. Cozijn on the 5<sup>th</sup> January 2009. Details of Mr Scott's experience and qualifications are set out in the information on Directors in the Directors' Report.

**Principal Activities**

The principal activities of the Group during the financial year were mineral exploration and project evaluation. No significant change in the nature of these activities occurred during the financial year.

**Operating Results**

The consolidated loss of the consolidated group after providing for income tax amounted to \$13,505,020 (2008: \$9,827,740).

**Dividends paid or recommended**

No dividend was paid or declared during the year and the Directors do not recommend the payment of a dividend.

**Review of Operations**

A review of the consolidated group's operations during the year and the results of those operations are contained in the Operations Review section of this Annual Report.

**Financial Position**

The net assets of the consolidated group have increased by \$9,943,202 to \$16,053,215 during the financial year.

This increase is largely a result of the following factors

- Placement share capital raising in September 2008 to Anglo American Plc raising \$8,082,000 (Net of capital raising costs);
- Placement share capital raisings predominantly to institutional investors, in May 2009 raising \$14,977,447 (Net of capital raising costs); and
- Operating losses incurred \$13,505,020 of which \$10,940,672 related to direct exploration and tenement costs.

The directors believe the Group is in a strong and stable financial position to progress its objectives and strategy.

## Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Parent entity occurred during the financial year:

- (a) On 15 September 2008, 13,470,000 fully paid ordinary shares were allotted at \$0.60 per share to Anglo American Plc; and
- (b) On 4 May 2009, 15,000,000 fully paid ordinary shares were allotted at \$0.32 per share pursuant to tranche 1 of a share placement, issued predominantly to institutional investor clients of Hartleys Ltd; and
- (c) On 27 May 2009 and 29 May 2009 a further combined total of 35,000,000 fully paid ordinary shares were allotted at \$0.32 per share pursuant to tranche 2 of the share placement to institutional investor clients of Hartleys Ltd.

## After Balance Date Events

No matters of circumstances have arisen since the end of the financial year, which significantly affected or may significantly effect the operations of the consolidated group, the results of those operations and the state of affairs of the consolidated group in subsequent financial years, other than on 7 September 2009 the announcement by the Company of the initial Mineral Resource estimate at the Thunder Bay North project.

## Future Developments

Likely future developments in the operations of the consolidated group are referred to in the Operations Review section of this Annual Report. Further information as to likely developments in the operations of the consolidated group and likely results of those operations would, in the opinion of the directors, be speculative and not in the best interests of the Group.

## Environmental Issues

Mining and exploration operations both in Australia and Canada are subject to significant environmental regulation under the Laws of the Commonwealth and State (Australia) and the Province of Ontario (Canada). The consolidated group's current activities generally involve low level disturbance associated with geochemical and geophysical surveys and exploration drilling programs.

## INFORMATION ON DIRECTORS

### **Dr Keith Philip WATKINS, BSc (Hons), PhD (Geology), Grad Dip Applied Finance & Investment, FAIG, MAusIMM – Managing Director (Director since June 2005)**

Dr Watkins graduated from the University of Liverpool (U.K.) in 1975 with a BSc(Hons) in Geology & Geophysics and from the University of Cambridge (U.K.) in 1982 with a PhD in Geology. He obtained a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia in 2002. Dr Watkins has over 30 years geological research, exploration and development experience in Australia and overseas, including ten years as "Head of Exploration" with Goldfields Ltd and Sons of Gwalia Ltd. Dr Watkins is a Fellow of the Australasian Institute of Geoscientists and a Member of the Australasian Institute of Mining and Metallurgy and the Society of Economic Geologists.

During the past three years Dr Watkins has not held any other listed company directorships.

### **Mr Ralph Robert Grey PORTER, BSc, MSc (Exploration and Mining Geology), MAusIMM, MSEG – Exploration Director (Director since June 2005)**

Mr Porter graduated from Victoria University of Wellington, New Zealand in 1976 with a BSc in Geology and from James Cook University, Queensland in 1992 with an MSc in Exploration and Mining Geology. Mr Porter has over 30 years experience in exploration in Australia, New Zealand, Indonesia, North and South America and China for a wide range of mineralisation styles and commodities.

He is credited with the discovery of the Pajingo gold deposit in Queensland. Mr Porter has worked for a number of companies including Pennzoil Ltd, Battle Mountain Gold Company, Pacific Wildcat Resources Corporation and Sons of Gwalia Ltd. His management experience includes appointments as Exploration Manager for Pacific Wildcat and Exploration Manager for Tantalum and New Projects for Sons of Gwalia.

Mr Porter is a Member of the Australasian Institute of Mining and Metallurgy and Society of Economic Geologists.

During the past three years Mr Porter has not held any other listed company directorships.

**Mr Max Dirk Jan COZIJN, B.Com. ASA, MAICD – Executive Director (Director since June 2005)**

Mr Cozijn graduated from the University of Western Australia in 1972 with a Bachelor of Commerce degree and is an Associate of the Australian Society of Certified Practising Accountants. He has over 30 years experience in the administration of listed mining and industrial companies. Mr Cozijn is Chairman of Malagasy Minerals Ltd, Non-Executive Chairman of Oilex Ltd and a Non-Executive Director of Carbon Energy Ltd.

During the past three years Mr Cozijn has held the following other listed company directorships:

- Carbon Energy Ltd (from September 1992 to present)
- Oilex Ltd (from September 1997 to present)
- Malagasy Minerals Ltd (from September 2006 to present)
- Elkedra Diamonds NL (from April 2000 to November 2007)

**Mr Terence Baron BURGESS, BSc(Hons), FAusIMM, FIMMM, ACMA, CEng – Non-Executive Director (appointed 5 January 2009)**

After obtaining a metallurgy degree in the UK Mr Burgess spent five years on the copper mines in Zambia, before joining Anglo American in South Africa where he worked in various operational, project and management roles in gold and uranium operations.

After leaving South Africa in 1988, he worked for a Canadian junior company mainly on base and precious metal projects in the Americas and then a US based group focusing on uranium projects in the former Soviet Union.

In 1993 he moved to Australia where he initially worked as Technical/Operations Director for Golden Shamrock focusing on projects and operations in West Africa & Australia and subsequently as Chief Executive Officer of Delta Gold, a company active in Australia & Zimbabwe in gold and platinum.

After merging Delta Gold with Goldfields in 2001, he was appointed CEO of the merged company, AurionGold. After AurionGold was taken over in 2002 by Placer Dome, he joined the bank ABN AMRO, initially in Sydney and then Amsterdam, where he was Global Head of Metals & Mining. In 2005, he joined Anglo American as Head of Business Development for Base Metals, based in the London until leaving in July 2009.

Mr Burgess was appointed CEO of OZ Minerals Ltd commencing 1 August 2009.

During the past three years Mr Burgess has held the following other listed company directorships:

- OZ Minerals Ltd (from August 2009 to present).

**Mr Graeme SCOTT, FCCA – CFO & Company Secretary (appointed 5 January 2009)**

Mr Scott is a Fellow of the Chartered Association of Certified Accountants (UK). He has over 20 years experience in the accounting profession and commerce. He has held various senior finance roles with listed and unlisted entities within Australia and previously the United Kingdom. Prior to joining Magma Metals Mr Scott was Company Secretary and Group Accountant for ASX Listed Carbon Energy Ltd.

As at the date of this report, the interests of the Directors in shares and options of the Company were:

	<u>No. of Shares Held</u>		<u>No. of Unlisted Options held</u>	
	<u>Direct</u>	<u>Indirect</u>	<u>Direct</u>	<u>Indirect</u>
K. P Watkins	250,001	8,390,000	-	3,300,000
R.R.G. Porter	-	2,210,000	-	2,400,000
M.D.J. Cozijn	10,000	1,505,000	-	800,000
T.B. Burgess	-	40,000	-	-
	<u>260,001</u>	<u>12,145,000</u>	<u>-</u>	<u>6,500,000</u>



## Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the executive directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees for non-audit services were paid/payable to the external auditors WHK Horwath during the year ended 30 June 2009.

## Meetings of Directors

During the financial year, the directors' attendance at meetings of directors and committees of directors were as follows:

Director	Directors' Meetings		Committee Meetings			
	Number eligible to attend	Number attended	Audit Number eligible to attend	Number attended	Remuneration Number eligible to attend	Number attended
K.P. Watkins	13	13	2	2	3	3
R.R.G. Porter	13	12	2	1	3	3
M.D.J. Cozijn	13	13	2	2	3	3
T.B. Burgess	7	6	1	1	1	1

## Indemnifying Officers and Auditors

The Company has continued an insurance policy insuring Directors and officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to insurers has not been disclosed. This is permitted under S300(9) of the Corporation Act 2001.

## Share Options

At the date of this report, the unissued ordinary shares of Magma Metals Limited under option are as follows:

## **Unlisted Options**

<b>Grant date</b>	<b>Vesting date</b>	<b>Date of expiry</b>	<b>Exercise price</b>	<b>No. under option</b>
8 September 2006	8 September 2006	30 June 2011	\$0.20	1,109,500
26 October 2006	26 October 2006	31 October 2011	\$0.20	4,000,000
1 May 2007	1 May 2008	1 May 2011	\$0.50	200,000
1 May 2007	1 May 2009	1 May 2012	\$0.75	300,000
1 May 2007	1 May 2010	1 May 2013	\$1.00	500,000
10 August 2007	10 August 2007	31 July 2012	\$0.50	1,000,000
5 October 2007	1 September 2008	1 September 2011	\$0.50	75,000
5 October 2007	1 September 2009	1 September 2012	\$0.75	75,000
5 October 2007	1 September 2010	1 September 2013	\$1.00	100,000
1 November 2007	1 November 2007	31 October 2012	\$0.83	2,050,000
9 May 2008	9 May 2008	9 May 2010	\$0.50	11,769,640
5 January 2009	5 January 2010	5 January 2012	\$0.35	250,000
5 January 2009	5 January 2011	5 January 2013	\$0.40	300,000
5 January 2009	5 January 2012	5 January 2014	\$0.55	450,000
5 April 2009	5 April 2010	5 April 2012	\$0.50	75,000
5 April 2009	5 April 2011	5 April 2013	\$0.75	75,000
5 April 2009	5 April 2012	5 April 2014	\$1.00	100,000
				<u>22,429,140</u>

710,750 options were exercised during the year ended 30 June 2009, raising \$142,150. Since the year end a further 356,250 options have been exercised, raising a further \$71,250.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any body corporate.

### **Proceedings on behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### **Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 29 of the annual report.

### **REMUNERATION REPORT**

This report details the nature and amount of remuneration for each director of Magma Metals Limited and for the other key management personnel.

#### **Remuneration Policy**

The remuneration policy, which sets the terms and conditions for the Managing Director and other senior executives, was developed after seeking professional advice from independent consultants and was approved by the Board. All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is reviewed annually, in June, by the remuneration committee, with revised remuneration packages generally taking effect from the 1<sup>st</sup> of July of that year.

Executives may be granted unlisted share options from time to time, as determined by the Board.

All remuneration paid to executives is valued at the cost to the company and expensed. Any options that are issued will be valued using the Black-Scholes methodology.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to manage the consolidated group. It will also provide executives with the necessary incentives to work towards sustainable growth in shareholder value.

The payment of bonuses, stock options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

The company's remuneration committee Charter is set out on the company's website at [www.magmametals.com.au](http://www.magmametals.com.au)

### Service Agreements of Directors and Other Key Management Personnel

The employment conditions of all the executive directors, Dr. Watkins, Mr Porter and Mr Cozijn, are formalised in executive service agreements. They are employed under a fixed three-year contract, which commenced on 2 June 2006 and expired on 1 June 2009. The Executive Service Agreements are to be renewed.

Required notice period is three months from either party. Payment of termination benefit on early termination by the employer, other than for gross misconduct, to be equal to 12 months remuneration.

The remuneration and terms of employment for the Non-Executive Directors (currently only Mr Burgess) are subject to annual review with no fixed term.

The aggregate amount of remuneration payable to all non-executive directors was set by shareholders at \$100,000 per annum (effective 1 July 2009 non-executive directors will receive \$50,000 per annum inclusive of Superannuation). No termination payment provisions are currently in place.

One third of the Director's are subject to re-election at each Annual General Meeting of Shareholders.

Other key management personnel (Messrs MacTavish and Scott) are employed by letter agreement with termination provisions of up to three months notice and no fixed term.

### Details of Remuneration for Year Ended 30 June 2009

The remuneration for each director and each of the other key management personnel of the consolidated group during the year were as follows:

2009	Short term benefits			Post-employment benefits	Equity settled share-based payments		
	Salary	Directors' Fees	Non-Cash Benefits	Super Contributions	Equity	Options	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Parent Entity</b>							
<b>Directors:</b>							
Dr K.P. Watkins	280,000	20,000	-	27,000	-	-	327,000
Mr R.R.G. Porter	190,000	20,000	-	18,900	-	-	228,900
Mr M.D.J. Cozijn	60,000	20,000	-	7,200	-	-	87,200
Mr T.B. Burgess* (appointed 5 Jan 09)	-	10,900	-	-	-	-	10,900
	530,000	70,900	-	53,100	-	-	654,000
<b>Executives:</b>							
Mr A. MacTavish	150,590	-	-	-	-	-	150,590
Mr G. Scott (appointed 5 Jan 09)	69,956	-	-	6,296	-	121,075	197,327
	220,546	-	-	6,296	-	121,075	347,917
	750,546	70,900	-	59,396	-	121,075	1,001,917

2008	Short term benefits			Post-employment benefits	Equity settled share-based payments		
	Salary \$	Directors' Fees \$	Non-Cash Benefits \$	Super Contributions \$	Equity \$	Options \$	Total \$
<b>Parent Entity</b>							
<b>Directors:</b>							
Dr K.P. Watkins	230,000	20,000	-	22,500	-	394,774	667,274
Mr R.R.G. Porter	155,000	20,000	-	15,750	-	296,080	486,830
Mr M.D.J. Cozijn	60,000	20,000	-	7,200	-	118,431	205,631
	445,000	60,000	-	45,450	-	809,285	1,359,735
<b>Executives:</b>							
Mr T. Eggeling (to 29/02/2008)	87,340	-	-	7,860	-	-	95,200
Mr A. MacTavish	119,651	-	-	-	-	84,798	204,449
	206,991	-	-	7,860	-	84,798	299,649
	651,991	60,000	-	53,310	-	894,083	1,659,384

None of the remuneration for either financial year was performance related.

\* Mr. T.B. Burgess was appointed 5 January 2009. Directors' fees for the services of Mr. Burgess are paid to Anglo American plc.

#### Share-based payments year ended 30 June 2009.

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of executive directors and executives of Magma Metals Limited to increase goal congruence between executives, directors and shareholders.

2009	Granted: No	Options granted as part of remuneration \$	Total remuneration represented by options %	Options lapsed \$	Options exercised \$	Total \$
<b>Parent Entity</b>						
<b>Directors:</b>						
Dr K.P. Watkins	-	-	-	-	-	-
Mr R.R.G. Porter	-	-	-	-	-	-
Mr M.D.J. Cozijn	-	-	-	-	-	-
Mr T.B. Burgess (appointed 5 Jan 09)	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Executives:</b>						
Mr A MacTavish	-	-	-	-	-	-
Mr G. Scott (appointed 5 Jan 09)	1,000,000	121,075	61.36%	-	-	121,075
	1,000,000	121,075	-	-	-	121,075
	1,000,000	121,075	-	-	-	121,075
<b>2008</b>						
	Granted: No	Options granted as part of remuneration \$	Total remuneration represented by options %	Options lapsed \$	Options exercised \$	Total \$
<b>Parent Entity</b>						
<b>Directors:</b>						
Dr K.P. Watkins	1,000,000	394,774	59.16%	-	-	394,774
Mr R.R.G. Porter	750,000	296,080	60.82%	-	-	296,080
Mr M.D.J. Cozijn	300,000	118,431	57.59%	-	-	118,431
	2,050,000	809,285	-	-	-	809,285
<b>Executives:</b>						
Mr T Eggeling	-	-	-	-	-	-
Mr A MacTavish	1,000,000	84,798	41.48%	-	-	84,798
	1,000,000	84,798	-	-	-	84,798
	3,050,000	894,083	-	-	-	894,083

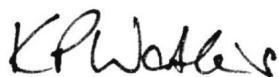
## Options granted year ended 30 June 2009

2009	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
<b>Parent Entity Directors:</b>							
Dr K.P. Watkins	-	-	-	-	-	-	-
Mr R.R.G. Porter	-	-	-	-	-	-	-
Mr M.D.J. Cozijn	-	-	-	-	-	-	-
Mr T. B. Burgess (appointed 5 Jan 09)	-	-	-	-	-	-	-
<b>Executives:</b>							
Mr A. MacTavish	300,000	-	01/05/2007	\$0.1716	\$0.75	01/05/2009	01/05/2012
Mr G. Scott	-	250,000	05/01/2009	\$0.1133	\$0.35	05/01/2010	05/01/2012
Mr G. Scott	-	300,000	05/01/2009	\$0.1247	\$0.40	05/01/2011	05/01/2013
Mr G. Scott	-	450,000	05/01/2009	\$0.1230	\$0.55	05/01/2012	05/01/2014
	300,000	1,000,000	-	-	-	-	-
	300,000	1,000,000	-	-	-	-	-

Exercise prices are in excess of the market prices at the date of grant.

2008	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
<b>Parent Entity Directors:</b>							
Dr K.P. Watkins	1,000,000	1,000,000	01/11/2007	\$0.3948	\$0.83	01/11/2007	31/10/2012
Mr R.R.G. Porter	750,000	750,000	01/11/2007	\$0.3948	\$0.83	01/11/2007	31/10/2012
Mr M.D.J. Cozijn	300,000	300,000	01/11/2007	\$0.3948	\$0.83	01/11/2007	31/10/2012
	2,050,000	2,050,000	-	-	-	-	-
<b>Executives:</b>							
Mr T Eggeling	-	-	-	-	-	-	-
Mr A MacTavish	200,000	-	01/05/2007	\$0.1807	\$0.50	01/05/2008	01/05/2011
	200,000	-	-	-	-	-	-
	2,250,000	2,050,000	-	-	-	-	-

The Report of Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



**K. P. Watkins**  
Managing Director



**M. D. J. Cozijn**  
Executive Director

West Perth, Western Australia  
08 September 2009

**AUDITOR'S INDEPENDENCE DECLARATION**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Magma Metals Limited and its controlled entities for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK  
Principal

Perth, WA

08 September 2009

**MAGMA METALS LIMITED**  
**ABN 72 114 581 047**  
**AND CONTROLLED ENTITIES**

**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	CONSOLIDATED GROUP		PARENT ENTITY	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	2	<b>472,270</b>	243,237	<b>470,533</b>	243,209
Employee benefits expense		<b>(1,385,378)</b>	(769,253)	<b>(342,583)</b>	(487,292)
Depreciation expense	3	<b>(120,353)</b>	(80,699)	<b>(72,504)</b>	(58,746)
Impairment of deferred exploration expenditure		-	(304,752)	-	(140,000)
Impairment of receivables		-	-	<b>(9,978,364)</b>	(5,292,441)
Finance costs		<b>(4,127)</b>	(6,575)	<b>(2,690)</b>	(4,264)
Administration costs		<b>(1,269,564)</b>	(968,895)	<b>(971,345)</b>	(817,020)
Exploration expenditure	3	<b>(10,484,930)</b>	(6,634,082)	<b>(1,287,146)</b>	(1,932,515)
Tenement holding costs		<b>(455,742)</b>	(177,780)	<b>(103,766)</b>	(92,644)
Share-based payments		<b>(101,221)</b>	(1,022,558)	<b>(101,221)</b>	(1,022,558)
Other expenses		<b>(155,975)</b>	(106,383)	<b>(64,514)</b>	(66,767)
Loss before income tax expense		<b>(13,505,020)</b>	(9,827,740)	<b>(12,453,600)</b>	(9,671,038)
Income tax expense	4	-	-	-	-
Net Loss attributable to members of the parent entity		<b>(13,505,020)</b>	(9,827,740)	<b>(12,453,600)</b>	(9,671,038)
Overall Operations:					
Basic (loss) per share					
- cents per share	5	<b>(11.69)</b>	(11.13)		
Diluted (loss) per share					
- cents per share	5	<b>(11.69)</b>	(11.13)		

*The accompanying notes form part of these financial statements*

**MAGMA METALS LIMITED**  
**ABN 72 114 581 047**  
**AND CONTROLLED ENTITIES**

**BALANCE SHEET AS AT 30 JUNE 2009**

	Notes	CONSOLIDATED GROUP		PARENT ENTITY	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Current Assets</b>					
Cash and cash equivalents	7	17,053,127	6,339,469	16,779,120	6,012,602
Trade and other receivables	9	268,548	101,039	157,901	16,892
Other current assets	8	20,702	33,674	-	-
<b>Total Current Assets</b>		<b>17,342,377</b>	<b>6,474,182</b>	<b>16,937,021</b>	<b>6,029,494</b>
<b>Non-Current Assets</b>					
Trade and other receivables	9	93,638	74,863	93,638	74,863
Financial assets	10	-	-	12	12
Property, plant & equipment	11	472,799	423,218	245,833	313,083
<b>Total Non-Current Assets</b>		<b>566,437</b>	<b>498,081</b>	<b>339,483</b>	<b>387,958</b>
<b>TOTAL ASSETS</b>		<b>17,908,814</b>	<b>6,972,263</b>	<b>17,276,504</b>	<b>6,417,452</b>
<b>Current Liabilities</b>					
Trade and other payables	13	1,615,486	702,889	197,024	237,275
Financial liabilities	14	39,902	19,014	10,656	11,044
Short-term provisions	15	174,151	75,643	136,777	75,643
<b>Total Current Liabilities</b>		<b>1,829,539</b>	<b>797,546</b>	<b>344,457</b>	<b>323,962</b>
<b>Non-Current Liabilities</b>					
Financial liabilities	14	26,060	64,704	26,060	36,721
<b>Total Non-Current Liabilities</b>		<b>26,060</b>	<b>64,704</b>	<b>26,060</b>	<b>36,721</b>
<b>TOTAL LIABILITIES</b>		<b>1,855,599</b>	<b>862,250</b>	<b>370,517</b>	<b>360,683</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>16,053,215</b>	<b>6,110,013</b>	<b>16,905,987</b>	<b>6,056,769</b>
<b>EQUITY</b>					
Issued capital	16	43,260,659	19,977,270	43,260,659	19,977,270
Reserves		1,652,127	1,487,294	1,653,762	1,634,333
Accumulated losses		(28,859,571)	(15,354,551)	(28,008,434)	(15,554,834)
<b>TOTAL EQUITY</b>		<b>16,053,215</b>	<b>6,110,013</b>	<b>16,905,987</b>	<b>6,056,769</b>

*The accompanying notes form part of these financial statements.*



**MAGMA METALS LIMITED**  
**ABN 72 114 581 047**  
**AND CONTROLLED ENTITIES**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009**

	<b>CONSOLIDATED GROUP</b>				
	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share based payment/ Option Reserve \$	Total \$
Balance at 30 June 2007	12,298,755	(5,526,811)	18,244	587,855	7,378,043
Shares issued during the year	8,398,748	-	-	-	8,398,748
Transaction costs	(746,702)	-	-	-	(746,702)
Movement in Share Option Reserve on recognition of share based payments	-	-	-	1,072,947	1,072,947
Exercise of options	26,469	-	-	(26,469)	-
Loss attributable to members of parent entity	-	(9,827,740)	-	-	(9,827,740)
Adjustment from translation of foreign controlled entities	-	-	(165,283)	-	(165,283)
	<u>7,678,515</u>	<u>(9,827,740)</u>	<u>(165,283)</u>	<u>1,046,478</u>	<u>(1,268,030)</u>
Balance at 30 June 2008	<u>19,977,270</u>	<u>(15,354,551)</u>	<u>(147,039)</u>	<u>1,634,333</u>	<u>6,110,013</u>
Shares issued during the year	24,224,150	-	-	-	24,224,150
Transaction costs	(1,022,553)	-	-	-	(1,022,553)
Movement in Share Option Reserve on recognition of share based payments	-	-	-	101,221	101,221
Exercise of options	81,792	-	-	(81,792)	-
Loss attributable to members of parent entity	-	(13,505,020)	-	-	(13,505,020)
Adjustment from translation of foreign controlled entities	-	-	145,404	-	145,404
	<u>23,283,389</u>	<u>(13,505,020)</u>	<u>145,404</u>	<u>19,429</u>	<u>9,943,202</u>
<b>Balance at 30 June 2009</b>	<b><u>43,260,659</u></b>	<b><u>(28,859,571)</u></b>	<b><u>(1,635)</u></b>	<b><u>1,653,762</u></b>	<b><u>16,053,215</u></b>
	<b>PARENT ENTITY</b>				
	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share based payment/ Option Reserve \$	Total \$
Balance at 30 June 2007	12,298,755	(5,883,796)	-	587,855	7,002,814
Shares issued during the year	8,398,748	-	-	-	8,398,748
Transaction costs	(746,702)	-	-	-	(746,702)
Movement in Share Option Reserve on recognition of share based payments	-	-	-	1,072,947	1,072,947
Exercise of options	26,469	-	-	(26,469)	-
Loss attributable to members of parent entity	-	(9,671,038)	-	-	(9,671,038)
	<u>7,678,515</u>	<u>(9,671,038)</u>	<u>-</u>	<u>1,046,478</u>	<u>(946,045)</u>
Balance at 30 June 2008	<u>19,977,270</u>	<u>(15,554,834)</u>	<u>-</u>	<u>1,634,333</u>	<u>6,056,769</u>
Shares issued during the year	24,224,150	-	-	-	24,224,150
Transaction costs	(1,022,553)	-	-	-	(1,022,553)
Movement in Share Option Reserve on recognition of share based payments	-	-	-	101,221	101,221
Exercise of options	81,792	-	-	(81,792)	-
Loss attributable to members of parent entity	-	(12,453,600)	-	-	(12,453,600)
	<u>23,283,389</u>	<u>(12,453,600)</u>	<u>-</u>	<u>19,429</u>	<u>10,849,218</u>
<b>Balance at 30 June 2009</b>	<b><u>43,260,659</u></b>	<b><u>(28,008,434)</u></b>	<b><u>-</u></b>	<b><u>1,653,762</u></b>	<b><u>16,905,987</u></b>

*The accompanying notes form part of these financial statements*

**MAGMA METALS LIMITED**  
**ABN 72 114 581 047**  
**AND CONTROLLED ENTITIES**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	CONSOLIDATED GROUP		PARENT ENTITY	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash flows from Operating Activities</b>					
Payments to suppliers and employees		(3,114,632)	(1,557,141)	(1,469,826)	(1,897,262)
Payments for exploration expenditure		(9,703,809)	(6,772,305)	(1,353,458)	(1,524,895)
Interest received		381,885	236,662	380,148	238,945
Finance costs paid		(4,127)	-	(2,690)	-
Other income		24,188	-	24,188	-
Net cash used in operating activities	18	(12,416,495)	(8,092,784)	(2,421,638)	(3,183,212)
<b>Cash flows from Investing Activities</b>					
Payments for property, plant and equipment		(180,318)	(154,441)	(5,254)	(92,695)
Investment in Term deposits – performance bonds		(18,776)	(10,736)	(18,776)	(10,736)
Net cash used in investing activities		(199,094)	(165,177)	(24,030)	(103,431)
<b>Cash flows from Financing Activities</b>					
Proceeds from issues of shares		24,224,150	8,398,748	24,224,150	8,398,748
Capital raising costs		(1,022,553)	(746,702)	(1,022,553)	(746,702)
Proceeds from borrowings		-	3,990	-	3,990
Repayment of borrowings		(19,376)	(21,345)	(11,047)	(10,727)
Advances to subsidiaries and other companies		-	-	(9,978,364)	(5,292,441)
Net cash flows provided by financing activities		23,182,221	7,634,691	13,212,186	2,352,868
Net increase/(decrease) in cash held		10,566,632	(623,270)	10,766,518	(933,775)
Cash at the beginning of the financial year	7	6,339,469	7,128,024	6,012,602	6,946,377
Effect of exchange rates on cash holdings in foreign currencies		147,026	(165,285)	-	-
Cash at the end of the financial year	7	17,053,127	6,339,469	16,779,120	6,012,602

*The accompanying notes form part of these financial statements.*

**MAGMA METALS LIMITED**  
**ABN 72 114 581 047**  
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report includes the consolidated financial statements and notes of Magma Metals Limited and controlled entities ('consolidated group' or 'Group'), and Magma Metals Limited as an individual parent entity ('parent entity'). Magma Metals Limited is a listed public company, incorporated and domiciled in Australia.

**Basis of Preparation**

*Reporting Basis and Conventions*

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**Accounting Policies**

**(a) Principles of Consolidation**

A controlled entity is any entity controlled by Magma Metals Limited. Control exists where Magma Metals Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Magma Metals Limited to achieve the objectives of Magma Metals Limited. All controlled entities have a 30 June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated income statement.

**(b) Income Tax**

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(c) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

*Plant and equipment*

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

*Depreciation*

The depreciable amount of all fixed assets including capitalised lease assets, but excluding computers, is depreciated on a reducing balance commencing from the time the asset is held ready for use. Computers are depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and Equipment	10-100%
Motor vehicles	22.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**(d) Exploration, Evaluation and Development Expenditure**

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Tenement acquisition costs are initially capitalised. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, sale of the respective areas of interest or where activities in the area have not yet reached a stage, which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure.

**(e) Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of

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**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Financial instruments incorporation financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

**Classification and subsequent measurement**

**(i) Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**(iii) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**(iv) Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**(v) Impairment**

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value

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**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

**(f) Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and tangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(g) Interest in Joint Ventures**

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interest are shown in note 19.

**(h) Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

**(i) Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**Equity-settled compensation**

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**(j) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(k) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

**(l) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**(m) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale

All other borrowing costs are recognised in income in the period in which they are incurred.



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**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(o) Contributed Equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**(p) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

The ultimate recoupment of value is dependent on the successful development and commercial exploitation or sale of the respective areas.

**(q) New Accounting Standards for Application in Future Periods**

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

*AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]* (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

*AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101* (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

*AASB 2008-1: Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2]* (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

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**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*AASB 2008-5*: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (*AASB 2008-5*) and *AASB 2008-6*: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (*AASB 2008-6*) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>NOTE 2 – REVENUE</b>				
Operating Activities				
- interest received – other persons	445,083	243,237	443,346	243,209
- other revenue	27,187	-	27,187	-
Total Revenue	<u>472,270</u>	<u>243,237</u>	<u>470,533</u>	<u>243,209</u>

**NOTE 3 – PROFIT FOR THE YEAR**

**Expenses**

Finance costs	4,127	4,264	2,690	4,264
Depreciation of non-current assets				
- Office equipment	51,584	31,037	30,168	24,522
- Field equipment	35,304	16,760	17,552	10,342
- Motor vehicles	33,465	32,902	24,784	23,882
Total depreciation	<u>120,353</u>	<u>80,699</u>	<u>72,504</u>	<u>58,746</u>
Exploration expenditure	10,484,930	6,634,082	1,287,146	1,932,515
Impairment of deferred exploration expenditure	-	304,752	-	140,000
Impairment of receivables – subsidiary	-	-	9,978,364	5,292,441
Rental expenses on operating leases - minimum lease payments	201,143	136,945	153,302	130,865

**NOTE 4 - INCOME TAX EXPENSE**

**(a) Income Tax Expense**

The prima facie (benefit) on (Loss) from ordinary activities is reconciled to the income tax expense as follows:

Prima facie (benefit) on (Loss) from ordinary activities before income tax at 30% (2008: 30%)	(4,051,506)	(2,948,322)	(3,736,080)	(2,901,311)
Add tax effect of:-				
Non-deductible items	30,531	398,193	3,024,040	1,936,499
Other deductible items	(151,436)	-	(151,436)	-
Higher overseas tax rate	(110,298)	-	-	-
Deferred tax assets not brought to account	4,282,709	2,550,129	863,476	964,812
Income tax expense attributable to entity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
<b>NOTE 4 - INCOME TAX EXPENSE (CONTINUED)</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>(b) Deferred Tax Assets</b>				
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 (b) occur				
Timing differences	451,906	20,658	451,906	1,608,390
Tax losses – Australian parent company	3,026,588	2,142,426	3,026,588	2,142,426
Tax losses – Canadian subsidiary	5,547,920	2,637,939	-	-
<b>Total deferred tax assets</b>	<b>9,026,414</b>	<b>4,801,023</b>	<b>3,478,494</b>	<b>3,750,816</b>

	<b>CONSOLIDATED GROUP</b>	
<b>NOTE 5 – EARNINGS PER SHARE</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Earnings used in the calculation of EPS		
For basic and diluted earnings per share		
Net loss for the year attributable to members of the parent entity	<b>(13,505,020)</b>	<b>(9,827,740)</b>
Basic (loss) per share		
- cents per share	(11.69)	(11.13)
Diluted (loss) per share		
- cents per share	(11.69)	(11.13)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	<b>115,490,311</b>	<b>88,320,633</b>

Options outstanding at 30 June 2009, totalling 22,785,390 are not considered potential ordinary shares as the effect is anti-dilutive.

**NOTE 6 – KEY MANAGEMENT PERSONNEL  
 COMPENSATION**

**Key Management Personnel**

Names and positions held of consolidated group and parent entity key management personnel in office at any time during the financial year are:

Dr K.P. Watkins – Managing Director (Executive Director)  
 Mr R.R.G. Porter – Exploration Director (Executive Director)  
 Mr M.D.J. Cozijn – Executive Director  
 Mr T.B. Burgess – Non-Executive Director (appointed 5 January 2009)  
 Mr G. Scott – CFO & Company Secretary (appointed 5 January 2009)  
 Mr A. MacTavish – Exploration Manager - Canada

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 6 – KEY MANAGEMENT PERSONNEL  
 COMPENSATION (CONTINUED)**

Refer to the Remuneration Report contained in the Directors Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2009.

The totals of remuneration paid to key management personnel of the Company and the Group during the year are as follows:

	2009 \$	2008 \$
Short-term employee benefits	821,446	711,991
Post-employment benefits	59,396	53,310
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	121,075	894,083
	<u>1,001,917</u>	<u>1,659,384</u>

**Shares issued on Exercise of Compensation Options**

There were no options exercised by key management personnel during the financial year.

**Option Holdings held directly and indirectly by Key Management Personnel**

2009	Balance at 1 July 2008	Granted as Remuneration	Net change - other	Lapsed	Balance at 30 June 2009	Total Vested 30 June 2009	Total Exercisable 30 June 2009	Total Unexercisable 30 June 2009
<b>Parent Entity Directors:</b>								
Dr K.P. Watkins	3,300,000	-	-	-	3,300,000	-	-	-
Mr R.R.G. Porter	2,400,000	-	-	-	2,400,000	-	-	-
Mr M.D.J. Cozijn	800,000	-	-	-	800,000	-	-	-
Mr T.B. Burgess	-	-	-	-	-	-	-	-
	<u>6,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>-</u>
<b>Executives:</b>								
Mr A MacTavish	1,000,000	-	-	-	1,000,000	500,000	500,000	500,000
Mr G. Scott	-	1,000,000	-	-	1,000,000	-	-	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>500,000</u>	<u>500,000</u>	<u>1,500,000</u>
	<u>7,500,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>8,500,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	<u>1,500,000</u>

2008	Balance at 1 July 2007	Granted as Remuneration	Net change – other	Lapsed	Balance at 30 June 2008	Total Vested 30 June 2008	Total Exercisable 30 June 2008	Total Unexercisable 30 June 2008
<b>Parent Entity Directors:</b>								
Dr K.P. Watkins	2,000,000	1,000,000	300,000	-	3,300,000	3,300,000	3,300,000	-
Mr R.R.G. Porter	1,500,000	750,000	150,000	-	2,400,000	2,400,000	2,400,000	-
Mr M.D.J. Cozijn	500,000	300,000	-	-	800,000	800,000	800,000	-
	<u>4,000,000</u>	<u>2,050,000</u>	<u>450,000</u>	<u>-</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>-</u>
<b>Executives:</b>								
Mr T Eggeling (Resigned 29/2/08)	400,000	-	-	(275,000)	125,000	125,000	125,000	-
Mr A MacTavish	1,000,000	-	-	-	1,000,000	200,000	200,000	800,000
	<u>1,400,000</u>	<u>-</u>	<u>-</u>	<u>(275,000)</u>	<u>1,125,000</u>	<u>325,000</u>	<u>325,000</u>	<u>800,000</u>
	<u>5,400,000</u>	<u>2,050,000</u>	<u>450,000</u>	<u>(275,000)</u>	<u>7,625,000</u>	<u>6,825,000</u>	<u>6,825,000</u>	<u>800,000</u>

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**NOTE 6 – KEY MANAGEMENT PERSONNEL  
 COMPENSATION (CONTINUED)**

**Shareholdings of Key Management Personnel**

<b>2009</b>	<b>Balance 1 July 2008</b>	<b>Received as Remuneration</b>	<b>Options Exercised</b>	<b>Net change other<sup>1</sup></b>	<b>Balance 30 June 2009</b>
Dr K.P. Watkins	8,490,001	-	-	150,000	8,640,001
Mr R.R.G. Porter	2,210,000	-	-	-	2,210,000
Mr M.D.J. Cozijn	1,510,000	-	-	5,000	1,515,000
Mr T.B. Burgess	-	-	-	40,000	40,000
Mr A. MacTavish	-	-	-	-	-
Mr G. Scott	-	-	-	-	-
	<b>12,210,001</b>	<b>-</b>	<b>-</b>	<b>195,000</b>	<b>12,405,001</b>

1. Directors and key management personnel acquired 195,000 shares on market during the course of the year ended 30 June 2009 (2008: 50,000).

There have been no other transactions involving equity instruments other than those disclosed above. For details of other transactions with key management personnel refer to Note 25.

<b>2008</b>	<b>Balance 1 July 2007</b>	<b>Received as Remuneration</b>	<b>Options Exercised</b>	<b>Net change other<sup>2</sup></b>	<b>Balance 30 June 2008</b>
Dr K.P. Watkins	7,890,001	-	-	600,000	8,490,001
Mr R.R.G. Porter	1,910,000	-	-	300,000	2,210,000
Mr M.D.J. Cozijn	1,460,000	-	-	50,000	1,510,000
Mr T. Eggeling <sup>1</sup>	60,000	-	-	(60,000)	-
Mr A. MacTavish	-	-	-	-	-
	<b>11,320,001</b>	<b>-</b>	<b>-</b>	<b>890,000</b>	<b>12,210,001</b>

1. Resigned 29 February 2008.
2. Directors and key management personnel acquired 50,000 shares on market during the course of the year ended 30 June 2008 and acquired 900,000 shares and 450,000 \$0.50 cents options pursuant to a placement at \$0.35 cents per share, as approved by shareholders.

	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 7 – CASH AND CASH EQUIVALENTS</b>				
Cash on hand	<b>503</b>	450	<b>501</b>	448
Cash at bank	<b>752,624</b>	462,751	<b>478,619</b>	135,886
Deposits at call	<b>16,300,000</b>	5,876,268	<b>16,300,000</b>	5,876,268
	<b>17,053,127</b>	6,339,469	<b>16,779,120</b>	6,012,602

The effective interest rate on deposits at call was 4.03% (2008 – 7.52%), these deposits have an average maturity of 86 days (2008 – 30 days).

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	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
<b>NOTE 8 – OTHER CURRENT ASSETS</b>	<b>2009</b>	2008	<b>2009</b>	2008
	<b>\$</b>	\$	<b>\$</b>	\$
Prepayments	<b>20,702</b>	33,674	-	-
Total other current assets	<b>20,702</b>	33,674	-	-
<b>NOTE 9 – TRADE AND OTHER RECEIVABLES</b>				
<b>CURRENT</b>				
Trade receivables	<b>3,300</b>	-	<b>3,300</b>	-
Other receivables	<b>265,248</b>	101,039	<b>154,601</b>	16,892
	<b>268,548</b>	101,039	<b>157,901</b>	16,892
<b>NON-CURRENT</b>				
Performance bonds*	<b>93,638</b>	74,863	<b>93,638</b>	74,863
Loan to Subsidiary	-	-	<b>17,299,340</b>	7,320,976
Provision for impairment of receivables - subsidiaries	-	-	<b>(17,299,340)</b>	(7,320,976)
	<b>93,638</b>	74,863	<b>93,638</b>	74,863

\*Performance bonds represent term cash deposits held as security for bank guarantees given in connection with the company's premises lease commitments (refer Note 22 (c)) and rehabilitation bonds.

The loan to subsidiary, Magma Metals (Canada) Ltd is unsecured and non-interest bearing.

There are no balances within trade and other receivables that contain assets that are impaired and are past due other than the provision made for part of the intercompany loan due from Magma Metals (Canada) Ltd. It is expected these balances will be received when due. Impaired assets are provided for in full.

<b>NOTE 10 – NON-CURRENT FINANCIAL ASSETS</b>	<b>2009</b>	2008	<b>2009</b>	2008
	<b>\$</b>	\$	<b>\$</b>	\$
Available-for-sale financial assets comprise				
Unlisted investments, at cost				
- Shares in controlled entities	-	-	<b>12</b>	12

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<b>NOTE 11 – PROPERTY, PLANT AND EQUIPMENT</b>	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>\$</b>	\$	<b>\$</b>	\$
Office equipment – at cost	<b>235,169</b>	183,406	<b>155,801</b>	150,547
Less accumulated depreciation	<b>(100,504)</b>	(55,437)	<b>(79,090)</b>	(48,922)
<b>Total office equipment</b>	<b>134,665</b>	127,969	<b>76,711</b>	101,625
Field equipment – at cost	<b>242,324</b>	179,178	<b>120,035</b>	120,035
Less accumulated depreciation	<b>(53,836)</b>	(24,950)	<b>(36,084)</b>	(18,532)
<b>Total field equipment</b>	<b>188,488</b>	154,228	<b>83,951</b>	101,503
Motor vehicles – at cost	<b>220,094</b>	187,024	<b>146,938</b>	146,938
Less accumulated depreciation	<b>(70,448)</b>	(46,003)	<b>(61,767)</b>	(36,983)
<b>Total motor vehicles</b>	<b>149,646</b>	141,021	<b>85,171</b>	109,955
<b>TOTAL FIXED ASSETS</b>	<b>472,799</b>	423,218	<b>245,833</b>	313,083

**(a) Movements in carrying amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	<b>Office Equipment \$</b>	<b>Field Equipment \$</b>	<b>Motor Vehicles \$</b>	<b>Total \$</b>
<b>Consolidated Group</b>				
Balance at 30 June 2007	121,337	108,607	119,532	<b>349,476</b>
Additions	37,669	62,381	54,391	<b>154,441</b>
Depreciation expense	(31,037)	(16,760)	(32,902)	<b>(80,669)</b>
<b>Balance at 30 June 2008</b>	<b>127,969</b>	<b>154,228</b>	<b>141,021</b>	<b>423,218</b>
Additions	68,664	69,564	42,090	<b>180,318</b>
Disposals	(10,384)	-	-	<b>(10,384)</b>
Depreciation expense	(51,584)	(35,304)	(33,465)	<b>(120,353)</b>
<b>Carrying amount at 30 June 2009</b>	<b>134,665</b>	<b>188,488</b>	<b>149,646</b>	<b>472,799</b>
<b>Parent Entity</b>				
Balance at 30 June 2008	105,985	96,983	76,165	<b>279,133</b>
Additions	20,162	14,862	57,672	<b>92,696</b>
Depreciation expense	(24,522)	(10,342)	(23,882)	<b>(58,746)</b>
<b>Balance at 30 June 2008</b>	<b>101,625</b>	<b>101,503</b>	<b>109,955</b>	<b>313,083</b>
Additions	5,254	-	-	<b>5,254</b>
Depreciation expense	(30,168)	(17,552)	(24,784)	<b>(72,504)</b>
<b>Carrying amount at 30 June 2009</b>	<b>76,711</b>	<b>83,951</b>	<b>85,171</b>	<b>245,833</b>



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	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>NOTE 12 – DEFERRED EXPLORATION AND EVALUATION COSTS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening balance	-	304,752	-	140,000
Impairment of assets	-	(304,752)	-	-
Payments for tenement interests	-	-	-	(140,000)
Costs carried forward in respect of areas of interest in exploration and evaluation phases	-	-	-	-
<p>The ultimate recoupment of costs carried forward for exploration assets is dependent on the successful development and commercial exploitation or sale of the respective areas.</p>				
<b>NOTE 13 – CURRENT TRADE &amp; OTHER PAYABLES</b>				
Unsecured liabilities				
Trade payables	<b>1,483,897</b>	617,050	<b>139,290</b>	186,443
Sundry payables and accrued expenses	<b>131,589</b>	85,839	<b>57,734</b>	50,832
Total current trade & other payables	<b>1,615,486</b>	702,889	<b>197,024</b>	237,275
<b>NOTE 14 – FINANCIAL LIABILITIES</b>				
<b>CURRENT</b>				
Finance leases	<b>39,902</b>	19,014	<b>10,656</b>	11,044
<b>NON-CURRENT</b>				
Finance leases	<b>26,060</b>	64,704	<b>26,060</b>	36,721
<b>NOTE 15 – SHORT-TERM PROVISIONS</b>				
Provision for annual leave				
Opening Balance	<b>75,643</b>	30,783	<b>75,643</b>	30,783
Additional provisions	<b>101,883</b>	57,749	<b>64,509</b>	57,749
Amounts used	<b>(3,375)</b>	(12,889)	<b>(3,375)</b>	(12,889)
Balance at 30 June 2009	<b>174,151</b>	75,643	<b>136,777</b>	75,643
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Number of employees at year end	<b>8</b>	5	<b>4</b>	3

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	CONSOLIDATED GROUP		PARENT ENTITY	
<b>NOTE 16 – ISSUED CAPITAL</b>				
<b>163,150,032</b> (2008: 98,969,282)	<b>2009</b>	2008	<b>2009</b>	2008
	<b>\$</b>	\$	<b>\$</b>	\$
Fully paid ordinary shares	<b>43,260,659</b>	19,977,270	<b>43,260,659</b>	19,977,270
	<b>No.</b>	No.	<b>No.</b>	No.
At the beginning of reporting period	<b>98,969,282</b>	98,969,282	<b>98,969,282</b>	98,969,282
Shares issued during the year				
30 July 2008 <sup>1</sup>	<b>200,000</b>	-	<b>200,000</b>	-
15 August 2008 <sup>1</sup>	<b>21,000</b>	-	<b>21,000</b>	-
22 August 2008 <sup>1</sup>	<b>5,000</b>	-	<b>5,000</b>	-
26 August 2008 <sup>1</sup>	<b>10,000</b>	-	<b>10,000</b>	-
05 September 2008 <sup>1</sup>	<b>5,000</b>	-	<b>5,000</b>	-
10 September 2008 <sup>1</sup>	<b>15,000</b>	-	<b>15,000</b>	-
15 September 2008 <sup>2</sup>	<b>13,470,000</b>	-	<b>13,470,000</b>	-
30 September 2008 <sup>1</sup>	<b>20,000</b>	-	<b>20,000</b>	-
4 May 2009 <sup>3</sup>	<b>15,000,000</b>	-	<b>15,000,000</b>	-
4 May 2009 <sup>1</sup>	<b>307,250</b>	-	<b>307,250</b>	-
27 May 2009 <sup>3</sup>	<b>33,663,000</b>	-	<b>33,663,000</b>	-
29 May 2009 <sup>3</sup>	<b>1,337,000</b>	-	<b>1,337,000</b>	-
19 June 2009 <sup>1</sup>	<b>117,500</b>	-	<b>117,500</b>	-
30 June 2009 <sup>1</sup>	<b>10,000</b>	-	<b>10,000</b>	-
At reporting date	<b>163,150,032</b>	98,969,282	<b>163,150,032</b>	98,969,282

**Notes**

1. These shares were allotted pursuant to the exercise of 710,750 options at \$0.20 per share.
2. These shares were allotted pursuant to a placement to Anglo American Plc at \$0.60 per share.
3. These shares were allotted pursuant to a placement to predominantly institutional investors at \$0.32 per share.

The Company has no maximum authorised share capital. Ordinary shares are of no par value.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**Stock Exchange Listing**

Quotation has been granted for all 163,150,032 of the Company's issued ordinary shares on all Member exchanges of the Australian Securities Exchange Limited ("ASX") under the code "MMB".

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 16 – ISSUED CAPITAL (CONTINUED)**

**Options**

At 30 June 2009, the unissued ordinary shares of Magma Metals Limited under option were as follows:

**Unlisted Options**

Grant date	Vesting date	Date of expiry	Exercise price	No. under option
8 September 2006	8 September 2006	30 June 2011	\$0.20	1,340,750
26 October 2006	26 October 2006	31 October 2011	\$0.20	4,000,000
22 November 2006	1 December 2007	30 November 2009	\$0.20	125,000
1 May 2007	1 May 2008	1 May 2011	\$0.50	200,000
1 May 2007	1 May 2009	1 May 2012	\$0.75	300,000
1 May 2007	1 May 2010	1 May 2013	\$1.00	500,000
10 August 2007	10 August 2007	31 July 2012	\$0.50	1,000,000
5 October 2007	1 September 2008	1 September 2011	\$0.50	75,000
5 October 2007	1 September 2009	1 September 2012	\$0.75	75,000
5 October 2007	1 September 2010	1 September 2013	\$1.00	100,000
1 November 2007	1 November 2007	31 October 2012	\$0.83	2,050,000
9 May 2008	9 May 2008	9 May 2010	\$0.50	11,769,640
5 January 2009	5 January 2010	5 January 2012	\$0.35	250,000
5 January 2009	5 January 2011	5 January 2013	\$0.40	300,000
5 January 2009	5 January 2012	5 January 2014	\$0.55	450,000
5 April 2009	5 April 2010	5 April 2012	\$0.50	75,000
5 April 2009	5 April 2011	5 April 2013	\$0.75	75,000
5 April 2009	5 April 2012	5 April 2014	\$1.00	100,000
				22,785,390

**Capital Risk Management**

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2009 and no dividends are expected to be paid in 2010.

**NOTE 17 – RESERVES**

**Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

**Option Reserve**

The Option Reserve records items recognised as expenses on valuation of options issued to employees, directors and other service providers.

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<b>NOTE 18 – CASH FLOW INFORMATION</b>	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
	<b>2009</b> \$	<b>2008</b> \$	<b>2009</b> \$	<b>2008</b> \$
Reconciliation of cash flow from operations with loss after income tax:				
Loss after income tax	<b>(13,505,020)</b>	(9,827,740)	<b>(12,453,600)</b>	(9,671,038)
<b>Non-cash flows in loss</b>				
Depreciation	<b>120,353</b>	80,699	<b>72,504</b>	58,746
Write off of leasehold improvements	<b>10,384</b>	-	-	-
Share options expense	<b>101,221</b>	1,022,558	<b>101,221</b>	1,022,558
Provision for impairment of receivables – subsidiaries	-	-	<b>9,978,364</b>	5,292,441
<b>Changes in assets and liabilities:</b>				
Impairment of deferred exploration expenditure	-	304,752	-	140,000
(Increase)/Decrease in other current assets	<b>(167,510)</b>	(67,512)	<b>(141,009)</b>	14,513
Decrease in prepayments	<b>12,972</b>	-	-	-
Increase in provisions	<b>98,508</b>	44,861	<b>61,133</b>	44,861
Increase/(Decrease) in trade payables and accruals	<b>912,597</b>	349,598	<b>(40,251)</b>	(85,293)
Cash flow used by operations	<b>(12,416,495)</b>	(8,092,784)	<b>(2,421,638)</b>	(3,183,212)

**NOTE 19 – INTERESTS IN JOINT VENTURES**

The economic entity has various interests in joint ventures where it is earning an equity interest. The table below details the level of equity that may be earned in various ventures.

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Venture	Partner	Activity	Possible Equity	Equity	Total Capitalised Expenditure \$
<b>Western Australia</b>					
Carbon Energy Tenements <sup>(1)</sup> (Laverton)	Carbon Energy Limited (formerly Metex Resources Ltd)	Mineral Exploration	100% (Ni-Cu-PGM rights)	-	-
Carbon Energy Tenements <sup>(1)</sup> (Roe)	Carbon Energy Limited (formerly Metex Resources Ltd)	Mineral Exploration	100% (Ni-Cu-PGM rights) E28/1416	100% E28/1339 & E28/1659	-
Eastman	Navigator Resources Ltd	Mineral Exploration	-	70%	-
Laura River <sup>(2)</sup>	Navigator Resources Ltd	Mineral Exploration	70%	-	-
Mount Jewell	Western Areas NL	Mineral Exploration	-	80%	-
<b>Canada</b>					
Thunder Bay North <sup>(3)</sup>	Private parties	Mineral Exploration	-	100%	-
Beaver Lake <sup>(4)</sup>	Casimir Zimowski & Ronald Pizzolato	Mineral Exploration	100%	-	-
CasRon <sup>(5)</sup>	Casimir Zimowski & Ronald Pizzolato	Mineral Exploration	100%	-	-

Note:

- (1) Expenditure of A\$2 million within 4 years of listing on the Carbon Energy Limited (formerly Metex) Tenements to earn 100% of the interest in Nickel-Copper-PGM;
- (2) Expenditure of A\$1 million within 3 years (extended to 4 years by agreement) of listing to earn a 70% interest;
- (3) A 3% Net Smelter Royalty is retained by private parties over certain claims within the project area. Magma has the option to buy one third of the royalty for C\$1 million.
- (4) Cash payments totalling C\$1.1million and issue of 200,000 Shares in the Company by 6 October 2011 to earn 100% interest;
- (5) Expenditure on exploration of C\$50,000, cash payments of C\$1,125,000 by 19 December 2012 to earn a 100% interest;

The commitments detailed in these notes will only be met if the ventures above are progressed to completion.

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**NOTE 20 – CONTROLLED ENTITIES**

	<i>Country of Incorporation</i>	<b>Percentage Owned</b>	
		<b>2009</b>	<b>2008</b>
<b>Parent Entity</b>			
Magma Metals Limited	Australia	-	-
<b>Subsidiaries of Magma Metals Limited:</b>			
Magma Metals Limited	UK	<b>100%</b>	100%
Magma Metals (Canada) Limited	Canada	<b>100%</b>	100%

**NOTE 21 – RETIREMENT BENEFIT OBLIGATIONS**

All Australian based employees have elected to have contributions made to their own nominated superannuation funds.

Contributions for Canadian based employees are made under the state based rates and regulations.

The consolidated group's contributions are legally enforceable to the extent of the Superannuation guarantee legislation and the rules operating within the other jurisdictions in which the group operates.

**NOTE 22 – CONTINGENT LIABILITIES AND COMMITMENTS**

**(a) Exploration Commitments**

Ongoing annual exploration expenditure is required to maintain tenements and claims in good standing and to earn an interest in various joint venture mining prospects. No provision has been made in the financial statements for these amounts as the amounts are expected to be fulfilled in the normal course of the operations of the consolidated group.

The consolidated group has certain statutory obligations to perform minimum exploration work on its tenements.

	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
These obligations which are not provided for in the financial statements and are payable:				
- not later than one year	<b><u>1,428,485</u></b>	<u>812,358</u>	<b><u>698,720</u></b>	<u>643,720</u>

The Statutory expenditure requirement may be varied between tenements, or reduced subject to reduction of exploration area and/or relinquishment of non-prospective tenements.

**(b) Finance Lease Commitments**

Payable – minimum lease payments

not later than one year	<b>41,436</b>	22,980	<b>11,772</b>	13,733
between one year and five years	<b><u>26,093</u></b>	<u>66,254</u>	<b><u>26,093</u></b>	<u>37,869</u>
Minimum lease payments	<b>67,529</b>	89,234	<b>37,865</b>	51,602
Less future finance charges	<b><u>(1,567)</u></b>	<u>(5,515)</u>	<b><u>(1,149)</u></b>	<u>(3,837)</u>
	<b><u>65,962</u></b>	<u>83,719</u>	<b><u>36,716</u></b>	<u>47,765</u>

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**NOTE 22 – CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)**

**(c) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalized in the financial statements payable:

- not later than one year	<b>242,726</b>	178,375	<b>169,711</b>	140,950
- between one and five years	<b>535,754</b>	504,141	<b>395,993</b>	469,835

This relates to the following:

1. a property lease for 5 years commenced on 1 November 2006. An option exists to renew the lease at the end of the 5-year term for an additional term of 3 years. Rent increases are to market value annually; and
2. a property lease for 3 years commenced on 1 June 2009. An option exists to renew the lease at the end of the 3-year term for an additional term of 3 years; and
3. a 3 year vehicle lease agreement which terminates in October 2009.

**NOTE 23 – FINANCIAL RISK MANAGEMENT**

The consolidated group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to finance the consolidated group's operations. The consolidated group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the consolidated group's financial instruments are cash flow interest rate risk and foreign currency risk. Other minor risks are either summarised below or disclosed at Note 16 in the case of capital risk management. The Managing Director, CFO and Executive Directors review and agree strategies for managing each of these risks.

**(a) Cash flow interest rate risk**

The consolidated group's exposure to the risk of changes in market interest rates relates primarily to the consolidated group's cash deposits with a floating interest rate and its short term deposits and bonds with fixed interest rates (these are predominantly 30 to 90 day revolving term deposits). These financial assets expose the consolidated group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated group does not engage in any hedging or derivative transactions to manage interest rate risk. The following tables set out the carrying amount by maturity of the parent entity and consolidated group's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 50% higher or lower with all other variables held constant as a sensitivity analysis. The consolidated group has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated group continuously analyses its exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

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**NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

	Weighted Ave		Floating Interest		Fixed Interest Rate		Non-interest		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED GROUP</b>										
<b>Financial Assets</b>										
Cash	3.86	7.07	752,624	462,751	16,300,000	5,876,268	503	450	17,053,127	6,339,469
Receivables	0.98	2.69	-	-	93,638	74,863	268,548	101,039	362,186	175,902
Total Financial Assets			<b>752,624</b>	<b>462,751</b>	<b>16,393,638</b>	<b>5,951,131</b>	<b>269,051</b>	<b>101,489</b>	<b>17,415,313</b>	<b>6,515,371</b>
<b>Financial Liabilities</b>										
Payables			-	-	-	-	(1,615,486)	(702,889)	(1,615,486)	(702,889)
Finance leases	8.03	8.03	-	-	(65,962)	(83,719)	-	-	(65,962)	(83,719)
Total Financial Liabilities			-	-	<b>(65,962)</b>	<b>(83,719)</b>	<b>(1,615,486)</b>	<b>(702,889)</b>	<b>(1,681,448)</b>	<b>(786,608)</b>
Net Financial Assets (Liabilities)			<b>752,624</b>	<b>462,751</b>	<b>16,327,676</b>	<b>5,867,412</b>	<b>(1,346,435)</b>	<b>(601,400)</b>	<b>15,733,865</b>	<b>5,728,763</b>

	Interest Risk Sensitivity		Equity	
	- 50% Profit	+ 50% Profit	- 50% Profit	+ 50% Profit
	\$	\$	\$	\$
<b>CONSOLIDATED GROUP</b>				
Year ended 30 June 2009	(342,925)	342,925	(342,925)	342,925
Year ended 30 June 2008	(128,278)	128,278	(128,278)	128,278

	Weighted Ave		Floating Interest		Fixed Interest Rate		Non-interest		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>PARENT ENTITY</b>										
<b>Financial Assets</b>										
Cash	3.92	7.46	478,619	135,886	16,300,000	5,876,268	501	448	16,779,120	6,012,602
Receivables	0.03	6.14	-	-	93,638	74,863	157,901	16,892	251,539	91,755
Total Financial Assets			<b>478,619</b>	<b>135,886</b>	<b>16,393,638</b>	<b>5,951,131</b>	<b>158,402</b>	<b>17,340</b>	<b>17,030,659</b>	<b>6,104,357</b>
<b>Financial Liabilities</b>										
Payables			-	-	-	-	(197,024)	(237,275)	(197,024)	(237,275)
Finance leases	8.03	8.03	-	-	(36,716)	(47,765)	-	-	(36,716)	(47,765)
Total Financial Liabilities			-	-	<b>(36,716)</b>	<b>(47,765)</b>	<b>(197,024)</b>	<b>(237,275)</b>	<b>(233,740)</b>	<b>(285,040)</b>
Net Financial Assets (Liabilities)			<b>478,619</b>	<b>135,886</b>	<b>16,356,922</b>	<b>5,903,366</b>	<b>(38,622)</b>	<b>(219,935)</b>	<b>16,796,919</b>	<b>5,819,317</b>

	Interest Risk Sensitivity		Equity	
	- 50% Profit	+ 50% Profit	- 50% Profit	+ 50% Profit
	\$	\$	\$	\$
<b>PARENT ENTITY</b>				
Year ended 30 June 2009	(337,445)	337,445	(337,445)	337,445
Year ended 30 June 2008	(121,740)	121,740	(121,740)	121,740



**MAGMA METALS LIMITED**  
**ABN 72 114 581 047**  
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

A sensitivity of 50% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 50% sensitivity would move short term interest rates at 30 June 2009 from around 4.00% to 6.00% representing a 200 basis points shift which is considered reasonably possible in the current environment.

Based on the sensitivity analysis only interest revenue from cash deposits, term deposits and bank and cash balances are impacted resulting in a decrease or increase in overall income.

**(b) Foreign exchange risk**

The Group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the group's measurement currency.

As a result of a subsidiary company being registered in Canada, the Group's balance sheet can be affected by movements in the AUD\$/CDN\$ exchange rates.

The Group does not seek to hedge this exposure.

	- 10% Profit \$	Foreign Exchange Risk Sensitivity Equity \$	+ 10% Profit \$	Equity \$
<b>CONSOLIDATED GROUP</b>				
Year ended 30 June 2009	(1,023,507)	(1,023,507)	1,023,507	1,023,507
Year ended 30 June 2008	(530,335)	(530,335)	530,335	530,335

A sensitivity of 10% has been selected and is considered reasonable given the current levels of the AUD/CAD exchange rate of approximately CAD\$0.90 to A\$1.00 and the trading range history over the last twelve months.

There is no sensitivity to the Parent entities financials.

**(c) Credit risk**

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The credit risk for counterparties in trade and other receivables at 30 June 2009 are not credit rated by the company. Their maturities are detailed below:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
Contracted maturities of receivables year ended 30 June 2009				
Receivables				
- within 1 year	268,548	101,039	157,901	16,892
- 1 to 5 years	60,238	49,863	60,238	49,863
- Later than 5 years	33,400	25,000	33,339	25,000
Total	362,186	175,902	251,539	91,755

**MAGMA METALS LIMITED**  
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**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Liquidity risk**

The consolidated Group manages liquidity risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows.

	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Contracted maturities of financial liabilities year ended 30 June 2009				
Payable				
- within 1 year	<b>1,655,388</b>	721,905	<b>207,680</b>	248,319
- 1 to 5 years	<b>26,060</b>	64,704	<b>26,060</b>	36,721
- Later than 5 years	-	-	-	-
<b>Total</b>	<b><u>1,681,448</u></b>	<b><u>786,609</u></b>	<b><u>233,740</u></b>	<b><u>285,040</u></b>

**(e) Commodity price risk**

The consolidated Group is exposed to commodity price risk. This risk arises from its activities directed at exploration and development of mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The consolidated Group does not hedge its exposures.

**(f) Net fair values**

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The consolidated group has no financial assets where carrying amount exceeds net fair values at balance date.

The consolidated Group's payables at balance date are detailed in Note 13 and comprise trade payables, sundry creditors and accrued expenses

The consolidated Group's receivables at balance date are detailed in Note 9 and comprise GST input tax credits refundable. The balance of receivables comprises sundry other debtors amounts receivable from related parties for services provided.

The credit risk on financial assets for the consolidated group which have been recognised on the Balance Sheet is generally the carrying amount.

**MAGMA METALS LIMITED**  
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**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 24 – STATEMENT OF OPERATIONS BY SEGMENT**

The Company operates predominantly in one business segment, mineral exploration and two geographical segments Australia and Canada.

**Primary report – Geographical Segments**

<b>2009</b>	<b>Australia</b>	<b>Canada</b>	<b>Eliminations</b>	<b>Consolidated Group</b>
<b>Revenue</b>				
Other Income	470,533	1,737	-	472,270
Total Segment Revenue	470,533	1,737	-	472,270
<b>Result</b>				
Segment Result	(12,453,600)	(11,029,784)	9,978,364	(13,505,020)
Loss before income tax expense				(13,505,020)
Loss after income tax				(13,505,020)
<b>Assets</b>				
Segment Assets	34,575,846	632,319	(17,299,351)	17,908,814
Segment Liabilities	(370,517)	(18,784,421)	17,299,339	(1,855,599)
<b>Other</b>				
Acquisition of non-current segment assets	24,029	165,907	-	189,936
Depreciation	72,504	47,849	-	120,353
<b>2008</b>				
<b>Revenue</b>				
Other Income	243,209	28	-	243,237
Total Segment Revenue	243,209	28	-	243,237
<b>Result</b>				
Segment Result	(9,671,038)	(5,449,143)	5,292,441	(9,827,740)
Loss before income tax expense				(9,827,740)
Loss after income tax				(9,827,740)
<b>Assets</b>				
Segment Assets	13,738,440	554,811	(7,320,988)	6,972,263
Segment Liabilities	(360,683)	(7,822,543)	7,320,976	(862,250)
<b>Other</b>				
Acquisition of non-current segment assets	197,684	224,303	(12)	421,975
Depreciation	58,746	21,953	-	80,699

**MAGMA METALS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 24 – STATEMENT OF OPERATIONS BY SEGMENT (CONTINUED)**

**Accounting Policies**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses when a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

**NOTE 25 – RELATED PARTY TRANSACTIONS**

	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>Number</b>	Number	<b>Number</b>	Number

Transactions between related parties are on usual commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

**(a) Directors' Share Transactions:**

Directors and director related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the Company

Ordinary Shares	<b>41,875,002</b>	22,210,002	<b>41,875,002</b>	22,210,002
\$0.20 vested Options expiring 31 October 2011	<b>4,000,000</b>	4,000,000	<b>4,000,000</b>	4,000,000
\$0.83 vested Options expiring 31 October 2012	<b>2,050,000</b>	2,050,000	<b>2,050,000</b>	2,050,000
\$0.50 vested Options expiring 9 May 2010	<b>450,000</b>	450,000	<b>450,000</b>	450,000

Directors and their related entities acquired 145,000 shares on market during the course of the year.

<b>(b) Related Party Transactions:</b>	<b>2009</b>	2008	<b>2009</b>	2008
	<b>\$</b>	\$	<b>\$</b>	\$

*Anglo American Plc*

Anglo American Plc was issued 13,470,000 fully paid ordinary shares at \$0.60 per share in September 2008 and a further 6,000,000 fully paid ordinary shares at \$0.32 per share in May 2009. T.B.Burgess was a member of the Key Management Personnel of Anglo American Plc.

*Carbon Energy Limited*

Carbon Energy Limited is the holder of 10,000,001 ordinary shares in Magma Metals Ltd. M.D.J. Cozijn is also a Non-executive Director of Carbon Energy Limited

Exploration accommodation, finance and administration service fees paid to Carbon Energy Limited	<b>(13,485)</b>	(14,250)	<b>(13,485)</b>	(14,250)
Finance and administration service fees received from Carbon Energy Limited	<b>27,188</b>	-	<b>27,188</b>	-

**MAGMA METALS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 26 – AUDITORS REMUNERATION**

	CONSOLIDATED GROUP		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
Amount payable to WHK Horwath as Group Auditor:				
Auditing or reviewing the financial report	24,500	24,000	24,500	24,000
Amount payable to Meyers Norris Penny as Auditor of subsidiary Magma Metals (Canada) Ltd	17,375	-	-	-
	<u>41,875</u>	<u>24,000</u>	<u>24,500</u>	<u>24,000</u>

**NOTE 27 – EVENTS SUBSEQUENT TO BALANCE DATE**

No matters of circumstances have arisen since the end of the financial year, which significantly affected or may significantly effect the operations of the consolidated group, the results of those operations and the state of affairs of the consolidated group in subsequent financial years, other than on 7 September 2009 the announcement by the Company of the initial Mineral Resource estimate at the Thunder Bay North project.

**NOTE 28 – SHARE BASED PAYMENTS**

The following Share-based payment arrangements existed at 30 June 2009.

**Issued in prior years to service providers.**

Date of Grant	No. of Options	Exercise Price	Vesting Date	Expiry Date
8 September 2006 <sup>1</sup>	1,340,750	\$0.20	8 September 2006	30 June 2011
10 August 2007 <sup>2</sup>	1,000,000	\$0.50	10 August 2007	31 July 2012
9 May 2008 <sup>3</sup>	11,769,640	\$0.50	9 May 2008	8 May 2010
	<u>14,110,390</u>			

1. Options granted to Brokers and Parties who assisted the Company with its IPO. 2,281,500 Options granted of which 940,750 have been exercised.
2. Options granted to Brokers who assisted in the Company's June 2007 share placement.
3. Free attaching Options issued to subscribers to the Company's May 2008 Share Placement. One Option granted for every two placement shares subscribed for.

**Issued in prior years to directors and employees.**

Date of Grant	No. of Options	Exercise Price	Vesting Date	Expiry Date
26 October 2006	4,000,000	\$0.20	26 October 2006	31 October 2011
22 November 2006	125,000	\$0.20	1 December 2007	30 November 2009
1 May 2007	200,000	\$0.50	1 May 2008	1 May 2011
1 May 2007	300,000	\$0.75	1 May 2009	1 May 2012
1 May 2007	500,000	\$1.00	1 May 2010	1 May 2013
5 October 2007	75,000	\$0.50	1 September 2008	1 September 2011
5 October 2007	75,000	\$0.75	1 September 2009	1 September 2012
5 October 2007	100,000	\$1.00	1 September 2010	1 September 2013
1 November 2007	2,050,000	\$0.83	1 November 2008	31 October 2012
	<u>7,425,000</u>			

**MAGMA METALS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 28 – SHARE BASED PAYMENTS (CONTINUED)**

**Issued during year ended 30 June 2009 to employees.**

<b>Date of Grant</b>	<b>No. of Options</b>	<b>Exercise Price</b>	<b>Vesting Date</b>	<b>Expiry Date</b>
5 January 2009 <sup>1</sup>	250,000	\$0.35	5 January 2010	5 January 2012
5 January 2009 <sup>1</sup>	300,000	\$0.40	5 January 2011	5 January 2013
5 January 2009 <sup>1</sup>	450,000	\$0.55	5 January 2012	5 January 2014
5 April 2009 <sup>1</sup>	75,000	\$0.50	5 April 2010	5 April 2012
5 April 2009 <sup>1</sup>	75,000	\$0.75	5 April 2011	5 April 2013
5 April 2009 <sup>1</sup>	100,000	\$1.00	5 April 2012	5 April 2014
	1,250,000			

1. Options granted to employees pursuant to terms of employment. Additionally, a further 250,000 options were granted to an employee during the financial year which lapsed following cessation of employment with the company.

	<u>2009</u>		<u>2008</u>	
	<u>No of Options</u>	<u>Exercise Price</u>	<u>No of Options</u>	<u>Exercise Price</u>
Outstanding at 30 June 2008	22,246,140	\$0.47	7,931,500	\$0.30
Granted:				
31 October 2008	75,000	\$0.50	15,069,640	\$0.55
31 October 2008	75,000	\$0.75		
31 October 2008	100,000	\$1.00		
5 January 2009	250,000	\$0.35		
5 January 2009	300,000	\$0.40		
5 January 2009	450,000	\$0.55		
5 April 2009	75,000	\$0.55		
5 April 2009	75,000	\$0.75		
5 April 2009	100,000	\$1.00		
Exercised:	(710,750)	\$0.20	(230,000)	\$0.20
Cancelled:				
	(75,000)	\$0.50	(525,000)	\$0.55
	(75,000)	\$0.75		
	(100,000)	\$1.00		
Outstanding at 30 June 2009	22,785,390	\$0.48	22,246,140	\$0.47
Exercisable at the end of the year	20,860,390	\$0.46	21,196,140	\$0.47

There were 710,750 options exercised during the year ended 30 June 2009. These options had a weighted average share price of \$0.45 at exercise date.

The options outstanding at 30 June 2009 had a weighted average exercise price of \$0.48 and a weighted average remaining contracted life of 1.79 years.

The weighted average fair value of the options granted during the period was \$0.12. This price was calculated using a Black-Scholes option pricing model applying the following inputs:

**MAGMA METALS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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**NOTE 28 – SHARE BASED PAYMENTS (CONTINUED)**

Weighted average exercise price	\$0.52
Weighted average life of option	4.18 years
Underlying share price	\$0.28
Expected share price volatility	70%
Risk free interest rate	4.05%

A volatility rate of 70% has been used.

Included in the income statement under share-based payments is \$101,221 which relates in full to equity – settled share-based payment transactions (2008: \$1,022,558).

All Options granted are for ordinary shares in Magma Metals limited, which confer a right of one ordinary share for every Option held.

**NOTE 29 – COMPANY DETAILS**

The registered office of the company is:  
Magma Metals Limited  
Level 3, 18 Richardson Street  
West Perth WA 6005  
AUSTRALIA

**MAGMA METALS LIMITED  
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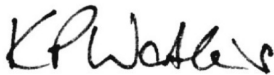
**DIRECTORS' DECLARATION**

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The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 30 to 62, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated group;
2. the Managing Director and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view; and:
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**Dr K. P. Watkins**  
Managing Director



**Mr M.D.J. Cozijn**  
Executive Director

Perth, Western Australia  
08 September 2009



**INDEPENDENT AUDIT REPORT TO MEMBERS OF MAGMA METALS LIMITED AND ITS CONTROLLED ENTITIES**

We have audited the accompanying financial report of Magma Metals Limited (the company) and Magma Metals Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's Opinion**

In our opinion, the financial report of Magma Metals Limited and Magma Metals Limited and its Controlled Entities is in accordance with the Corporations Act 2001 including:

- (a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 25 to 28 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's Opinion**

In our opinion the Remuneration Report of Magma Metals Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK  
Principal

Perth, WA

Dated this 8<sup>th</sup> day of September 2009

## TENEMENT SCHEDULE - AUSTRALIAN PROJECTS

Project	Tenement Type	Tenement Number	Tenement Status	Registered Holder/Applicant 1	Registered Holder/Applicant 2	Interest earned/ being earned by Magma
<b>MOUNT JEWELL PROJECT</b>						
Mt Jewell	P	24/4041	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	24/4042	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	24/4043	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	24/4044	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	24/4045	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	24/4046	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	24/4047	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	24/4048	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	24/4049	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	27/1695	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	27/1696	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	27/1697	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	27/1698	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	27/1699	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	27/1700	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	27/1701	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	29/1905	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	29/1906	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	29/1907	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	29/1908	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
Mt Jewell	P	29/1909	Live	Western Areas NL	Magma Metals Ltd	Magma 80%
<b>LAVERTON PROJECT</b>						
Euro	E	38/2027	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Ida / Barnicoat	E	38/1494	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Burtville	E	38/1642	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Childe Harold	E	38/1652	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Burtville West	E	38/1725	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Sunshine	E	38/1886	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Hawks Nest	E	38/1930	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Ida / Barnicoat	E	38/2033	Live	Carbon Energy Ltd	Delta Gold Ltd	100% Ni-Cu-PGM
Ida / Barnicoat	E	38/2034	Live	Carbon Energy Ltd	Delta Gold Ltd	100% Ni-Cu-PGM
Shepherds Well	E	39/1296	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Burtville	P	38/3188	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Burtville	P	38/3190	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Burtville	P	38/3237	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Sunshine	P	38/3314	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Sunshine	P	38/3315	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Sunshine	P	38/3316	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Sunshine	P	38/3317	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Sunshine	P	38/3318	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Sunshine	P	38/3327	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Burtville West	P	38/3122	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Lancefield	P	38/3488	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Beasley/Gladiator	P	38/3489	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Beasley/Gladiator	P	38/3490	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Beasley/Gladiator	P	38/3491	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Beasley/Gladiator	P	38/3492	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Red Flag	P	38/3493	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Red Flag	P	38/3494	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Beasley/Gladiator	P	38/3495	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Windarra East	P	38/3496	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM

## TENEMENT SCHEDULE - AUSTRALIAN PROJECTS

Project	Tenement Type	Tenement Number	Tenement Status	Registered Holder/Applicant 1	Registered Holder/Applicant 2	Interest earned/ being earned by Magma
Red Flag	P	38/3499	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Mt Crawford	P	38/3500	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Mt Crawford	P	38/3501	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Red Flag	P	38/3502	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Red Flag	P	38/3503	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Euro	P	38/3653	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3717	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3718	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3719	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Hawks Nest	P	38/3720	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Hawks Nest	P	38/3721	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3726	Live	Delta Gold Ltd		100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3727	Live	Delta Gold Ltd		100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3728	Live	Delta Gold Ltd		100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3729	Live	Delta Gold Ltd		100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3730	Live	Carbon Energy Ltd	Delta Gold Ltd	100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3731	Live	Carbon Energy Ltd	Delta Gold Ltd	100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3732	Live	Carbon Energy Ltd	Delta Gold Ltd	100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3733	Live	Carbon Energy Ltd	Delta Gold Ltd	100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3734	Live	Delta Gold Ltd		100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3735	Live	Delta Gold Ltd		100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3736	Live	Delta Gold Ltd		100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3737	Live	Delta Gold Ltd		100% Ni-Cu-PGM
Ida/ Barnicoat	P	38/3738	Live	Delta Gold Ltd		100% Ni-Cu-PGM
Shepherds Well	P	39/4648	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Shepherds Well	P	39/4782	Pending	Carbon Energy Ltd		100% Ni-Cu-PGM
Lancefield	M	38/0037	Live	Carbon Energy Ltd		100% Ni-Cu-PGM
Lancefield	M	38/0038	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Lancefield	M	38/0039	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Beasley / Gladiator	M	38/0040	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Danny Bore	M	38/0046	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Garden Well	M	38/0048	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Beasley / Gladiator	M	38/0049	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Beasley / Gladiator	M	38/0052	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Garden Well	M	38/0101	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Lancefield North	M	38/0159	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Lancefield North	M	38/0255	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Gladiator	M	38/0342	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Beasley / Gladiator	M	38/0358	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Gladiator	M	38/0363	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Gladiator	M	38/0364	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Red Flag	M	38/0372	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Garden Well	M	38/0535	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Red Flag	M	38/0693	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Red Flag	M	38/0694	Live	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Windarra East	M	38/0967	Pending	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Windarra East	P	38/3497	Pending	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
Windarra East	P	38/3498	Pending	Carbon Energy Ltd	Barrick (GSM) Ltd	100% Ni-Cu-PGM
<b>ROE PROJECT</b>						
Roe	E	28/1659	Live	Magma Metals Ltd		Magma 100%
Roe	E	28/1339	Live	Magma Metals Ltd		Magma 100%
Roe	E	28/1416	Live	Carbon Energy Ltd		100% Ni-Cu-PGM

**TENEMENT SCHEDULE - AUSTRALIAN PROJECTS**

Project	Tenement Type	Tenement Number	Tenement Status	Registered Holder/Applicant 1	Registered Holder/Applicant 2	Interest earned/ being earned by Magma
<b>LAURA RIVER PROJECT</b>						
Laura River	E	80/2523	Live	Navigator Resources Ltd		Earning 70%
Laura River	E	80/2552	Live	Navigator Resources Ltd		Earning 70%
Laura River	E	80/4250	Live	Magma Metals Ltd		Magma 100%
Laura River	P	80/1743	Live	Magma Metals Ltd		Magma 100%
Laura River	P	80/1744	Live	Magma Metals Ltd		Magma 100%
Laura River	P	80/1745	Live	Magma Metals Ltd		Magma 100%
<b>EASTMAN PROJECT</b>						
Eastman Bore	E	80/2936	Live	Navigator Resources Ltd		Magma 70%
Eastman Bore	E	80/3152	Live	Navigator Resources Ltd		Magma 70%

Tenement Types: E = Exploration Licence; P = prospecting Licence; M = Mining Lease

<b>MINING CLAIMS SCHEDULE - CANADIAN PROJECTS</b>					
Claim Group	Claim Number	Tenement Status	Recorded Claim Holder 1	Recorded Claim Holder 1	Interest being earned by Magma
<b>THUNDER BAY NORTH PROJECT</b>					
Current Lake	842186	Active	Magma Metals (Canada) Limited		
	842189	Active	Magma Metals (Canada) Limited		
	1248239	Active	Magma Metals (Canada) Limited		
	1248240	Active	Magma Metals (Canada) Limited		
	1248241	Active	Magma Metals (Canada) Limited		
	1248244	Active	Magma Metals (Canada) Limited		
	4205378	Active	Magma Metals (Canada) Limited		
	4205432	Active	Magma Metals (Canada) Limited		
	4208965	Active	Magma Metals (Canada) Limited		
	4208966	Active	Magma Metals (Canada) Limited		
	4208967	Active	Magma Metals (Canada) Limited		
	4208968	Active	Magma Metals (Canada) Limited		
	4208969	Active	Magma Metals (Canada) Limited		
	4208970	Active	Magma Metals (Canada) Limited		
	4208971	Active	Magma Metals (Canada) Limited		
	4208972	Active	Magma Metals (Canada) Limited		
	4208973	Active	Magma Metals (Canada) Limited		
	4208974	Active	Magma Metals (Canada) Limited		
	4208975	Active	Magma Metals (Canada) Limited		
	4208976	Active	Magma Metals (Canada) Limited		
4208977	Active	Magma Metals (Canada) Limited			
4208978	Active	Magma Metals (Canada) Limited			
4208979	Active	Magma Metals (Canada) Limited			
4208980	Active	Magma Metals (Canada) Limited			
4208981	Active	Magma Metals (Canada) Limited			
4208984	Active	Magma Metals (Canada) Limited			
4240541	Active	Magma Metals (Canada) Limited			
Beaver Lake	4210157	Active	C. Zimowski	R. Pizzolato	100%
Casron	1246796	Active	C. Zimowski	R. Pizzolato	100%
	4211637	Active	C. Zimowski	R. Pizzolato	100%
	4211638	Active	C. Zimowski	R. Pizzolato	100%

**MINING CLAIMS SCHEDULE - CANADIAN PROJECTS**

Claim Group	Claim Number	Tenement Status	Recorded Claim Holder 1	Recorded Claim Holder 1	Interest being earned by Magma
<b>TBN REGIONAL PROJECT</b>					
Beck	4214080	Active	Magma Metals (Canada) Limited		
	4213439	Active	Magma Metals (Canada) Limited		
Beck Road	4243771	Active	Magma Metals (Canada) Limited		
	4243772	Active	Magma Metals (Canada) Limited		
	4243773	Active	Magma Metals (Canada) Limited		
	4243774	Active	Magma Metals (Canada) Limited		
	4243775	Active	Magma Metals (Canada) Limited		
	4243776	Active	Magma Metals (Canada) Limited		
	4243777	Active	Magma Metals (Canada) Limited		
	4243778	Active	Magma Metals (Canada) Limited		
	4243779	Active	Magma Metals (Canada) Limited		
	4243780	Active	Magma Metals (Canada) Limited		
	4243781	Active	Magma Metals (Canada) Limited		
	4243782	Active	Magma Metals (Canada) Limited		
	4243783	Active	Magma Metals (Canada) Limited		
	4243784	Active	Magma Metals (Canada) Limited		
	4243785	Active	Magma Metals (Canada) Limited		
	4243786	Active	Magma Metals (Canada) Limited		
	4243790	Active	Magma Metals (Canada) Limited		
	4243791	Active	Magma Metals (Canada) Limited		
Bittern	4214081	Active	Magma Metals (Canada) Limited		
	4214082	Active	Magma Metals (Canada) Limited		
	4214083	Active	Magma Metals (Canada) Limited		
	4214084	Active	Magma Metals (Canada) Limited		
Escape Creek	4242801	Active	Magma Metals (Canada) Limited		
	4242802	Active	Magma Metals (Canada) Limited		
	4242803	Active	Magma Metals (Canada) Limited		
	4242804	Active	Magma Metals (Canada) Limited		
	4242805	Active	Magma Metals (Canada) Limited		
	4242806	Active	Magma Metals (Canada) Limited		
	4242807	Active	Magma Metals (Canada) Limited		
	4242808	Active	Magma Metals (Canada) Limited		
	4242809	Active	Magma Metals (Canada) Limited		
	4242810	Active	Magma Metals (Canada) Limited		
	4242811	Active	Magma Metals (Canada) Limited		
	4242812	Active	Magma Metals (Canada) Limited		
	4242813	Active	Magma Metals (Canada) Limited		
	4242814	Active	Magma Metals (Canada) Limited		
Escape Lake	3005105	Active	Magma Metals (Canada) Limited		
	3005106	Active	Magma Metals (Canada) Limited		
	4225211	Active	Magma Metals (Canada) Limited		
	4225212	Active	Magma Metals (Canada) Limited		
	4225213	Active	Magma Metals (Canada) Limited		
	4225214	Active	Magma Metals (Canada) Limited		
	4225215	Active	Magma Metals (Canada) Limited		
	4225216	Active	Magma Metals (Canada) Limited		
	4225972	Active	Magma Metals (Canada) Limited		
	4225973	Active	Magma Metals (Canada) Limited		
	4225974	Active	Magma Metals (Canada) Limited		
	4225975	Active	Magma Metals (Canada) Limited		
Escape Road	4243631	Active	Magma Metals (Canada) Limited		
	4243632	Active	Magma Metals (Canada) Limited		
	4243633	Active	Magma Metals (Canada) Limited		
	4243634	Active	Magma Metals (Canada) Limited		
	4243635	Active	Magma Metals (Canada) Limited		
	4243637	Active	Magma Metals (Canada) Limited		
	4243638	Active	Magma Metals (Canada) Limited		
	4243639	Active	Magma Metals (Canada) Limited		
	4243640	Active	Magma Metals (Canada) Limited		
	4243641	Active	Magma Metals (Canada) Limited		
	4243642	Active	Magma Metals (Canada) Limited		

**MINING CLAIMS SCHEDULE - CANADIAN PROJECTS**

<b>Claim Group</b>	<b>Claim Number</b>	<b>Tenement Status</b>	<b>Recorded Claim Holder 1</b>	<b>Recorded Claim Holder 1</b>	<b>Interest being earned by Magma</b>
	4243643	Active	Magma Metals (Canada) Limited		
	4243644	Active	Magma Metals (Canada) Limited		
	4243645	Active	Magma Metals (Canada) Limited		
	4243646	Active	Magma Metals (Canada) Limited		
	4243647	Active	Magma Metals (Canada) Limited		
	4243648	Active	Magma Metals (Canada) Limited		
	4243649	Active	Magma Metals (Canada) Limited		
	4243650	Active	Magma Metals (Canada) Limited		
	4243651	Active	Magma Metals (Canada) Limited		
	4243652	Active	Magma Metals (Canada) Limited		
Fitzpatrick	4214075	Active	Magma Metals (Canada) Limited		
	4214076	Active	Magma Metals (Canada) Limited		
Furcate	4208486	Active	Magma Metals (Canada) Limited		
	4214124	Active	Magma Metals (Canada) Limited		
	4226068	Active	Magma Metals (Canada) Limited		
	4228020	Active	Magma Metals (Canada) Limited		
Greenwich Gap	4229971	Active	Magma Metals (Canada) Limited		
	4229972	Active	Magma Metals (Canada) Limited		
	4229973	Active	Magma Metals (Canada) Limited		
	4229974	Active	Magma Metals (Canada) Limited		
	4229975	Active	Magma Metals (Canada) Limited		
	4242771	Active	Magma Metals (Canada) Limited		
	4242772	Active	Magma Metals (Canada) Limited		
	4242773	Active	Magma Metals (Canada) Limited		
	4242774	Active	Magma Metals (Canada) Limited		
	4242775	Active	Magma Metals (Canada) Limited		
Greenwich Lake	4211163	Active	Magma Metals (Canada) Limited		
	4216374	Active	Magma Metals (Canada) Limited		
	4218927	Active	Magma Metals (Canada) Limited		
	4222631	Active	Magma Metals (Canada) Limited		
	4222632	Active	Magma Metals (Canada) Limited		
	4222633	Active	Magma Metals (Canada) Limited		
	4222634	Active	Magma Metals (Canada) Limited		
	4222635	Active	Magma Metals (Canada) Limited		
	4222636	Active	Magma Metals (Canada) Limited		
	4222637	Active	Magma Metals (Canada) Limited		
	4222638	Active	Magma Metals (Canada) Limited		
	4222639	Active	Magma Metals (Canada) Limited		
	4222640	Active	Magma Metals (Canada) Limited		
	4222650	Active	Magma Metals (Canada) Limited		
Hilltop	4214077	Active	Magma Metals (Canada) Limited		
Hicks Lake	3018014	Active	Magma Metals (Canada) Limited		
	3018015	Active	Magma Metals (Canada) Limited		
	3018016	Active	Magma Metals (Canada) Limited		
	3018017	Active	Magma Metals (Canada) Limited		
	3018018	Active	Magma Metals (Canada) Limited		
	3018019	Active	Magma Metals (Canada) Limited		
	3018028	Active	Magma Metals (Canada) Limited		
	3018055	Active	Magma Metals (Canada) Limited		
	3018056	Active	Magma Metals (Canada) Limited		
	3018057	Active	Magma Metals (Canada) Limited		
	3018058	Active	Magma Metals (Canada) Limited		
	3018059	Active	Magma Metals (Canada) Limited		
	4240095	Active	Magma Metals (Canada) Limited		
	4240097	Active	Magma Metals (Canada) Limited		
	4241533	Active	Magma Metals (Canada) Limited		
	4241534	Active	Magma Metals (Canada) Limited		
	4241535	Active	Magma Metals (Canada) Limited		
	4241536	Active	Magma Metals (Canada) Limited		
	4241537	Active	Magma Metals (Canada) Limited		
	4241716	Active	Magma Metals (Canada) Limited		
	4241717	Active	Magma Metals (Canada) Limited		

**MINING CLAIMS SCHEDULE - CANADIAN PROJECTS**

Claim Group	Claim Number	Tenement Status	Recorded Claim Holder 1	Recorded Claim Holder 1	Interest being earned by Magma
	4241718	Active	Magma Metals (Canada) Limited		
	4241719	Active	Magma Metals (Canada) Limited		
	4241720	Active	Magma Metals (Canada) Limited		
	4241727	Active	Magma Metals (Canada) Limited		
	4245129	Active	Magma Metals (Canada) Limited		
Lone Island Lake	4214273	Active	Magma Metals (Canada) Limited		
Lone Island West	4221361	Active	Magma Metals (Canada) Limited		
	4221362	Active	Magma Metals (Canada) Limited		
	4221363	Active	Magma Metals (Canada) Limited		
	4221365	Active	Magma Metals (Canada) Limited		
Loon Lake	4240542	Active	Magma Metals (Canada) Limited		
	4240543	Active	Magma Metals (Canada) Limited		
	4240544	Active	Magma Metals (Canada) Limited		
	4240545	Active	Magma Metals (Canada) Limited		
	4243787	Active	Magma Metals (Canada) Limited		
	4243788	Active	Magma Metals (Canada) Limited		
	4243789	Active	Magma Metals (Canada) Limited		
Mackenzie	4214118	Active	Magma Metals (Canada) Limited		
	4225217	Active	Magma Metals (Canada) Limited		
	4225218	Active	Magma Metals (Canada) Limited		
	4225219	Active	Magma Metals (Canada) Limited		
	4225220	Active	Magma Metals (Canada) Limited		
	4226065	Active	Magma Metals (Canada) Limited		
	4226067	Active	Magma Metals (Canada) Limited		
Question Mark	4214079	Active	Magma Metals (Canada) Limited		
	4214119	Active	Magma Metals (Canada) Limited		
	4214117	Active	Magma Metals (Canada) Limited		
	4226066	Active	Magma Metals (Canada) Limited		
Steepledge	4221364	Active	Magma Metals (Canada) Limited		
	4221366	Active	Magma Metals (Canada) Limited		
	4221367	Active	Magma Metals (Canada) Limited		
	4221368	Active	Magma Metals (Canada) Limited		
	4221369	Active	Magma Metals (Canada) Limited		
	4221370	Active	Magma Metals (Canada) Limited		
	4242141	Active	Magma Metals (Canada) Limited		
	4242142	Active	Magma Metals (Canada) Limited		
	4242143	Active	Magma Metals (Canada) Limited		
	4242144	Active	Magma Metals (Canada) Limited		
	4242145	Active	Magma Metals (Canada) Limited		
	4242146	Active	Magma Metals (Canada) Limited		
	4242147	Active	Magma Metals (Canada) Limited		
	4242148	Active	Magma Metals (Canada) Limited		
	4240536	Active	Magma Metals (Canada) Limited		
	4240537	Active	Magma Metals (Canada) Limited		
	4240538	Active	Magma Metals (Canada) Limited		
	4240539	Active	Magma Metals (Canada) Limited		
	4240540	Active	Magma Metals (Canada) Limited		
Tartan Lake	4243653	Active	Magma Metals (Canada) Limited		
	4243654	Active	Magma Metals (Canada) Limited		
	4243656	Active	Magma Metals (Canada) Limited		
	4243657	Active	Magma Metals (Canada) Limited		
	4243658	Active	Magma Metals (Canada) Limited		
	4243659	Active	Magma Metals (Canada) Limited		
	4243660	Active	Magma Metals (Canada) Limited		
Twenty Minute	4208485	Active	Magma Metals (Canada) Limited		
	4215436	Active	Magma Metals (Canada) Limited		
	4215183	Active	Magma Metals (Canada) Limited		
	4215184	Active	Magma Metals (Canada) Limited		
	4215186	Active	Magma Metals (Canada) Limited		
	4215187	Active	Magma Metals (Canada) Limited		
	4228021	Active	Magma Metals (Canada) Limited		
	4228022	Active	Magma Metals (Canada) Limited		

**MINING CLAIMS SCHEDULE - CANADIAN PROJECTS**

Claim Group	Claim Number	Tenement Status	Recorded Claim Holder 1	Recorded Claim Holder 1	Interest being earned by Magma
	4228023	Active	Magma Metals (Canada) Limited		
	4228024	Active	Magma Metals (Canada) Limited		
	4228025	Active	Magma Metals (Canada) Limited		

**BLOCK CREEK PROJECT**

Block Creek	4247198	Active	Magma Metals (Canada) Limited		
	4247199	Active	Magma Metals (Canada) Limited		
	4247331	Active	Magma Metals (Canada) Limited		
	4247332	Active	Magma Metals (Canada) Limited		
	4247333	Active	Magma Metals (Canada) Limited		
	4247334	Active	Magma Metals (Canada) Limited		
	4247335	Active	Magma Metals (Canada) Limited		
	4247336	Active	Magma Metals (Canada) Limited		
	4247337	Active	Magma Metals (Canada) Limited		
	4247338	Active	Magma Metals (Canada) Limited		
	4247339	Active	Magma Metals (Canada) Limited		
	4247340	Active	Magma Metals (Canada) Limited		
	4247341	Active	Magma Metals (Canada) Limited		
	4247342	Active	Magma Metals (Canada) Limited		
	4247343	Active	Magma Metals (Canada) Limited		
	4247344	Active	Magma Metals (Canada) Limited		
	4247345	Active	Magma Metals (Canada) Limited		
	4247346	Active	Magma Metals (Canada) Limited		
	4247348	Active	Magma Metals (Canada) Limited		
	4247349	Active	Magma Metals (Canada) Limited		
	4247350	Active	Magma Metals (Canada) Limited		
	4247481	Active	Magma Metals (Canada) Limited		
	4247482	Active	Magma Metals (Canada) Limited		
	4247483	Active	Magma Metals (Canada) Limited		
	4247484	Active	Magma Metals (Canada) Limited		
	4247485	Active	Magma Metals (Canada) Limited		
	4247486	Active	Magma Metals (Canada) Limited		
	4247487	Active	Magma Metals (Canada) Limited		
	4247488	Active	Magma Metals (Canada) Limited		
	4247489	Active	Magma Metals (Canada) Limited		
	4247490	Active	Magma Metals (Canada) Limited		
	4247491	Active	Magma Metals (Canada) Limited		
	4247492	Active	Magma Metals (Canada) Limited		
	4247493	Active	Magma Metals (Canada) Limited		
	4247494	Active	Magma Metals (Canada) Limited		
	4247495	Active	Magma Metals (Canada) Limited		
	4247496	Active	Magma Metals (Canada) Limited		
	4247497	Active	Magma Metals (Canada) Limited		
	4247498	Active	Magma Metals (Canada) Limited		
	4247499	Active	Magma Metals (Canada) Limited		
	4247500	Active	Magma Metals (Canada) Limited		
	4247511	Active	Magma Metals (Canada) Limited		
	4247512	Active	Magma Metals (Canada) Limited		
	4247513	Active	Magma Metals (Canada) Limited		
	4247514	Active	Magma Metals (Canada) Limited		
	4247515	Active	Magma Metals (Canada) Limited		
	4247516	Active	Magma Metals (Canada) Limited		
	4247517	Active	Magma Metals (Canada) Limited		
	4247518	Active	Magma Metals (Canada) Limited		
	4247519	Active	Magma Metals (Canada) Limited		
	4247520	Active	Magma Metals (Canada) Limited		
	4247521	Active	Magma Metals (Canada) Limited		
	4247522	Active	Magma Metals (Canada) Limited		
	4247523	Active	Magma Metals (Canada) Limited		
	4247524	Active	Magma Metals (Canada) Limited		
	4247525	Active	Magma Metals (Canada) Limited		
	4247526	Active	Magma Metals (Canada) Limited		



**MINING CLAIMS SCHEDULE - CANADIAN PROJECTS**

Claim Group	Claim Number	Tenement Status	Recorded Claim Holder 1	Recorded Claim Holder 1	Interest being earned by Magma
	4247527	Active	Magma Metals (Canada) Limited		
	4247528	Active	Magma Metals (Canada) Limited		
	4247529	Active	Magma Metals (Canada) Limited		
	4247530	Active	Magma Metals (Canada) Limited		
	4247531	Active	Magma Metals (Canada) Limited		
	4247532	Active	Magma Metals (Canada) Limited		
	4247540	Active	Magma Metals (Canada) Limited		
<b>EAST DOG RIVER PROJECT</b>					
East Dog River	4245653	Active	Magma Metals (Canada) Limited		
	4245654	Active	Magma Metals (Canada) Limited		
	4245655	Active	Magma Metals (Canada) Limited		
	4245656	Active	Magma Metals (Canada) Limited		
	4245657	Active	Magma Metals (Canada) Limited		
	4245658	Active	Magma Metals (Canada) Limited		
	4245659	Active	Magma Metals (Canada) Limited		
	4245660	Active	Magma Metals (Canada) Limited		
	4247191	Active	Magma Metals (Canada) Limited	Francois Morin	
<b>MARY LAKE PROJECT</b>					
Mary Lake	4242779	Active	Magma Metals (Canada) Limited		
	4245632	Active	Magma Metals (Canada) Limited		
<b>ODETTE LAKE PROJECT</b>					
Odette Lake	4247192	Active	Magma Metals (Canada) Limited		
	4247193	Active	Magma Metals (Canada) Limited		
	4247194	Active	Magma Metals (Canada) Limited		
	4247197	Active	Magma Metals (Canada) Limited		
	4247200	Active	Magma Metals (Canada) Limited		
<b>SPIKE LAKE PROJECT</b>					
Spike Lake	4245226	Active	Magma Metals (Canada) Limited		
	4245227	Active	Magma Metals (Canada) Limited		
	4245228	Active	Magma Metals (Canada) Limited		
	4245229	Active	Magma Metals (Canada) Limited		
	4245230	Active	Magma Metals (Canada) Limited		
	4245633	Active	Magma Metals (Canada) Limited		
	4245635	Active	Magma Metals (Canada) Limited		
	4246323	Active	Magma Metals (Canada) Limited		
<b>SPRUCE RIVER PROJECT</b>					
Spruce River	4245417	Active	Magma Metals (Canada) Limited		
	4245418	Active	Magma Metals (Canada) Limited		
	4245419	Active	Magma Metals (Canada) Limited		
	4245420	Active	Magma Metals (Canada) Limited		
	4245421	Active	Magma Metals (Canada) Limited		
	4245422	Active	Magma Metals (Canada) Limited		
	4245423	Active	Magma Metals (Canada) Limited		
	4245424	Active	Magma Metals (Canada) Limited		
	4245425	Active	Magma Metals (Canada) Limited		
	4245426	Active	Magma Metals (Canada) Limited		
	4245427	Active	Magma Metals (Canada) Limited		
	4245428	Active	Magma Metals (Canada) Limited		
	4245429	Active	Magma Metals (Canada) Limited		
	4245430	Active	Magma Metals (Canada) Limited		
	4245431	Active	Magma Metals (Canada) Limited		
	4245432	Active	Magma Metals (Canada) Limited		
	4245433	Active	Magma Metals (Canada) Limited		
	4245434	Active	Magma Metals (Canada) Limited		
	4245435	Active	Magma Metals (Canada) Limited		
	4245436	Active	Magma Metals (Canada) Limited		
	4245437	Active	Magma Metals (Canada) Limited		
	4245438	Active	Magma Metals (Canada) Limited		
	4245439	Active	Magma Metals (Canada) Limited		
	4245440	Active	Magma Metals (Canada) Limited		
	4245441	Active	Magma Metals (Canada) Limited		
	4245442	Active	Magma Metals (Canada) Limited		

**MINING CLAIMS SCHEDULE - CANADIAN PROJECTS**

<b>Claim Group</b>	<b>Claim Number</b>	<b>Tenement Status</b>	<b>Recorded Claim Holder 1</b>	<b>Recorded Claim Holder 1</b>	<b>Interest being earned by Magma</b>
	4245443	Active	Magma Metals (Canada) Limited		
	4245444	Active	Magma Metals (Canada) Limited		
	4245445	Active	Magma Metals (Canada) Limited		
	4245446	Active	Magma Metals (Canada) Limited		
	4245447	Active	Magma Metals (Canada) Limited		
	4245448	Active	Magma Metals (Canada) Limited		
	4245449	Active	Magma Metals (Canada) Limited		
	4245450	Active	Magma Metals (Canada) Limited		
	4245651	Active	Magma Metals (Canada) Limited		
	4245652	Active	Magma Metals (Canada) Limited		

**MAGMA METALS LIMITED**  
**SHAREHOLDER INFORMATION**

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**1. Shareholding**

The shareholder information set out below was applicable as at 07 September 2009

**(a) Distribution of Shareholdings as at 07 September 2009**

<b>Size of Holding</b>	<b>Number of Shareholders</b>
1 - 1,000	83
1,001 - 5,000	313
5,001 - 10,000	256
10,001 - 100,000	453
100,001 and over	119
Total Shareholders	1,224

**(b)** Of the above total 27 Ordinary Shareholders hold less than a marketable parcel.

**(c) Substantial Shareholders**

- Anglo American plc holds 19,470,000 ordinary shares representing 11.91% of the Company's equity;
- Anglo Pacific Group Plc holds 11,697,900 ordinary shares representing 7.15% of the Company's equity; and
- Carbon Energy Limited holds 10,000,001 ordinary shares representing 6.12% of the Company's equity;
- AMP Capital Investors Ltd holds 9,578,405 ordinary shares representing 5.86% of the Company's equity;
- Frontier Minerals Pty Limited and associates of Dr Keith Watkins hold 8,640,001 ordinary shares representing 5.28% of the Company's equity.

**(d) Voting Rights**

The voting rights attached to the ordinary shares are governed by the Constitution.

On a show of hands every person present who is a Member or representative of a Member shall have one vote and on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.

**2.** The name of the Company Secretary is Mr Graeme Scott.

**3.** The address of the principal registered office in Australia is Level 3, 18 Richardson Street, West Perth, Western Australia 6005. Telephone +61 (0)8 9324 1500.

**4.** The register of securities is held at;

Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross WA 6153.  
Telephone +61 (0)8 9315 2333.

**5. Stock Exchange Listing**

Quotation has been granted for 163,506,282 ordinary shares on all member exchanges of the Australian Stock Exchange Limited ("ASX") and trade under the symbol MMB.

**6.** Detailed schedules of exploration and mining tenements held are included in the Tenements section of this Annual Report.

**7.** Directors' interests in share capital are disclosed in the Directors Report.

## 8. Unquoted Securities – Options

Details of the 22,429,140 unlisted options on issue are given in the Directors Report:

Frontier Minerals Pty Limited and associates of Dr Keith Watkins hold a total of 3,300,000 Options which represent 14.71% of all outstanding Options.

Exploration Director Mr Ralph Porter holds a total of 2,400,000 Options, through Base Lode Pty Limited, which represent 10.70% of all outstanding Options.

9. There is currently no on-market buy-back in place.

## TWENTY LARGEST SHAREHOLDERS AS AT 07 SEPTEMBER 2009

SHAREHOLDERS (Fully Paid Ordinary)	NUMBER OF SHARES	%
ANGLO AMERICAN INV AUST LTD	19,470,000	11.91%
NATIONAL NOMINEES LIMITED	14,535,030	8.89%
MERRILL LYNCH AUST NOM PL	11,697,900	7.15%
CARBON ENERGY LIMITED	10,000,001	6.12%
HSBC CUSTODY NOMINEES AUST LTD	8,572,490	5.24%
FRONTIER MINERALS PL	7,640,000	4.67%
LUJETA PL	7,000,000	4.28%
COGENT NOMINEES LTD – SMP ACCOUNTS	6,730,056	4.12%
ANZ NOMINEES LTD	6,657,763	4.07%
SPRINGTIDE CAPITAL PL	2,752,700	1.68%
HARMAN NOMINEES PL	2,500,000	1.53%
CITICORP NOMINEES PL	2,263,809	1.38%
COGENT NOMINEES LTD	2,216,049	1.36%
BASE LODE PL	2,210,000	1.35%
HSBC CUSTODY NOMINEES AUST LTD	1,682,410	1.03%
TWYNAM AGRICULTURAL GRP	1,679,000	1.03%
DIPLOMAT HOLDINGS PL	1,505,000	0.92%
RBC DEXIA INVESTOR SERVICES	1,457,746	0.89%
INVESTEC BANK AUSTRALIA LTD	1,428,572	0.87%
COMPUTER VISIONS PL	1,410,000	0.86%
<b>TOP 20 SHAREHOLDERS</b>	<b>113,408,526</b>	<b>69.35%</b>
<b>TOTAL ISSUED SHARES as at 07 September 2009</b>	<b>163,506,282</b>	<b>100%</b>