



MAGMA METALS LIMITED
ABN 72 114 581 047
AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
31 DECEMBER 2008

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

Incorporated under the Corporations law in the State of Western Australia on 2nd June 2005.

INTERIM REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2008

CORPORATE DETAILS

Directors:

K.P. Watkins BSc(Hons), PhD, MAusIMM, FAIG (Managing Director)
R.R.G. Porter BSc, MSc, MAusIMM, MSEG (Exploration Director)
M.D.J. Cozijn B.Com. ASA. MAICD (Executive Director)
T.B. Burgess (Non-Executive Director)

Company Secretary:

G. Scott FCCA

Registered Office:

Level 3, 18 Richardson Street
WEST PERTH WA 6005
Telephone : (08) 9324 1500
Facsimile: (08) 9324 1700

Postal Address:

P.O. Box 1221
WEST PERTH WA 6872

Auditors:

WHK Horwath
Level 6, 256 St George's Terrace
PERTH WA 6000

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MAGMA METALS LIMITED
ABN 72 114 581 047

INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors submit the financial report of the economic entity for the half year ended 31 December 2008, made in accordance with a resolution of the Board.

DIRECTORS

The names of Directors who held office during or since the end of the half year:

Dr. Keith Watkins
Mr. Ralph Porter
Mr. Max Cozijn
Mr. Terry Burgess (Appointed 5 January 2009)

REVIEW OF OPERATIONS

The economic entity incurred a loss from ordinary activities after income tax of \$7,883,952 for the half year (2007: \$4,682,214).

Highlights - Six Months to 31 December 2008:

Exploration

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

- Significant progress was made during the period in delineating magma conduit hosted mineralization at Current Lake and Beaver Lake over a combined strike length of approximately 2.5km. Resource drilling continues with several thick high-grade drill intersections recorded, including:
 - **TBND061: 61.7m @ 5.61g/t Pt+Pd, 0.66% Cu & 0.38% Ni, from 29.3m including 35.5m @ 8.83g/t Pt+Pd, 1.04% Cu & 0.57% Ni**
 - **TBND082: 32.7m @ 5.82g/t Pt+Pd, 0.68% Cu & 0.35% Ni from 20.3m including 21.7m @ 7.53g/t Pt+Pd, 0.87% Cu & 0.41% Ni.**
 - **TBND104: 50.00m @ 5.75g/t Pt+Pd, 0.66% Cu & 0.36% Ni, including 13.45m @ 9.82g/t Pt+Pd, 1.03% Cu & 0.53% Ni.**
 - **TBND122: 42.75m @ 5.43g/t Pt+Pd, 0.66% Cu & 0.33% Ni, including 26.75m @ 7.19g/t Pt+Pd, 0.85% Cu & 0.39% Ni**
- Reconnaissance drilling of magnetic targets established that the complex of mafic-ultramafic conduits, which hosts mineralization in the Current Lake and Beaver Lake areas, is regionally extensive and there is significant potential for further discoveries.

Australian Ni-Cu-PGM Projects

Eastman Project

- Reconnaissance drilling intersected platinum-palladium mineralization, including:
 - **ERC075: 18m @ 1.39g/t Pt+Pd+Au from 32m, including 7m @ 2.18g/t Pt+Pd+Au**

Laverton

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

Corporate

- During September 2009, Anglo American Australia Holdings Pty Ltd, a 100% owned subsidiary of Anglo American plc ("Anglo") were issued 13.47 million fully paid ordinary shares in Magma at \$0.60 per share for a total consideration of \$8.082 million. Following this transaction Anglo holds a 12% interest in Magma (10% on a fully diluted basis) and may nominate one Non-Executive director to Magma's Board of Directors. Anglo will also have the right to participate in any future share placements.
- The total issued and listed capital of Magma Metals Limited at 31 December 2008 was 112,715,282 Shares. In addition 22,220,140 unlisted Options are on issue as detailed below:
- Unlisted Options:
 - 1,775,500 unlisted 20c Options expiring 30/06/2011
 - 4,000,000 unlisted 20c Options expiring 31/10/2011
 - 1,000,000 unlisted 50c broker Options expiring 31/07/2012
 - 1,625,000 unlisted employee Options exercisable at prices ranging from 20c - \$1 and expiring over periods from 30/11/2009 to 01/11/2013
 - 2,050,000 unlisted 83c director Options expiring 31/10/2012
 - 11,769,640 unlisted 50c Options expiring 09/05/2010
- During the half year 250,000 unlisted employee Options exercisable at 50c/75c/\$1 and expiring over periods from 01/11/2011 to 01/11/2013 were also issued. These Options are included in the totals above.
- Effective 5 January 2009, Mr Terry Burgess was appointed a Non-Executive Director of the Company. Terry is Head of Business Development (Base Metals) with Anglo American. Mr Graeme Scott was also appointed Chief Financial Officer and Company Secretary.


Funds on Hand

- As at 31 December 2008 funds on hand were approximately \$7.3 million.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporation Act 2001 is set out on page 4 for the half-year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors.



Dr. K.P. Watkins
Managing Director



Mr. M.D.J. Cozijn
Executive Director

Dated this 23rd day of February 2009

Competent Person Statement

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

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

AUDITOR'S INDEPENDENCE DECLARATION



AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Magma Metals Limited and its Controlled Entities for the half-year ended 31 December 2008, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

WHK HORWATH PERTH AUDIT PARTNERSHIP

A handwritten signature in black ink, appearing to read "Sean McGurk".

SEAN MCGURK
Principal

Perth, WA

Dated this 23rd day of February 2009

Total Financial Solutions

Member Horwath International

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A WHK Group firm



*Horwath refers to Horwath International Association, a Swiss Verein.
Each member of the Association is a separate and independent legal entity.*

MAGMA METALS LIMITED
ABN 72 114 581 047
AND CONTROLLED ENTITIES

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	ECONOMIC ENTITY	
	31 December 2008 \$	31 December 2007 \$
Revenue	263,897	240,044
Employee benefits expense	(731,090)	(491,550)
Depreciation expense	(58,578)	(26,423)
Finance costs	(2,378)	(7,442)
Administration costs	(518,386)	(516,175)
Exploration expenditure	(6,436,599)	(3,485,297)
Tenement holding costs	(287,711)	(69,961)
Capitalised tenement expenditure written off	-	(117,105)
Share-based payments	(38,733)	(178,467)
Other expenses	(74,374)	(29,838)
Loss before income tax expense	(7,883,952)	(4,682,214)
Income tax expense	-	-
Loss attributable to members of the parent entity	(7,883,952)	(4,682,214)
Overall Operations:		
Basic loss per Share (cents per Share)	(7.37)	(6.19)
Diluted loss per Share (cents per Share)	(7.37)	(6.19)

The accompanying notes form part of these financial statements.

MAGMA METALS LIMITED
ABN 72 114 581 047
AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	ECONOMIC ENTITY	
	31 December 2008 \$	30 June 2008 \$
Current Assets		
Cash and cash equivalents	7,305,084	6,339,469
Trade and other receivables	154,587	101,039
Other current assets	59,910	33,674
Total Current Assets	7,519,581	6,474,182
Non-Current Assets		
Property, plant and equipment	467,897	423,218
Receivables	74,863	74,863
Total Non-Current Assets	542,760	498,081
TOTAL ASSETS	8,062,341	6,972,263
Current Liabilities		
Trade and other payables	1,352,720	702,889
Short-term provisions	115,417	75,643
Short-term borrowings	20,656	19,014
Total Current Liabilities	1,488,793	797,546
Non-Current Liabilities		
Long-term borrowings	58,667	64,704
Total Non-Current Liabilities	58,667	64,704
TOTAL LIABILITIES	1,547,460	862,250
NET ASSETS	6,514,881	6,110,013
EQUITY		
Issued capital	28,146,232	19,977,270
Reserves	1,607,152	1,487,294
Accumulated losses	(23,238,503)	(15,354,551)
TOTAL EQUITY	6,514,881	6,110,013

The accompanying notes form part of these financial statements.

MAGMA METALS LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	ECONOMIC ENTITY				
	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2007	12,298,755	(5,526,811)	18,244	587,855	7,378,043
Transaction costs	(164,389)	-	-	-	(164,389)
Movement in Share Option reserve	-	-	-	342,856	342,856
Loss attributable to members of parent entity	-	(4,682,214)	-	-	(4,682,214)
Adjustment from translation of foreign controlled entities	-	-	(110,288)	-	(110,288)
Balance at 31 December 2007	12,134,366	(10,209,025)	(92,044)	930,711	2,764,008
Balance at 1 July 2008	19,977,270	(15,354,551)	(147,039)	1,634,333	6,110,013
Shares issued during the period	8,137,200	-	-	-	8,137,200
Movement in Share Option reserve on recognition of share based payments	-	-	-	38,733	38,733
Exercise of options	31,762	-	-	(31,762)	-
Loss attributable to members of parent entity	-	(7,883,952)	-	-	(7,883,952)
Adjustment from translation of foreign controlled entities	-	-	112,887	-	112,887
Balance at 31 December 2008	28,146,232	(23,238,503)	(34,152)	1,641,304	6,514,881

The accompanying notes form part of these financial statements

MAGMA METALS LIMITED
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CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	ECONOMIC ENTITY	
	31 December 2008 \$	31 December 2007 \$
Cash flows from Operating Activities		
Payments to suppliers and employees	(1,649,081)	(848,994)
Payments for exploration and development expenditure	(5,789,260)	(2,993,213)
Interest received	263,897	140,266
Finance costs	(2,378)	(7,442)
Net cash provided by (used in) operating activities	(7,176,822)	(3,709,383)
Cash flows from Investing Activities		
Payments for property, plant & equipment	(87,087)	(102,748)
Purchase of interests in tenements	-	(4,617)
Net cash provided by (used in) investing activities	(87,087)	(107,365)
Cash flows from Financing Activities		
Proceeds from issues of shares	8,137,200	-
Repayment of borrowings	(9,828)	(2,328)
Net cash provided by (used in) financing activities	8,127,372	(2,328)
Net increase/(decrease) in cash held	863,463	(3,819,076)
Cash at 1 July 2008	6,339,469	7,128,024
Effect of exchange rates on cash holdings in foreign currencies	102,152	(110,288)
Cash at 31 December 2008	7,305,084	3,198,660

The accompanying notes form part of these financial statements.

MAGMA METALS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

NOTE 1 – BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Magma Metals Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing activities of the consolidated entity as the full financial report.

The half-year report has been prepared on an accruals basis and is based on historical costs modified, by the revaluation of selected non-current assets, financial assets and financial liabilities for which fair value basis of accounting has been applied.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2008 annual report for the financial year ended 30 June 2008.

NOTE 2 – SEGMENT INFORMATION

The economic entity operates predominantly in one business segment, minerals exploration and two geographical segments Australia and Canada.

Primary reporting - Geographical Segments

	Australia	Canada	Eliminations	Economic Entity
	\$	\$	\$	\$
2008				
Revenue	262,983	914	-	263,897
Other income	-	-	-	-
Total segment revenue	262,893	914	-	263,897
Result				
Segment results	(1,706,337)	(6,177,615)	-	(7,883,952)
Unallocated revenue				-
Unallocated expenses				-
Loss before income tax expense				(7,883,952)

MAGMA METALS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

NOTE 2 – SEGMENT INFORMATION (Continued)

	Australia	Canada	Eliminations	Economic Entity
	\$	\$	\$	\$
2007				
Revenue	140,238	28	-	140,266
Other income	99,778	-	-	99,778
Total segment revenue	240,016	28	-	240,044
Result				
Segment results	(2,415,077)	(2,267,137)	-	(4,682,214)
Unallocated revenue				-
Unallocated expenses				-
Loss before income tax expense				(4,682,214)

NOTE 3 – CONTINGENT LIABILITIES

There has been no material change in contingent liabilities since the last annual reporting date.

NOTE 4 – EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial period, which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.


MAGMA METALS LIMITED
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DIRECTORS' DECLARATION

The Directors of the company declare that:

- (a) The financial statements and notes, as set out on pages 5 to 10:
 - (i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date.
- (b) 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:



Dr. K.P. Watkins
Managing Director



Mr. M.D.J. Cozijn
Executive Director

Perth, Western Australia
23 February 2009

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MAGMA METALS LIMITED AND ITS CONTROLLED ENTITIES
REPORT ON THE HALF-YEAR FINANCIAL REPORT**

We have reviewed the accompanying half-year financial report of Magma Metals Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Magma Metals Limited and its Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Magma Metals Limited and its Controlled Entities is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK
Principal

Perth, WA

Dated this 23rd day of February 2009

Total Financial Solutions

Member Horwath International

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