

18 December 2006

Centralised Company Announcement Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Dear Sir,

SULPHIDE ZONE INTERSECTED IN FIRST DRILL HOLE AT THUNDER BAY NORTH IN CANADA.

Magma Metals (Canada) Limited (Magma), a wholly owned subsidiary of Magma Metals Limited, is currently undertaking a **five hole 1,500m diamond drilling program** to test magnetic targets identified at its Thunder Bay North and Beaver Lake Projects in north-west Ontario, Canada. These contiguous projects are located approximately 50km northeast of the city of Thunder Bay and 50km southeast of the large Lac des Iles Pd-Pt mine and concentrator (Figures 1 and 2).

The Thunder Bay North drilling is initially targeting a magnetic anomaly approximately 1.5km long and up to 200m wide at Current Lake (Figure 3). The first drill hole (TBND001) has now been completed and the second drill hole (TBND002) is in progress.

Geophysical modelling of the anomaly indicates that it reflects a shallow steep dipping tabular intrusion which is interpreted to be the source of Platinum-Palladium-Gold-Copper-Nickel (Pt-Pd-Au-Cu-Ni) mineralised boulders found on the western and eastern shores of the lake (Figures 2, 3 and 4).

TBND001 intersected ultramafic peridotite from 54m to 88m – a down-hole thickness of 34m. This rock was sufficiently magnetic to be the source of the magnetic anomaly and confirms the geophysical model. The peridotite contained >0.5% disseminated sulphides between 60m and 84m – a down-hole thickness of 24m. Between 73m and 83m – a down-hole thickness of 10m, the peridotite contained 2% to 8% disseminated sulphides (Figure 5), broadly equivalent to the sulphide content of the highest grade boulders found on the shores of Current Lake.

Drill hole collar information for TBND001 is provided in the following table:

Table1. Drill Hole Collar & Depth Information

Drill Hole	Easting* (m)	Northing* (m)	Azimuth (degrees)	Dip (degrees)	Depth of hole (m)
TBND 001	357261	5403898	270	-45	195

*Coordinates are in NAD83

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As previously reported in the Company's Prospectus dated 3rd April 2006 and its Quarterly Report for the period ended 30 June 2006, assays for the West Shore Boulders range up to **9.5g/t Pt+Pd+Au, 1.0% Cu & 0.3% Ni**, and assays for the East Shore Boulders range up to **5.5g/t Pt+Pd+Au, 0.7% Cu & 0.2% Ni**. Recent and more intensive sampling of the East Shore Boulders over their shore-line extent of approximately 100m (Figure 4) has returned assays from 22 samples ranging up to **9.4g/t Pt+Pd+Au, 1.2%Cu & 0.4%Ni** as shown in the table below:

Table 2. East Shore Boulders Rock Chip Assays

Rock Chip Sample Type	Pt (g/t)	Pd (g/t)	Au (g/t)	Cu (%)	Ni (%)
Average (22 samples)	1.16	1.05	0.10	0.24	0.18
Highest Pt & Pd (Sample 624445)	5.54	5.13	0.42	0.46	0.26
Highest Cu & Ni (Sample 624426)	4.30	4.68	0.42	1.15	0.41

The East Shore Boulders are believed to have undergone only minor movement by glacial ice and are interpreted to be essentially in-situ. The West Shore Boulders are interpreted to have been transported at least 200m to the southwest by glacial ice. The sulphidic peridotite intersected in TBND001 is therefore interpreted to lie down-dip from the East Shore Boulders. The sulphidic peridotite is identical in appearance to the mineralised boulders

Assay results for TBND001 are expected in January. Following a break over the Christmas – New Year period, the drilling program to test both the Current Lake and Beaver Lake magnetic targets is anticipated to be completed by late February. Assay results will be reported as they become available.

Magma is earning a 100% interest in the Thunder Bay North Project, subject to a 3% net smelter royalty (NSR). Magma has the right to acquire 1% of the NSR. Magma has an option to purchase a 100% interest in the Beaver Lake Project, which is also subject to the Thunder Bay North royalty.

Yours sincerely

Keith Watkins
Managing Director
Magma Metals Limited

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled or reviewed by Dr Keith Watkins, the Managing Director of Magma Metals Ltd, who is a Fellow of the Australian Institute of Geoscientists and a Member of the Australasian Institute of Mining and Metallurgy. Dr Watkins has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Watkins consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

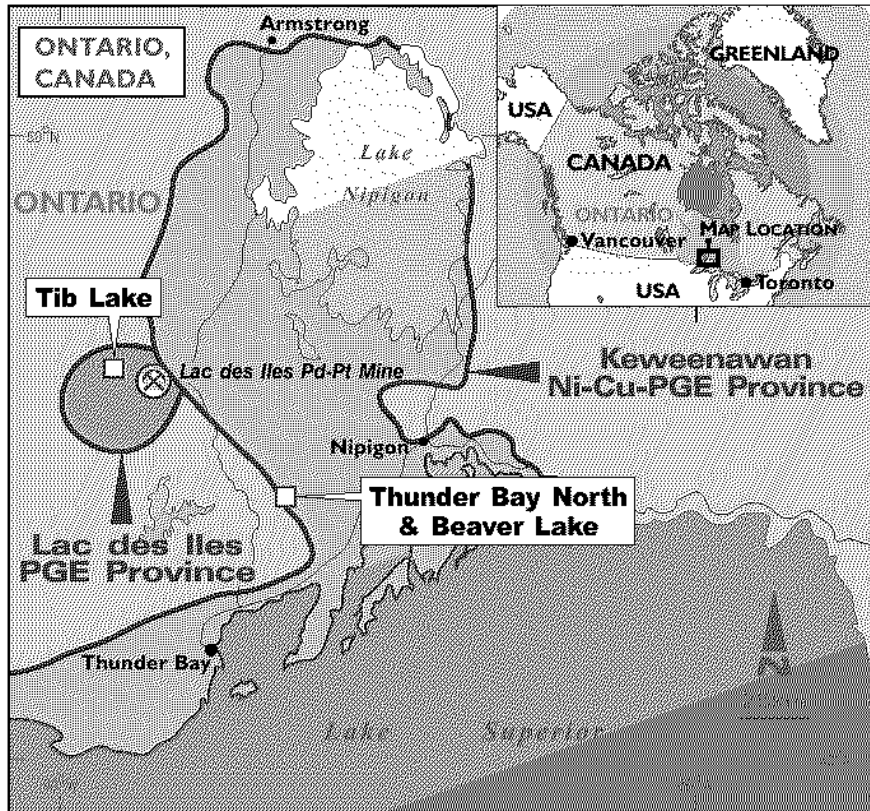


Figure 1. Magma's Canadian Projects

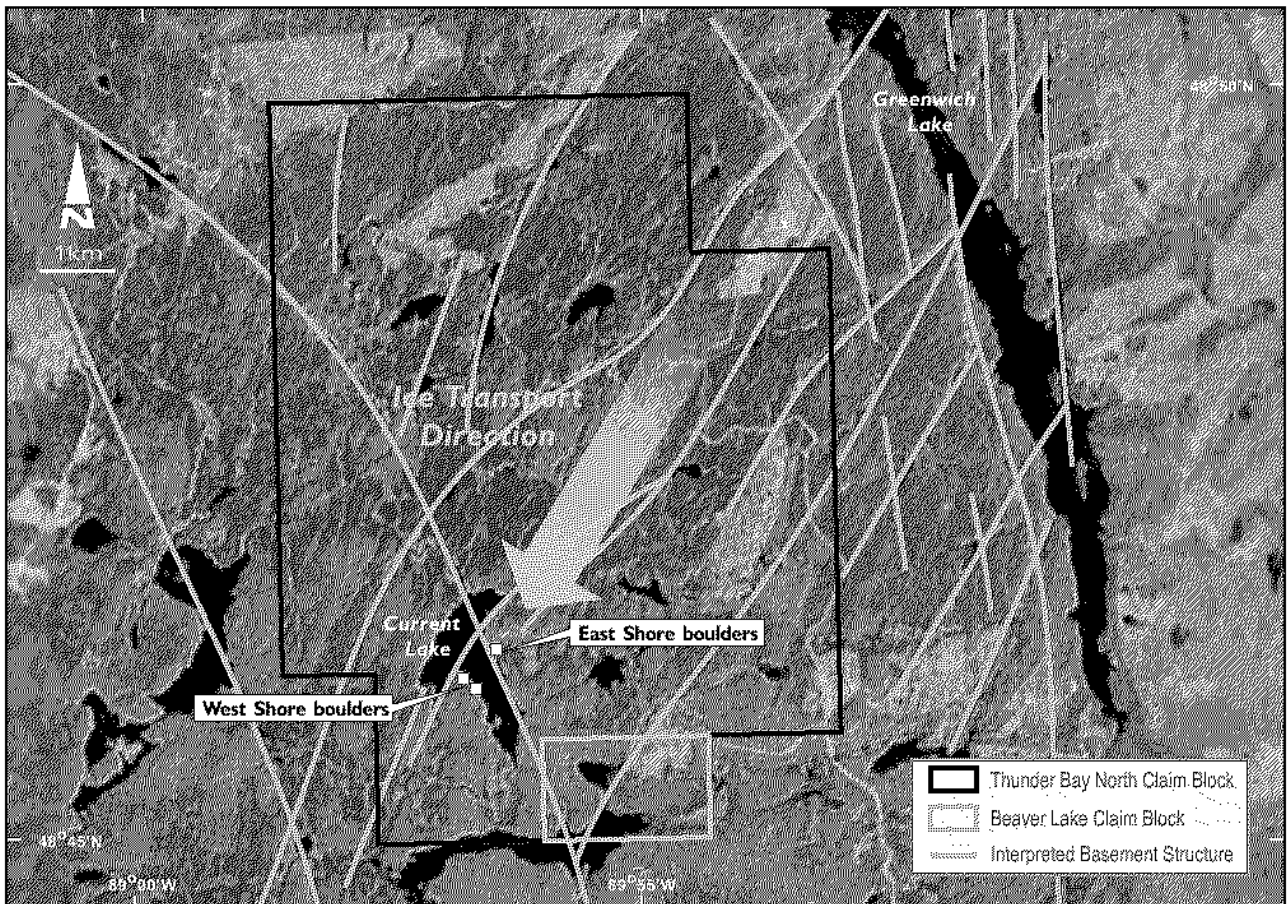


Figure 2. Thunder Bay North and Beaver Lake Projects

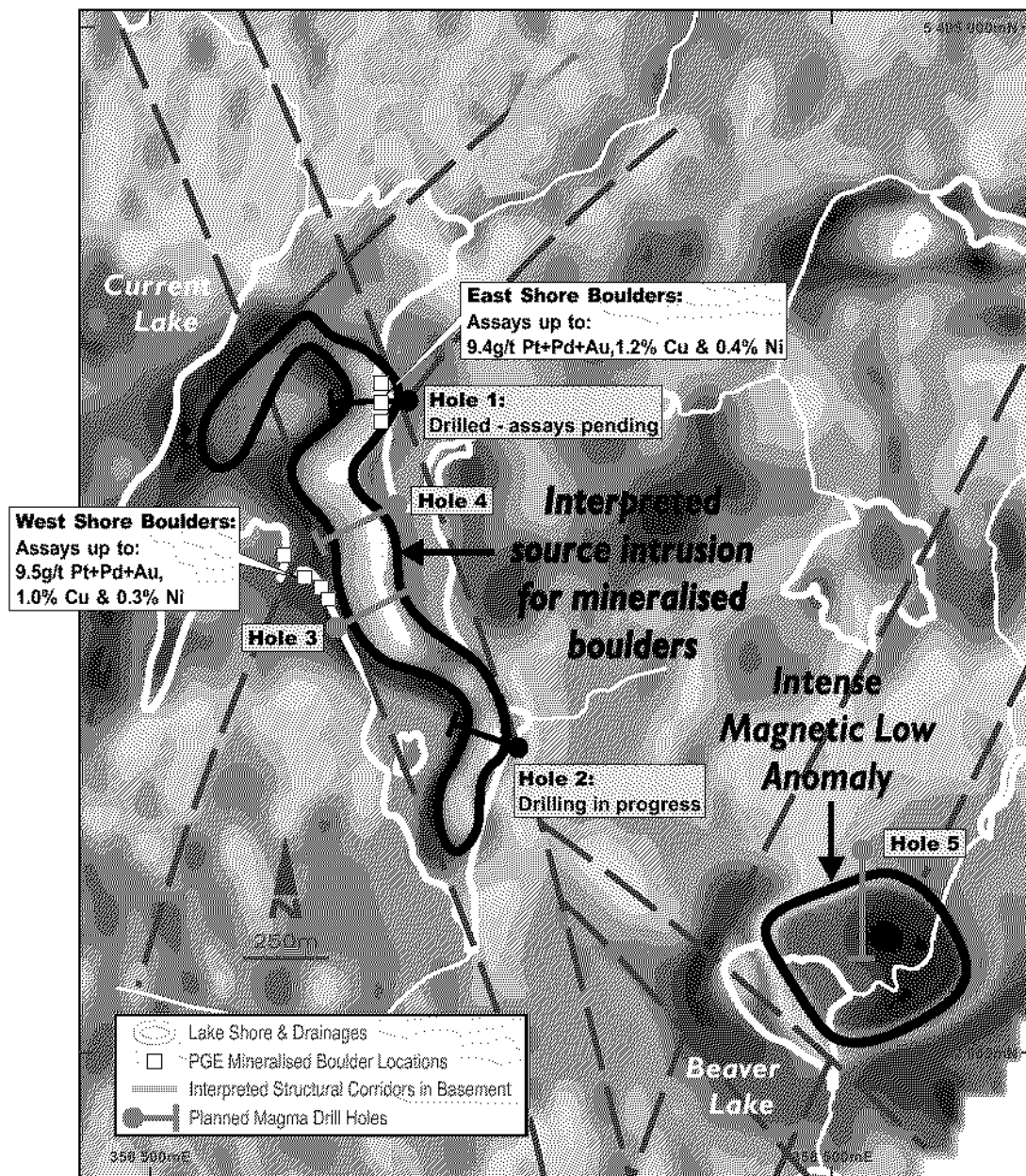


Figure 3. Magnetic Anomalies & Planned Drilling at Current and Beaver Lakes

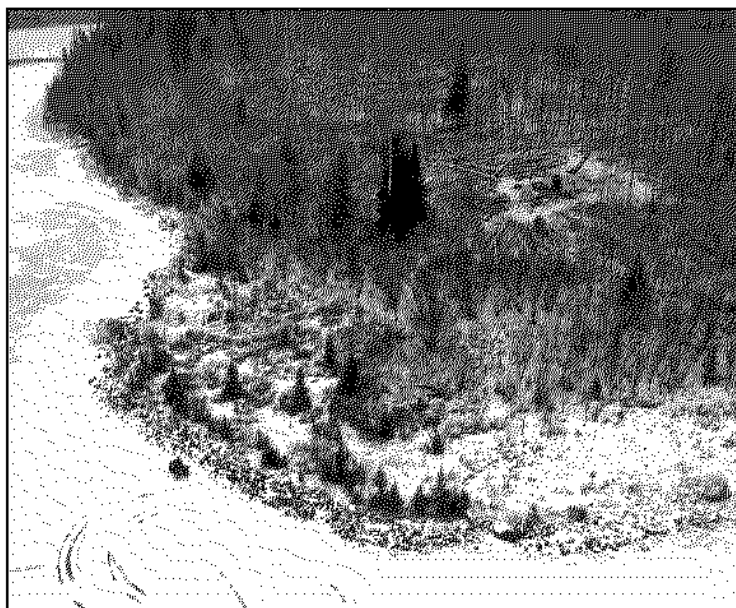


Figure 4.

Mineralised East Shore Boulders extending for about 100m along the shore of the frozen Current Lake.

The drill rig is drilling Hole 1 (TBND001) beneath the boulders.

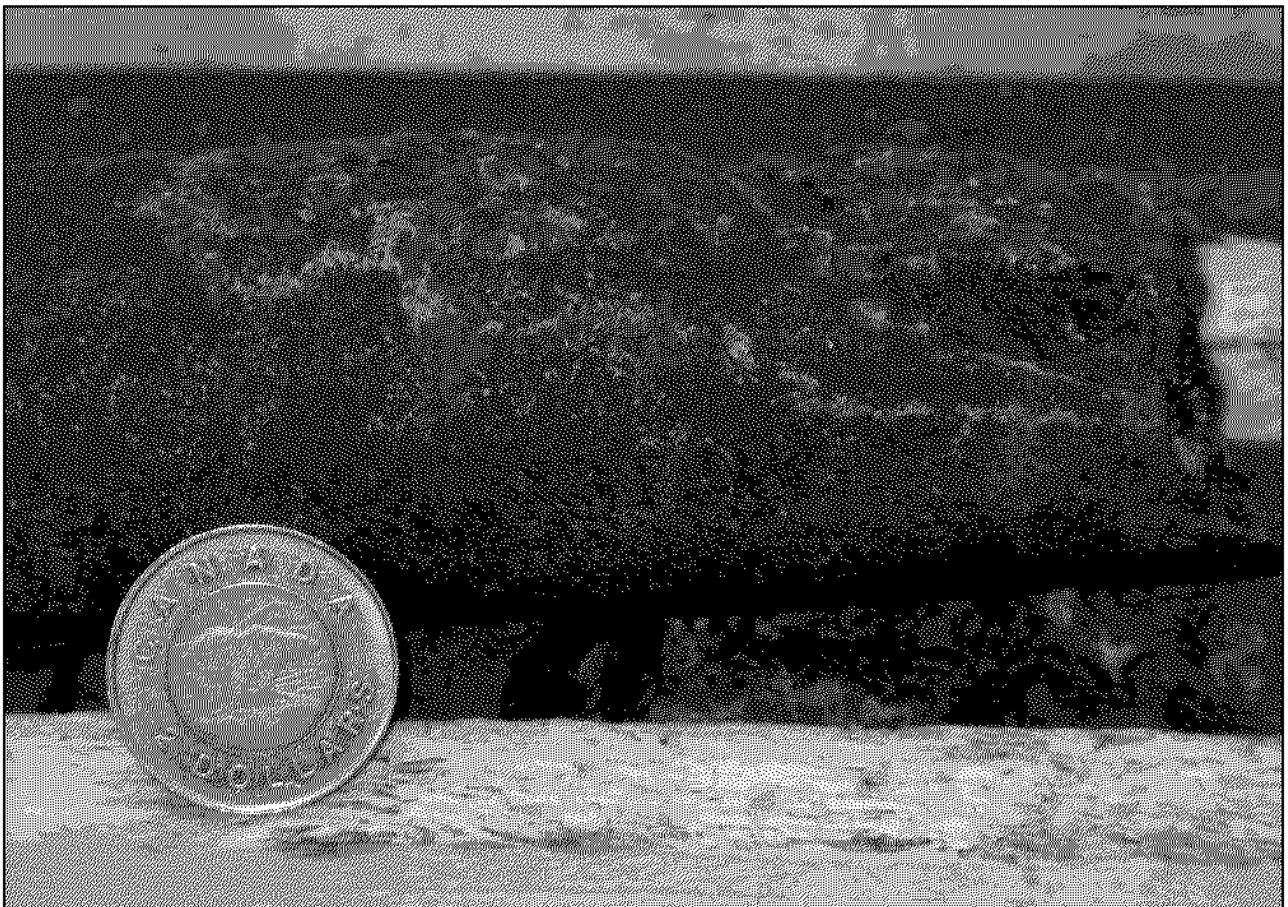
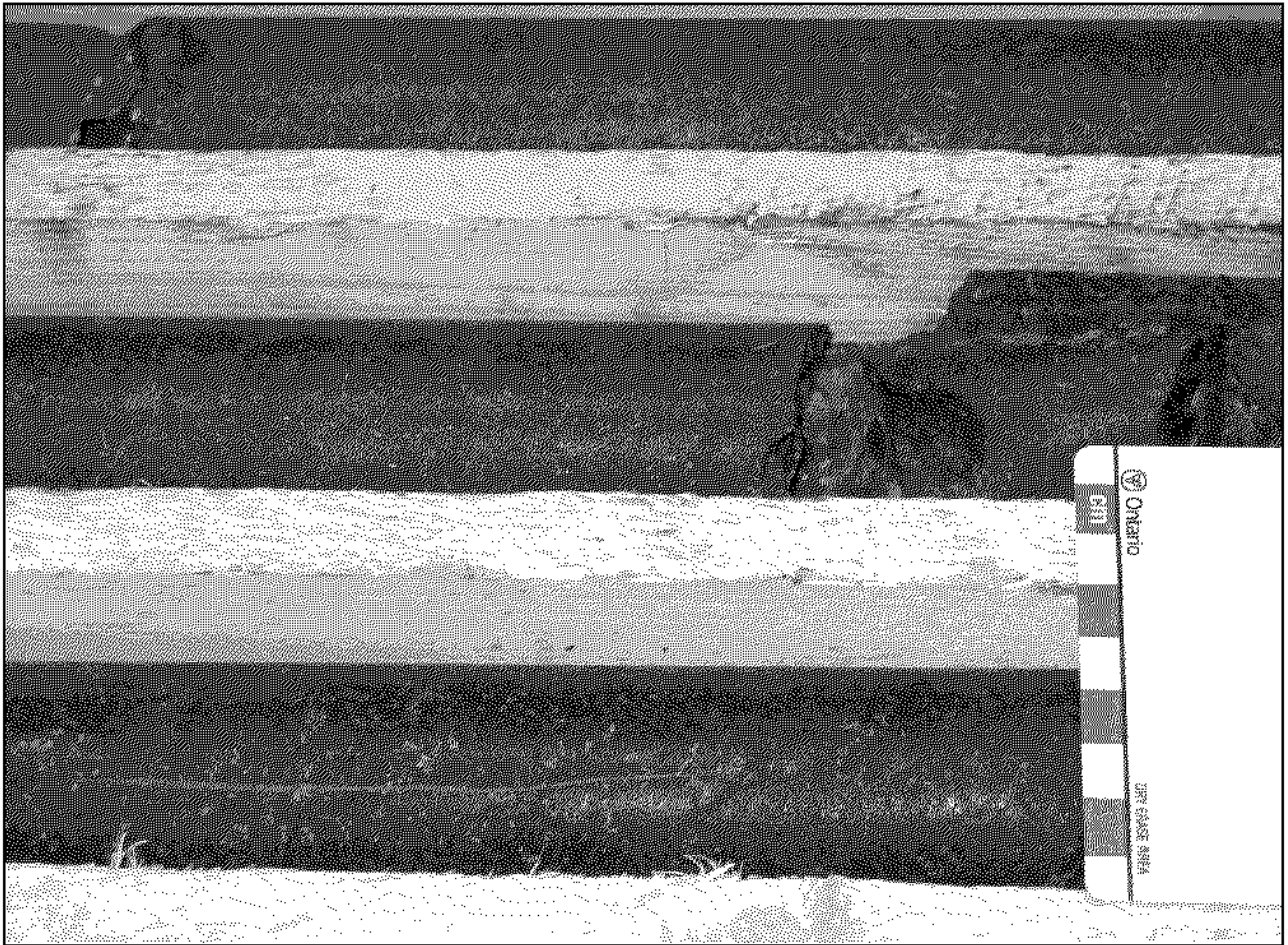


Figure 5. Drill core from Hole 1 (TBND001) showing abundant disseminated sulphides and veinlets in peridotite.

MAGMA METALS CLOSES IN ON POTENTIALLY SIGNIFICANT CANADIAN PLATINUM DISCOVERY

FIRST DRILL HOLE INTERSECTS SULPHIDE ZONE AT THUNDER BAY NORTH PROJECT

- **Drilling intersects 34m zone of ultramafic peridotite considered to be sufficiently magnetic to be the source of a 1.5km long magnetic anomaly at Thunder Bay North Project, north-west Ontario.**
- **The peridotite contains a 24m wide zone with >0.5% sulphides, including 10m containing 2-8% disseminated sulphides, broadly equivalent to the sulphide content seen in high-grade PGE-mineralized surface boulders assaying up to 9.5g/t Pt+Pd+Au.**
- **Recent sampling of boulders on the eastern shores of Current Lake returns assays up to 5.54g/t Pt, 5.13g/t Pd, 0.42g/t Au, 0.46% Cu and 0.25% Ni.**

Diversified explorer, Magma Metals Limited (ASX: MMB), has intersected a **significant sulphide zone** in ultramafic peridotite in the first hole drilled at its **Thunder Bay North Platinum-Palladium Project** in Canada, suggesting that it has confirmed the source of high-grade surface platinum mineralization in boulders grading up to **9.5g/t Pt+Pd+Au, 1.0% copper and 0.3% nickel**.

Magma is conducting a 1,500 metre diamond drilling program to test a number of magnetic targets identified at its Thunder Bay North and Beaver Lake Projects, located within a well-established mineral province in north-west Ontario. These contiguous projects are located approximately 50km south-east of the large Lac des Iles Palladium-Platinum mine and 5mtpa processing plant and 50km north-east of the city of Thunder Bay.

The first phase of drilling at Thunder Bay North is targeting a magnetic anomaly approximately 1.5km long and up to 200m wide at Current Lake. The first diamond drill hole (TBND001) has now been completed, with a second hole (TBND002) currently in progress. Assay results for TBND001 are expected in January 2007.

The peridotite contained **>0.5% disseminated sulphides between 60m and 84m** – a down-hole thickness of 24m. Between 73m and 83m – a down-hole thickness of 10m – the peridotite **contained 2% to 8% disseminated sulphides**, broadly equivalent to the sulphide content of the highest grade boulders found on the shores of Current Lake.

Magma's Managing Director, Dr Keith Watkins, said that while assay results were still awaited, the zone of sulphides intersected in the first hole was considered to be highly significant, particularly the 10m wide zone containing 2-8% sulphides.

"This rock is sufficiently magnetic that we believe it is the source of the large magnetic anomaly being targeted by the current drilling," Dr Watkins said. "Geophysical modeling of the anomaly indicates that it reflects a shallow, steep-dipping tabular intrusion which is interpreted to be the source of the Platinum-Palladium-Gold-Copper-Nickel mineralized boulders found on the western and eastern shores of Current Lake."

Previous sampling of these West Shore boulders returned assays of ranging up to **9.5g/t Pt+Pd+Au, 1.0% Cu & 0.3% Ni**, and assays for the East Shore Boulders range up to **5.5g/t Pt+Pd+Au, 0.7% Cu & 0.2% Ni**. Recent and more intensive sampling of the East Shore Boulders over their shore-line extent of approximately 100m has returned assays from 22 samples ranging up to **9.4g/t Pt+Pd+Au, 1.2% Cu & 0.4% Ni**.

The East Shore Boulders are believed to have undergone only minor movement by glacial ice and are interpreted to be essentially in-situ. The West Shore Boulders are interpreted to have been transported at least 200m to the southwest by glacial ice.

Dr Watkins said the sulphidic peridotite intersected in the first drill hole was interpreted to lie down-dip from the East Shore Boulders and was identical in appearance to the mineralised boulders. "We are very encouraged by the initial drilling, which, subject to assay results, has substantially upgraded the potential for a significant PGE discovery at Thunder Bay North," he said.

Magma is earning a 100% interest in the Thunder Bay North Project, subject to a 3% net smelter royalty (NSR). Magma has the right to acquire 1% of the NSR. Magma has an option to purchase a 100% interest in the Beaver Lake Project, which is also subject to the Thunder Bay North royalty.

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BACKGROUND - ADVANCED PROJECTS IN WORLD-CLASS MINERAL PROVINCES

Magma Metals Limited has assembled a portfolio comprising the rights to earn majority interests in seven nickel-copper-PGE projects in the well-established mineral provinces of the East Yilgarn and East Kimberley in Western Australia and the Thunder Bay region of Ontario, Canada.

In the East Yilgarn, Australia's premier nickel production province, Magma has a 1,800km² ground position covering the Mt Jewell, Laverton and Roe Projects. These projects are primarily prospective for nickel and include an Inferred Mineral Resource of 86,000 tonnes at 2% nickel at the Mt Jewell Project, as well as a number of other drill targets where previous ore-grade intersections have been recorded.

In the East Kimberley, Magma has a 550km² tenement holding in the emerging Halls Creek nickel-copper-PGE province which hosts the operating Sally Malay nickel-copper mine and the Panton Sill PGE deposit as well as the Koongie Park copper-zinc deposits. Its two East Kimberley projects, Eastman and Laura River, are prospective for nickel, copper, PGE's and zinc, while the Laura River Project is also prospective for gold and uranium.

The two Thunder Bay projects in Canada are located near the major Lac des Iles PGE mine and 5mtpa processing plant. At the more advanced Tib Lake project, where the geology is analogous to the Lac des Iles deposit, ore grade mineralisation of up to 19.5 metres at 1.7g/t combined platinum, palladium and gold has been intersected in previous drilling – a grade similar to the open pit head grade at Lac des Iles.

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