



19 September 2006

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

Dear Sir,

POTENTIAL SOURCE OF PLATINUM-PALLADIUM MINERALISED GLACIAL BOULDERS IDENTIFIED AT THE THUNDER BAY NORTH PROJECT IN CANADA

Magma Metals (Canada) Limited (Magma Canada), a 100% owned subsidiary of Magma Metals Limited, completed a helicopter-borne aeromagnetic and radiometric survey of its Thunder Bay Project in northwest Ontario (Figure 1) in July. Digital data from this survey have just been received. The survey was designed to detect magnetic anomalies which could reflect a potential source intrusion for the PGE-mineralised boulders found on the shores of Current Lake (Figure 2). The glacial ice transport direction is from the northeast and some of these boulders have likely been moved from the northeast by the ice sheet. Their large size and angular morphology suggest a proximal source.

The boulders are composed of the ultramafic rock serpentinite and contain up to 5% disseminated sulphides and abundant magnetite; the source intrusion should therefore generate a prominent magnetic anomaly.

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 **1.0% Cu, 0.3% Ni & 9.5g/t Pt+Pd+Au**, and assays for the East Shore Boulders range up to **0.7% Cu, 0.2% Ni & 5.5g/t Pt+Pd+Au**.

The aeromagnetic survey mapped an **intense linear magnetic anomaly, approximately 1.5km long and up to 200m wide**, broadly coincident with the central and eastern parts of Current Lake (Figure 3). This is interpreted to reflect a mafic-ultramafic intrusion into a north-northwest trending structure in the Archaean basement. The shape of the intrusion may be influenced by a cross-cutting northeast trending basement structure. The intrusion cuts across the east-northeast trend of the Archaean Quetico basement rocks indicating a younger age.

The intrusion is likely to be related to the overlying Proterozoic-aged Keweenawan Supergroup which hosts several Ni-Cu-PGE deposits in the Great Lakes region. This interpretation is supported by geochemical analysis of the boulders which indicates close compositional similarity to other mineralised Keweenawan ultramafic intrusions, including a 1:1 Pt:Pd ratio.

Unit A2,
118 Railway Parade
West Perth WA 6005
Tel: (61 8) 9321 5000
Fax: (61 8) 9321 7177
magma@magmametals.com.au

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 magnetic anomaly is a priority drilling target and an initial diamond drilling program of approximately 1,000 metres has been planned to commence in early November 2006.

Magma Canada is earning a 100% interest in the Thunder Bay North project from two individuals, subject to a 3% net smelter royalty (NSR). Magma Canada has the right to acquire 1% of the NSR.

More information on the Thunder Bay North Project is available on the Company's website at www.magmametals.com.au.

A Media Release in relation to this announcement is attached.

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 Mr Ralph Porter, Technical Director Magma Metals Ltd who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Porter 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". Mr Porter consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

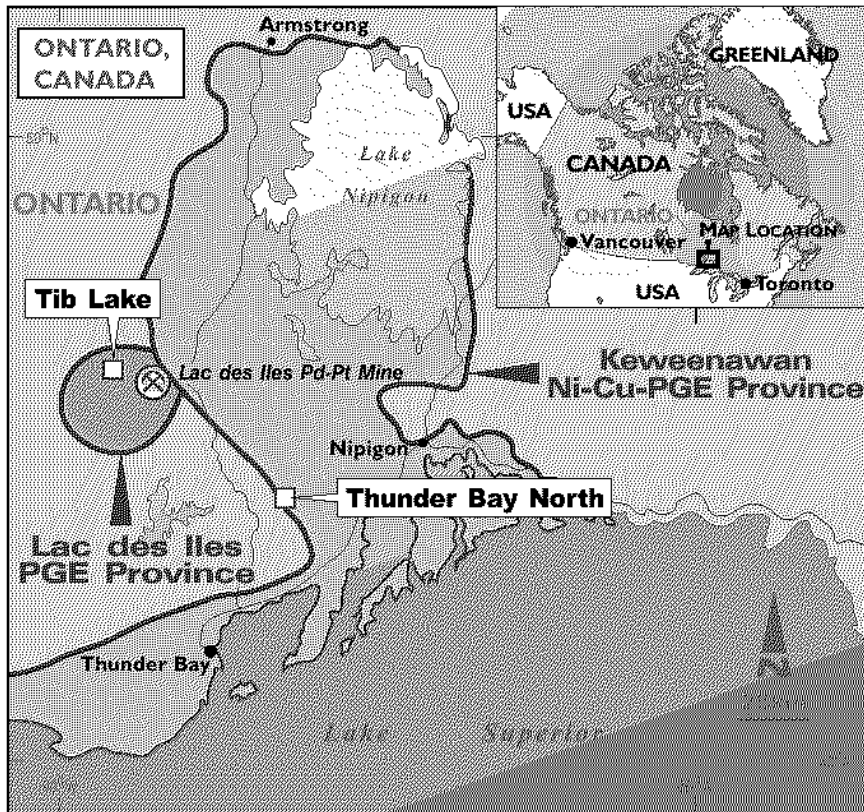


Figure 1. Magma's Canadian Projects

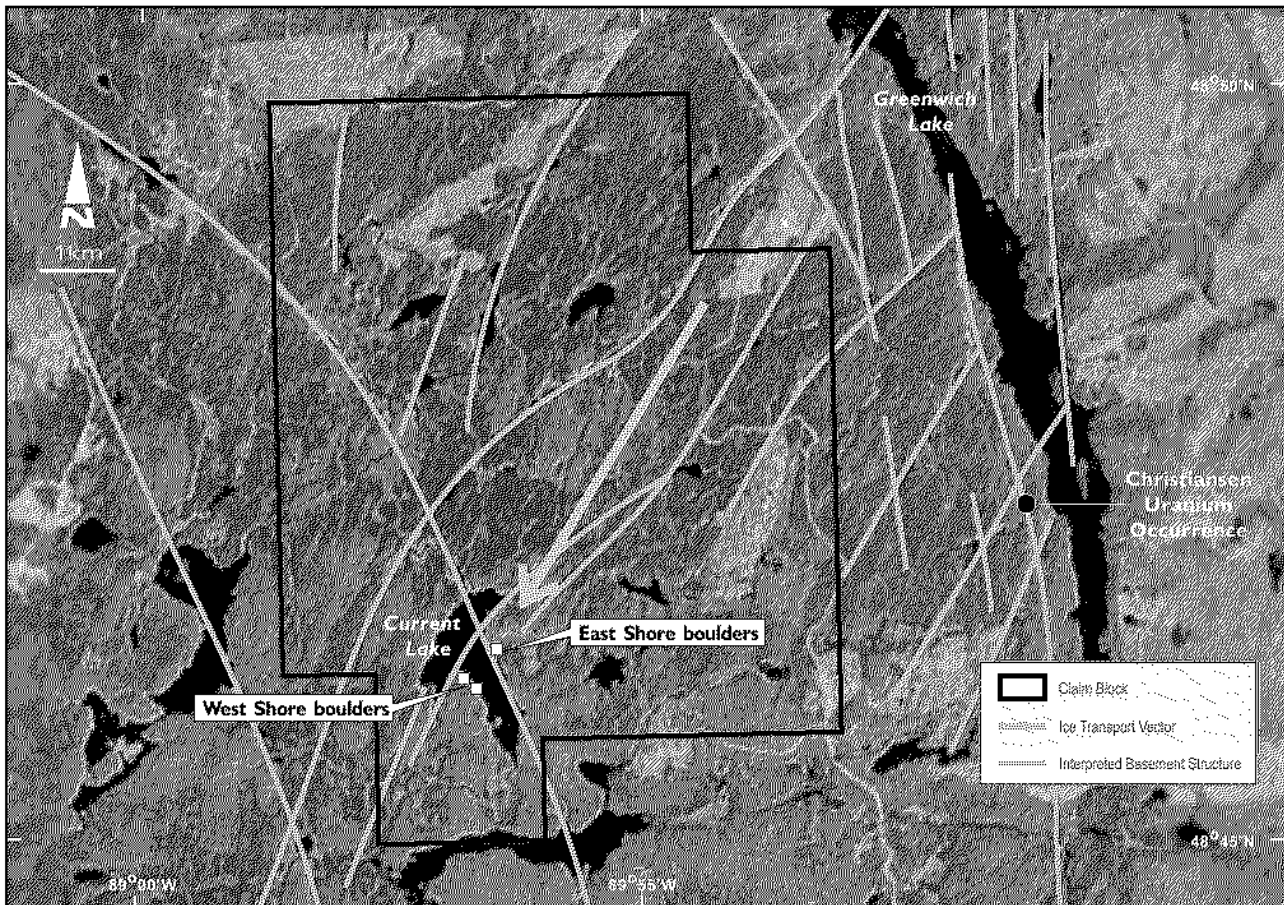


Figure 2. Thunder Bay North Project

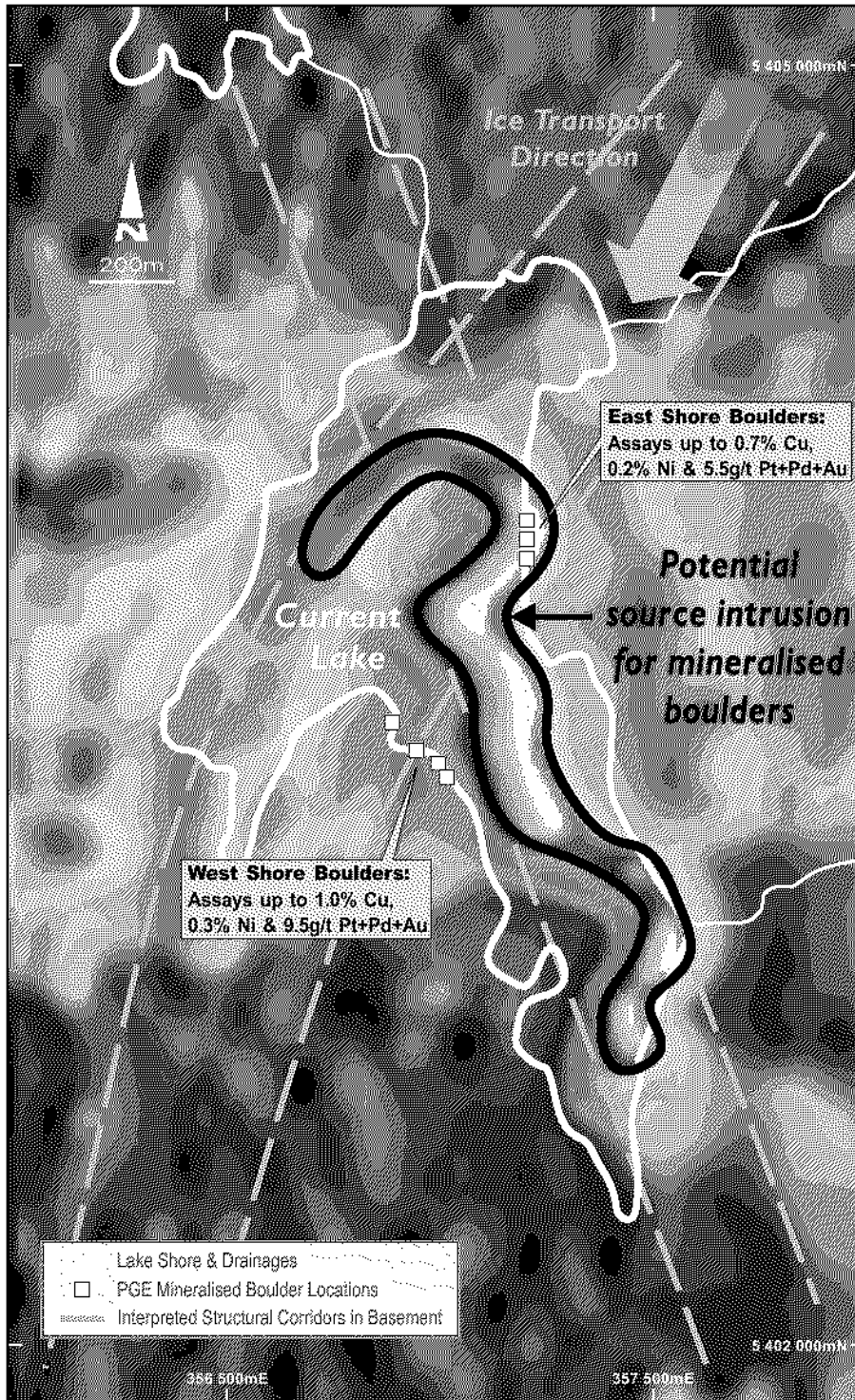


Figure 3. Aeromagnetic Anomaly at Current Lake

MAGMA METALS TO DRILL LARGE ANOMALY AT CANADIAN PGE PROJECT

MAGNETIC ANOMALY BELIEVED TO MAP THE SOURCE OF PGE-MINERALISED GLACIAL BOULDERS

Minerals company Magma Metals Limited (**ASX: MMB**) is aiming to commence the first drilling program at its **Thunder Bay North Project** in Canada in November this year, after a recently completed aeromagnetic survey identified a **large magnetic anomaly** believed to be the source of strongly mineralised ultramafic glacial boulders previously identified at the project.

Perth-based Magma said today (**Tuesday**) it had received encouraging results from a helicopter-borne aeromagnetic and radiometric survey designed to locate the source for the PGE-mineralised boulders, previously identified on the shores of Current Lake. The Thunder Bay Project is located in north-western Ontario, some 50km to the south-east of Magma's other Canadian project, the Tib Lake Project (itself located near the world-class 5 million ounce Lac des Iles PGE mine).

Magma's Managing Director, Dr Keith Watkins, said the aeromagnetic survey mapped an intense linear magnetic anomaly, approximately 1.5km long and up to 200m wide, broadly coincident with the central and eastern parts of Current Lake. "Our geological interpretation of the area suggests that this magnetic anomaly is being generated by an ultramafic intrusion beneath the lake which is potentially the source of the mineralised boulders found on the lake shore – as such, it is a high priority drilling target," he said.

"The glacial ice transport direction is from the northeast, which indicates that some of these boulders have likely been moved from the northeast by the ice sheet; however, their large size and angular morphology suggests a proximal source," Dr Watkins continued.

The boulders are composed of the ultramafic rock serpentinite and contain up to 5% disseminated sulphides and abundant magnetite, which indicates that the source intrusion should generate a prominent magnetic anomaly. Previous assays for the West Shore boulders range up to **1.0% Cu, 0.3% Ni and 9.5g/t platinum + palladium + gold**, and assays for the East Shore boulders range up to **0.7% Cu, 0.2% Ni and 5.5g/t platinum + palladium + gold**.

Dr Watkins said an initial diamond drilling program of approximately 1,000 metres was planned to commence at Thunder Bay North in early November 2006. Magma is earning a 100% interest in the Thunder Bay North Project from two individuals, subject to a 3% net smelter royalty, of which 1% can be bought back.

The exploration success at Thunder Bay follows encouragement for Magma on another front, following the announcement last week that drilling at its Eastman Prospect in the East Kimberley region of Western Australia had intersected wide zones of zinc mineralisation. Best results from this program included **52m @ 1.8% zinc** from 125m (including **5m @ 5.76g/t gold, 45.7g/t silver, 0.9% copper, 6.7% lead and 5.8% zinc** from 125m) and **23m @ 1.8% zinc** from 102m (including **7m @ 0.58g/t gold, 35.2g/t silver, 1.2% copper, 2.3% lead and 3.4% zinc**). Further results from this drilling program are anticipated over the next few weeks, which will form the basis of a preliminary Inferred Mineral Resource for the prospect.

Magma is also drilling at the highly prospective **Mt Jewell Nickel Project** in the East Yilgarn region of Western Australia. One of targets in this program is the potential depth extension to the known nickel sulphide Inferred Mineral Resource of 86,000 tonnes at 2% nickel. Magma has intensive exploration programs underway on several fronts following its ASX listing on 2 June 2006 on a diversified portfolio of advanced exploration assets in Australia and Canada

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Released by:
Nicholas Read
Jan Hope & Partners
Telephone: +61 (0)8 9388 1474

On behalf of:
Dr Keith Watkins
Managing Director
Magma Metals Limited
Telephone: +61 (0)8 9321 5000
Mobile: +61 (0)417 916 664

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. Magma's initial focus in this region is on the Mt Jewell Project (Magma earning a 60% interest), which includes the GSP deposit (Inferred Mineral Resource of 86,000 tonnes at 2% nickel) as well as a number of other drill targets where previous ore-grade intersections have been recorded.

The Mt Jewell Project is located some 30km north-west of the Silver Swan and Black Swan Nickel mines (operated by LionOre Mining International Ltd). Magma is currently drilling the potential depth extension of the GSP resource as well as other targets in the project.

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, which will also be assessed as part of planned exploration activities.

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 5 million ounce 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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