

Magma Metals Limited: Quarterly Report for the Period Ended September 30, 2011

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HIGHLIGHTS

Thunder Bay North Platinum-Palladium Project, Ontario

- Summer drilling program extends mineralization by 450m along strike to the east from the current mineral resource.
- Major step-out drilling campaign in progress to test a further one kilometre of strike to the east of this extension.
- Two property transactions completed:
 - An option to purchase the Beaver Lake claim was exercised; and,
 - A farm-in joint venture agreement was reached to explore the Greenwich Lake property adjacent to the Thunder Bay North project.

West Australian Projects

- Lake Grace gold project further extended to cover 240km of strike of the gneiss belt that hosts the Griffins Find gold deposit.
- The Laverton nickel project was farmed-out to Poseidon Nickel Ltd.

Corporate

- A\$16.1 million cash retained at the end of the quarter.

PERTH, WESTERN AUSTRALI -- ([Marketwire](#) - Oct. 27, 2011) - [Magma Metals Limited](#) (TSX: MMW) (ASX MMW) ("Magma" or the "Company") is pleased to provide its activities and cash flow report for the quarter ended September 30, 2011. Activities included drilling programs at the Thunder Bay North platinum-palladium-copper-nickel project in north-western Ontario, Canada (Figure 1). These activities and plans for further exploration work are described in this report.

To view "Figure 1. Project Locations", please visit the following link:
http://media3.marketwire.com/docs/mmw_1027_fig_1.pdf

NORTH-WESTERN ONTARIO, CANADA

Thunder Bay North Platinum-Palladium-Copper-Nickel Project

(Magma 100%, with options to acquire 100% of various additional claims)

Drilling Programs

The 32-hole, 13,509m summer drilling program completed in the East Beaver Lake area of the Current Lake Intrusive Complex defined an approximately 450m-long extension to the mineralization immediately east of the current underground mineral resource (Figure 2).

To view "Figure 2. Extension to mineralization (shown in pink) defined by the summer drilling program (refer to Magma announcement dated August 30, 2011)", please visit the following link:
http://media3.marketwire.com/docs/mmw_1027_fig_2.pdf

The newly defined mineralized zone is open to the east. A step-out drilling program of approximately

10,000m is in progress with two drill rigs to investigate the potential to extend this mineralization by at least one kilometre to the east-southeast (Figure 3). This program, which includes down-hole geophysical surveys, should be completed in December, 2011. Follow-up drilling will focus on in-filling around mineralized drill intercepts and targeting down-hole geophysical anomalies. It is anticipated that this will entail at least as much drilling as the initial phase and will extend into the March quarter, 2012.

The Current Lake Intrusive Complex extends for at least two kilometres to the east-southeast of the newly defined zone of mineralization (yellow arrow in Figure 3) and over time it is planned to evaluate the mineralization potential of this entire strike length by drilling and geophysical surveys.

To view "Figure 3. The Current Lake Intrusive Complex showing the area of the current step-out drilling program (refer to Magma announcement dated September 29, 2011)", please visit the following link: http://media3.marketwire.com/docs/mmw_1027_fig_3.pdf

The exploration focus for the remainder of 2011 and into 2012 will be on resource extension drilling and testing regional targets with the objective of building a larger resource inventory for the project.

Property Transactions

Two property transactions were completed subsequent to the end of the quarter.

Magma exercised its option to purchase a 100% interest in the Beaver Lake claim, which covers the underground mineral resources and the newly defined zone of mineralization to the east (refer to Magma announcement dated October 6, 2011). The consideration was C\$1 million in cash and 200,000 Magma shares issued to the vendors.

The Company also entered into a farm-in joint venture agreement with [Mega Uranium Ltd](#) (TSX: MGA) to earn a 60% interest in its Greenwich Lake property (refer to Magma announcement dated October 26, 2011). The property contains a number of magnetic anomalies which could reflect mafic-ultramafic intrusions of the same type that hosts the mineral resource in the Current Lake Intrusive Complex, approximately 3 km to the southwest.

Engineering Studies & Project Strategy

Engineering work initiated during the quarter included an investigation of potential underground mining methods and further conventional and hydrometallurgical mineral processing test work.

The strategy going forward is to enhance the project's economics by:

- Growing the resource base through step-out drilling;
- Including the underground resources in a proposed mine plan; and,
- Simplifying the mineral processing flow sheet.

Significant progress is being made and at this stage it is anticipated that a revised Scoping Study (Preliminary Economic Assessment) incorporating an updated mineral resource estimate will be completed in 2012.

WESTERN AUSTRALIA

Magma has extended its ground position in the Lake Grace Gold Project, located 320 km southeast of Perth (Figure 1) (refer to Magma announcement dated October 5, 2011). The project now covers a strike length of approximately 240km of the gneiss belt that hosts the Griffins Find gold deposit.

The Company also entered into a Heads of Agreement for a farm-in joint venture with [Poseidon Nickel Limited](#) (ASX: POS) ("Poseidon"), whereby Poseidon can earn an initial 60% interest in Magma's Laverton nickel project (Figure 1) (refer to Magma announcement dated September 28, 2011).

The Eastman project in the East Kimberley region was relinquished during the quarter.

CORPORATE

The total issued capital of Magma Metals Limited at September 30, 2011, was 267,180,923 shares. As

referred to above, subsequent to the end of the quarter a further 200,000 fully paid shares were issued as part of the consideration for the acquisition of the Beaver Lake claim. In addition, there were 17,705,000 unlisted options outstanding.

Magma retained A\$16.1 million in cash at the end of the quarter.

The aforementioned cash flow report for the quarter ended September 30, 2011 is available on the Company's website at www.magmametals.com.au and is filed under the Company's profile on SEDAR at www.sedar.com.

Quality Control and Assurance

Additional information on Magma and its projects, including descriptions of its quality control and assurance procedures, is available on its website at www.magmametals.com.au and in technical reports filed under the Company's profile on the SEDAR website www.sedar.com.

Drill-hole location and detailed assay data for all drill-holes mentioned in this report but not provided herein have been provided in previous announcements during the quarter. These are available on the Company's website at www.magmametals.com.au. All drill intercepts referred to in this report are down-hole thicknesses and may not represent true thicknesses.

Assays for samples from Canada were conducted at the ALS Laboratory Group facility in Vancouver, British Columbia, following sample preparation at their facility in Thunder Bay, Ontario. Sample preparation and assays for samples from Australia were conducted at the ALS Laboratory Group facility in Perth, Western Australia.

Competent & Qualified Persons' Statement

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled, reviewed or prepared by Dr Keith Watkins and Mr Ralph Porter, the Managing Director and General Manager Exploration – Australia of Magma Metals Limited, respectively. Dr Watkins is a Fellow of the Australian Institute of Geoscientists and is a “qualified person” as such term is defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects. Both Dr Watkins and Mr Porter are Members of the Australasian Institute of Mining and Metallurgy and 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). 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 they appear.

Cautionary Statement Regarding Forward Looking Statements

Certain information contained in this report constitutes “forward-looking information” under Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects”, “is expected”, “estimates”, “intends”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Although management believes that the expectations expressed in such forward-looking information disclosed herein are based on reasonable assumptions, these statements are not guarantees of future performance. A number of factors could cause actual results, performance or achievements to differ materially from those in the forward-looking information. Such factors include future metal prices, exploration and evaluation results, future availability of capital and general economic, market or business conditions, government regulation of mining operations, failure of equipment or processes to operate as anticipated, risks inherent in mineral exploration and development including unusual or unexpected geological formations. Descriptions of these risks can be found in the Company's various statutory reports, including its Annual Information Form available on its website at www.magmametals.com.au and on the SEDAR website www.sedar.com.

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