



magma metals

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ASX & TSX: MMW

MAGMA FARMS OUT ITS LAVERTON NICKEL PROJECT

Perth, Western Australia – Magma Metals Limited (ASX & TSX: “MMW”) (“Magma” or the “Company”) is pleased to advise that it has 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 in Western Australia (Figure 1).

The principal terms of the agreement are summarized below:

- Poseidon may earn a 60% interest in the nickel-copper-platinum group metals (Ni-Cu-PGM) rights held by Magma by spending \$3 million within 3 years on the Laverton project tenements.
- Following the earn-in, Magma may elect to contribute to joint venture expenditure to maintain its 40% interest or convert it to a 20% free carried interest to a decision to mine.
- Following a decision to mine on any project in the joint venture area, Magma may elect to contribute to a production joint venture to maintain its interest or convert that interest to a 2.5% net smelter returns royalty.
- Poseidon will have a first right to toll treatment or off-take of any nickel, copper or PGM ore produced from the joint venture area.

The agreement is subject to a number of conditions including completion of satisfactory due diligence by Poseidon and execution of a formal farm-in and joint venture agreement.

Poseidon is re-developing the nearby historical Windarra nickel mine, and exploring the newly discovered Cerberus and historical South Windarra nickel deposits, which are both adjacent to Magma’s tenement boundaries (Figure 1).

A description of the proposed joint venture and its terms are contained in an announcement made today by Poseidon (www.poseidon-nickel.com.au).

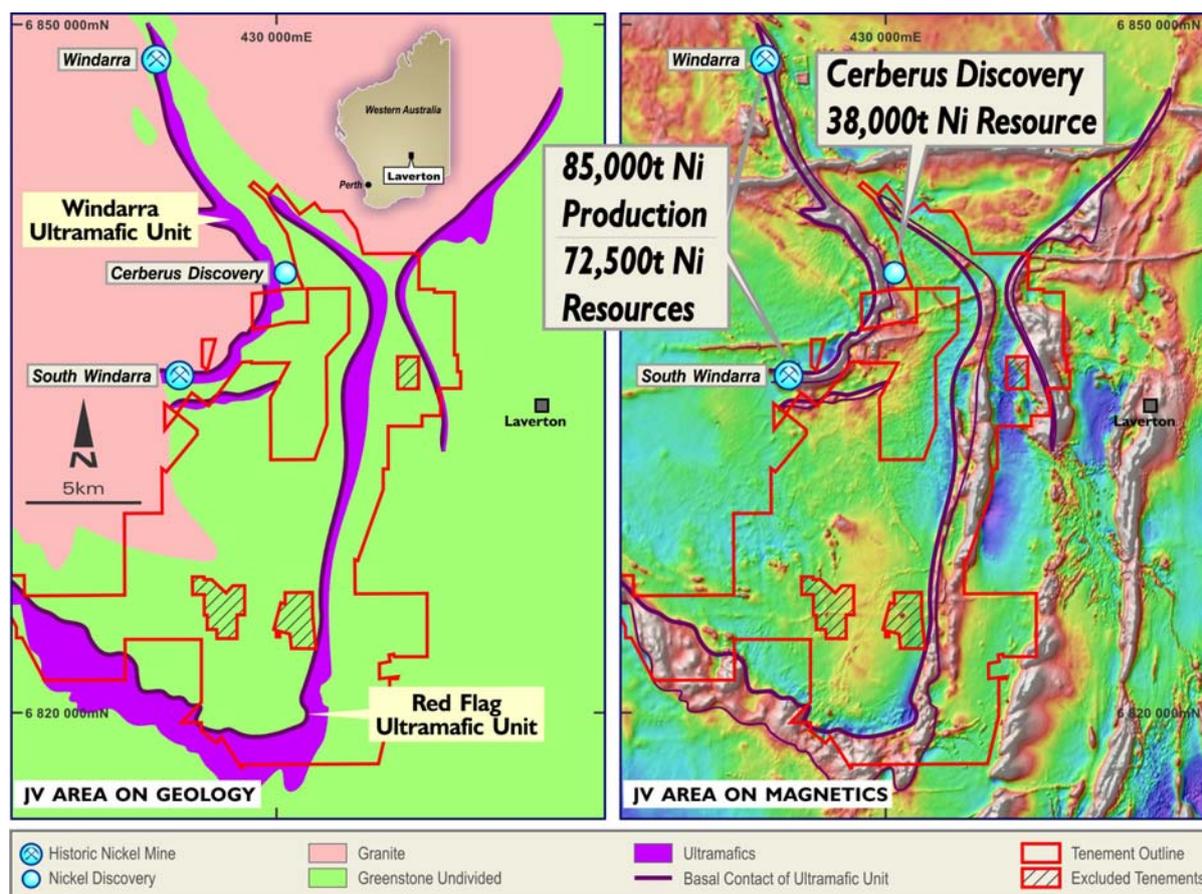


Figure 1. Magma's Laverton nickel project showing the Joint Venture (JV) Area.

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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.