

December 14, 2009

Magma Energy Completes Purchase of a Further 32% Interest in Icelandic Geothermal Energy Producer and Establishes Geothermal Reserves and Resources Totalling 815 MW at HS Orka's Properties

(All amounts in US dollars unless otherwise stated and all production figures are approximate)

Vancouver, B.C., Canada, December 14, 2009 -- Magma Energy Corp. (TSX:MXV) Magma Energy Corp. announces that it has closed a previously announced agreement to acquire 32.32% of Iceland geothermal company HS Orka for 3.7 billion ISK (approximately \$29.5 million) and three bonds totaling approximately \$70 million repayable in a single installment in 7 years with interest at 1.52% per annum. Magma now holds a 40.94% direct interest in HS Orka and an option to acquire an additional stake in HS Orka by making a capital infusion of \$15 million into HS Orka prior to November, 2011. A further agreement to purchase a 2.16% stake in HS Orka is expected to close in March, 2010.

Magma has received an independent report on HS Orka's properties by Mannvit Engineering, a large Icelandic engineering firm specializing in geothermal energy engineering. The report estimates the following reserves and resources on HS Orka's properties (100% basis): a Proven Reserve of 175 MW, an Indicated Resource of 140 MW and an Inferred Resource of 500 MW. The reserve and resource estimates have been prepared in accordance with the Code for Geothermal Resources and Reserves Reporting (the "Code") 1st Edition: 2008, published by the Australian Geothermal Energy Association. The report was prepared by Mannvit Engineering's Arnar Hjartarson and Dr. Johann Gardar Einarsson, who are responsible for its content and are "Competent Persons" under the Code.

Magma's CEO Ross Beaty said, "I am really pleased we have completed this transaction, which will boost Magma's direct and indirect geothermal power production to 86 MW and its geothermal resources to approximately 600 MW. We will now focus on helping HS Orka expand its power production by 230 MW by 2015. This will boost Magma's attributable geothermal power production to 186 MW and provide a more robust tax and employment base for the Icelandic economy."

About Magma Energy Corp.

Magma Energy Corp. is a geothermal power company which operates, develops, explores and acquires geothermal energy projects. We have an extensive portfolio of properties throughout the western United States, Iceland and Latin America, including one operating power plant in Nevada and an interest in two other operating power plants in Iceland.

About HS Orka

HS Orka is the largest privately owned energy company in Iceland. Installed geothermal power capacity is 175 megawatts ("MW") from the Svartsengi and Reykjanes power plants. In addition, HS Orka generates 150 MW of thermal energy for district heating. Expansions are planned that will increase HS Orka's geothermal power production to 405 MW by 2015. HS Orka's 75 MW Svartsengi plant began production in 1978 and its 100 MW Reykjanes plant began production in 2006. Much of the power is sold under US dollar contracts to a large aluminum smelter that is one of the world's lowest cost aluminum producers. The

expansion plans of HS Orka will provide power to a new aluminum smelter that is currently under construction.

About Iceland's Geothermal Industry

Iceland has one of the world's largest and best developed geothermal industries, supported by substantial geothermal resources and a highly skilled domestic workforce. Geothermal energy accounts for 23% of Iceland's electricity demand and powers many of Iceland's homes and businesses, including Iceland's large aluminum industry. Over 50% of Iceland's total energy consumption is provided by geothermal through electricity and direct use.

Magma was advised on the transaction by Glacier Partners in New York, and its affiliate Capacent Glacier in Reykjavik, investment advisory firms specializing in the geothermal and seafood industries.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This news release contains certain "forward-looking information" within the meaning of Canadian securities laws, which may include, but is not limited to, statements with respect to future events or future performance, prospects for closing our acquisition of a further interest in HS Orka, plans to expand our and HS Orka's geothermal power production, management's expectations regarding our growth,, business prospects and opportunities and geothermal energy generation capacities. Such forward-looking information reflects management's current beliefs and is based on information currently available to management.

A number of known and unknown risks, uncertainties and other factors, may cause our actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. The forward-looking information is based upon what management believes to be reasonable assumptions, including, but not limited to, assumptions about: conditions to closing our acquisition of a further interest in HS Orka being met, the success and timely completion of planned exploration and expansion programs, the growth rate in net electricity consumption; support and demand for non-hydroelectric renewables; government initiatives to support the development of renewable energy generation; the accuracy of reserve estimation methodology and analysis used to estimate the quantity of potentially recoverable thermal energy; geological, geophysical, geochemical and other conditions at our properties; the reliability of technical data, including extrapolated temperature gradient, geophysical and geochemical surveys and geothermometer calculations; capital expenditure estimates; availability of capital to fund development and expansion programs; and general economic conditions. Forward-looking information and statements are also based upon the assumption that none of the identified risk factors that could cause actual results to differ materially from the forward-looking information and statements will occur.

There can be no assurance that the forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, prospective investors should not place undue reliance on forward-

looking information. Other than as required by applicable securities laws, we assume no obligation to update or revise such forward-looking information to reflect new events or circumstances.

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For more information, send questions and comments to info@magmaenergycorp.com

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