

# QUARTERLY REPORT

For the period ended 31 March 2008

## CORPORATE SUMMARY

**ASX CODE**  
GXY

**ISSUED CAPITAL**  
**Shares**  
44.6 million

**Options**  
11.2 million

**MARKET CAP**  
A\$20 million

**CASH**  
A\$0.26 million

**DIRECTORS**  
Craig Readhead (Chairman)  
Michael Fotios (Man. Dir.)  
Bob Wanless (Non Exec.)

PROJECTS	COMMODITIES
Ravensthorpe	Li, Ta, Mn, Cu-Zn, Ni, Au
Shoemaker	Fe-Ore, Zn-Pb, Au, U
Ponton	Rare Earths, Cu-Ni, U
Connolly	Base Metals
Boxwood Hill	Base Metals

**WEBSITE**  
[www.galaxyresources.com.au](http://www.galaxyresources.com.au)

**GALAXY RESOURCES LIMITED**  
ABN: 11 071 976 442  
24 Mumford Place  
Balcatta WA 6021  
T: 08 6241 1888  
F: 08 6241 1811

## HIGHLIGHTS

### Mt Caitlin Lithium Tantalum Project

- Bankable Feasibility Study (BFS) for the development of the Mt Cattlin tantalum and lithium project commenced
- Discussions with potential strategic partners for the sale and marketing of lithium carbonate and /or spodumene concentrate commenced
- Planning of BFS infill resource drilling at the Mt Cattlin project completed

### Exploration

- Review of historical exploration data at the West Kundip prospect confirms manganese potential
- Review of data at the McMahon prospect highlights pyrite potential
- Submissions for iron exploration and programme of works approval submitted prior to commencement of rock chip sampling and RC drilling for iron ore at the Shoemaker project
- Pioneer Nickel Limited (PIO) received significant results from diamond drilling beneath the old Mt Desmond/Elverdton and PLP workings at the Ravensthorpe Joint Venture.

### Corporate

- Agreement reached with option holders for the early exercise of unlisted options.

### **–Lithium / Tantalum Project (GXY 100%)**

The Mt Cattlin lithium and tantalum project is located within the Archaean Ravensthorpe Greenstone Belt, 2 km north of Ravensthorpe in Western Australia.

The Bankable Feasibility Study (“BFS”) into the development of the Mt Cattlin lithium tantalum project commenced during the quarter focusing on the selection of the key consultants. A positive decision was reached, to include in the scope of the BFS, the assessment of the viability of value adding by further processing of spodumene concentrate to produce lithium carbonate.

Detailed planning of the infill RC drilling program at Mt Cattlin has been completed. The emphasis being to focus on infill drilling of the inferred resource to lift it to the indicated category. Whilst continuity within the inferred part of the resource is excellent, the drill spacing of 80 x 40m will be reduce to 40 x 40m in order to reclassify the category of resource.

An update on the status of the BFS at Mt Cattlin was the subject of an ASX release dated 4 March 2008.

Galaxy has commenced discussions with a number of interested parties with respect to potential strategic partnership/customer arrangements regarding future off take and funding for the Mt Cattlin Project. Initial meetings have been completed, confidentiality agreements executed and the potential partners have been circulated a timetable, data and a draft MOU outlining Galaxy’s preferred position.

## **EXPLORATION**

### **McMahon - Ravensthorpe (GXY 100%)**

The McMahon pyrite, iron and base metals prospect is located 5 km east of the town of Ravensthorpe.

Detailed geological and geophysical surveys have been completed in the McMahon area as part of a broader assessment of the iron ore and pyrite potential of the region. Two gossanous iron formations strike over 6 kilometres distance within the tenements held by Galaxy and our Exploration Alliance partner Traka Resources NL (“Traka”).

These formations are hematitic in the near surface oxidized zone, often returning grades greater than 55% Fe and are developed over massive and disseminated pyrite bodies at depth (Figure 1).

Drilling completed by Galaxy a few years ago and more recent drilling by Traka indicates that the massive pyrite portions of these formations are 20 to 30m thick. There is insufficient drilling information available to quantify the potential resource but given the strike extent and the data available it appears as if there is sufficient scope for considerable tonnage of pyrite possibly large enough to support economic exploitation.

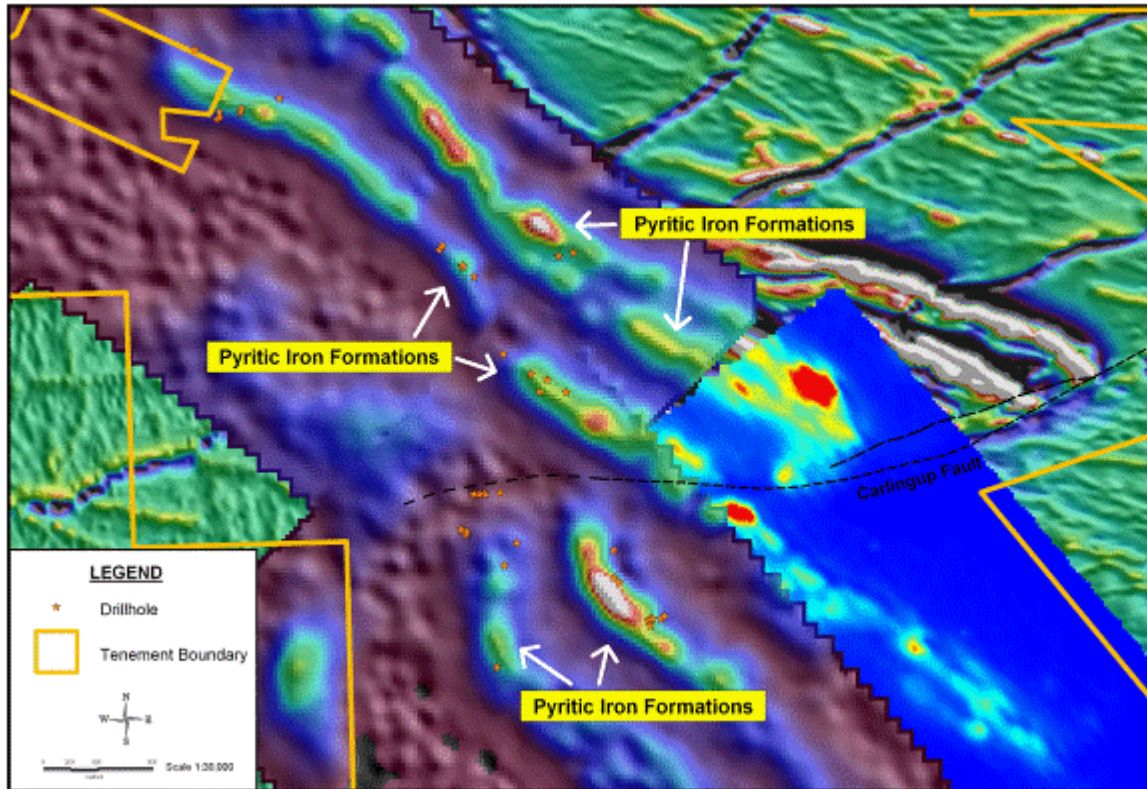


Figure 1. Pyritic iron formations in The Gap area of Galaxy and Traka's tenements.

As a result of the encouragement received to date, a study has been commenced to identify the primary considerations for an operation which exploits the pyrite for the production of elemental sulphur and/or sulphuric acid and iron. This type of operation would utilise well established technology already in use in various configurations in operations around the world. The very high market demand and price for elemental sulphur and sulphuric acid products, the current iron ore prices and the favourable geographic location of Ravensthorpe with respect to infrastructure are all positive factors with respect to an operation of this nature. The study is expected to be complete in the next few weeks.

#### **West River - Ravensthorpe (GXY 100% & 80%)**

The West River (Bakers Hill) Prospect is a tantalum, copper, zinc, gold and silver project located 18km southwest of Ravensthorpe.

Ground EM and MMR surveys were completed during the quarter based on existing workings at Copper King and targets identified by the airborne VTEM completed last year. Interpretation of the surveys is underway in order to determine RC drill targets. The interpretation will be completed during the June quarter.



### **West Kundip - Ravensthorpe (GXY 100%)**

The West Kundip Prospect is situated about 18km south-southeast of Ravensthorpe.

A review of historical exploration data commenced as part of the initial stages of evaluating the manganese and dolomite mineralisation in this area. An exploration update was released to the ASX on 28 April 2008. Rock chip samples of manganese mineralisation have been submitted for analysis and assays are awaited.

### **Shoemaker Project (GXY 100%)**

Submissions for iron ore exploration a program of works have been completed and submitted to DoIR and the relevant native title applicants for approval. The planned program includes mapping and detailed surface sampling of exposed hematite iron formation to be followed up by RC drill testing.

### **Mt Desmond/Elverdton JV- Ravensthorpe (GXY 25% / PIO 75%)**

The Elverdton base metals project is located 9 km south of Ravensthorpe.

Diamond drilling beneath the old Mt Desmond-Elverdton Copper Mine and fault-offset PLP mine was completed during February 2008. The program comprised 22 drill holes for a total of 5,540m.

Drill holes were designed to intersect mineralisation approximately 100m beneath the historic mine. Holes generally intersected the target as planned, with the exception of DERD020 which had core loss of 3.7m at the ore zone; and DERD014, which was abandoned due to bogged rods (in mineralisation).

### Results

Final results for reverse circulation ("RC") drill holes from the PLP Prospect and pre-collars for DERD013, 014 and 015 have been received. Preliminary assays for all diamond core (Au and Cu only) have been received, with the final results due during May 2008. Remaining RC pre-collar sample assays have not been received. A drill hole collar summary for holes completed from the November 2007-February 2008 program are listed in Table 1 below.

Significant results received included:

- DERD014 4.1m at 1.16%Cu from 223m
  - DERD018\* 16.0m at 1.1% Cu and 1.03g/t Au from 323m
  - DERD019 1.4m at 2.7% Cu from 342.6m
  - DERD022 2.3m at 2.94% Cu from 445m
  - PLP008 4.0m at 2.8% Cu and 1.13 g/t Au from 57m
  - PLP009 2.0m at 2.8% Cu and 2.6g/t Au from 41m
- \*reported December 2007quarterly*

The distribution of better results suggests that mineralisation is plunging towards the north, beneath the Mt Desmond Shaft, towards the PLP workings. Significant results are presented as Table 2 below.

## Geological Mapping

Consulting geologist John Maniw has completed mapping the Ravensthorpe JV key tenement area.

John is also re-logging drill core from the FED and Mt Desmond copper prospects, drilled by previous explorers. Approximately 40 core samples were collected for geochemical analysis.

## Ferrous Metals

A series of orientation samples were taken from a line of ironstone outcrops in thick scrub above a manganese adit within M74/163. The outcrop extends along strike in both directions from the adit.

Iron ore samples were taken from an old flux quarry which was mined when the copper smelters were in operation before the last war. The area has been previously drilled by Galaxy but no geochemical or geological data from the drilling is recorded. Three holes were found in the floor of the quarry and three composite samples were collected from one hole. The holes all appear to bottom out in granodiorite. A further three samples were taken of rocks within the quarry.

The iron ore samples taken from the old RC hole have an average grade of 57.8% Fe over a 6m interval with low phosphorus and silica. Sulphur in the samples was high suggesting it is a gossan over a pyrite bed. Tonnage potential may be limited in places due to the granodiorite intrusion.

Assays from the orientation survey confirm that the pyrite beds, evident in VTEM and magnetic imagery, extend through M74/163 and therefore have a large tonnage potential. Sample locations, descriptions and assays are included in Tables 3 and 4 below.

## Work Planned

### Desmond-Elverdton Drilling

- Geological and structural interpretations for the Desmond–Elverdton deposit using the new drill data and mine plans in order to update ore shoot control models ahead of future drilling.
- SGC to complete detailed modelling of down-hole MMR data from an orientation survey to determine the source of anomalies before any further surveying is undertaken. Interference from salt water-filled stopes is hampering the interpretation.

### Ferrous Metals

- Locate, map and sample areas of mineralised outcrop in the vicinity of the manganese adit
- Secure a Clearing Permit and POW ahead of drill testing the manganese prospects, and
- Locate records from Galaxy drilling. (6 holes in the vicinity of the Iron Ore quarry.)

Hole_ID	NAT_East	NAT_North	Dip	Azimuth	Depth	Hole_Type
DERD013	235593.784	6276198.147	-59.8	262.4	152	RCD
DERD014	235614.074	6276157.983	-58.9	269.5	357.2	RCD
DERD015	235245.883	6276398.174	-59.9	93.4	220	RCD
DERD016	235587.254	6276360.36	-60.4	269.4	401.4	RCD
DERD017	235542.868	6276280.544	-60.3	270.6	320.1	RCD
DERD018	235599.241	6276199.785	-60	280	419.2	RCD
DERD019	235628.961	6276118.27	-60.5	264.5	378	RCD
DERD020	235646.548	6276078.965	-59.1	269.6	426.1	RCD
DERD021	235657.191	6276036.418	-60.1	267.4	414.7	RCD
DERD022	235673.856	6275999.98	-59.6	267	467.6	RCD
DERD023	235689.094	6275958.44	-60.3	266.8	552	RCD
DERD024	235622.517	6275583.45	-60.2	273.1	492.3	RCD
PLPR001	235121.045	6276557.579	-59.8	266.2	100	RC
PLPR002	235199.957	6276560.938	-60.5	268	100	RC
PLPR003	235067.553	6276638.762	-59.5	266.4	100	RC
PLPR004	235120.946	6276639.719	-59.5	265.7	100	RC
PLPR005	235198.965	6276639.017	-59	269.3	120	RC
PLPR006	235069.269	6276719.408	-59.6	264.8	95	RC
PLPR007	235119.621	6276720.535	-60.4	270.1	116	RC
PLPR008	235196.852	6276721.541	-59.9	266.7	98	RC
PLPR009	235179.021	6276719.688	-60.2	215.5	110	RC
					5539.6m	

Hole ID	Easting	Northing	Dip	Azimuth	Depth (m)	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)
DERD014	235614.1	6276158	-60	270	357	223	227.1	4.1	1.16	0.07
					Inc	223	223.8	0.8	2.72	0.25
					And	226.25	227.1	0.85	2.86	0.08
						356	357.2*	1.2	1.04	0.51
DERD015	2235246	6276158	-60	90	220	22	26	4	0.5	0.78
						121	123	2	0.6	0.07
DERD016	235587.3	6276360	-60	270	401.3	377	378.82	1.82	0.64	0.28
					inc	385.75	386.1	0.35	1.64	0.79
DERD017	235587.3	6276360	-60	270	320.1	189.45	189.79	0.34	1.07	0.44
						268.65	269.6	0.95	0.78	0.1
						290	291.4	1.4	0.56	0.25
DERD018	235599.2	6276200	-60	270	417.6	323	339	16	1.1	1.03
					inc	323	325	2	1.12	3.78
					and	329	331	2	2.28	1.1
					and	332	338	6	1.65	1.03
						345	346	1	1.1	0.39
DERD019	235629	6276118	-60	270	378.5	335.05	347	11.95	0.67	0.25
					Inc	342.6	344	1.4	2.7	

DERD020	235646.5	6276076	-60	270	426.1	388.46	390.8	2.34	0.74	
						390.8	394.5	3.7	CORE	LOSS
						396.5	391	4.5	0.71	
DERD021	235657.2	6276036	-60	270	404.5	368	370	2	0.61	0.26
DERD022	235673.9	6276000	-60	270	467	381.35	381.8	0.45	0.58	0.68
					Inc	407.6	408	0.4	1.59	0.26
						412.8	413.12	0.32	4.52	0.61
						422	425	3	0.78	0.23
					Inc	423	423.35	0.35	1.94	0.32
					Inc	423.9	424.45	0.55	2.11	0.75
						432	433	1	2.52	0.26
						445	447.3	2.3	2.94	0.66
					Inc	446	446.82	0.82	9.89	2.14
DERD023	235622.5	6275958	-60	270	552	263.8	265.2	1.4	0.65	0.15
						475.8	477.8	2	0.59	0.2
						481	486.75	5.75	0.48	0.27
PLP03	235067.6	6276639	-60	270	100	17	18	1	0.98	0.2
PLP04	235120.9	6276640	-60	270	100	4	8	4	0.25	0.1
PLP05	235199	6276639	-60	270	120	21	26	5	0.33	0.16
					Inc	24	26	2	0.45	0.22
PLP07	235119.6	6276721	-60	270	116	81	82	1	0.65	0.49
PLP08	235196.9	6276722	-60	270	98	57	61	4	2.8	1.13
PLP09	235179	6276720	-60	270	110	41	52	11	0.69	0.57
					inc	41	43	2	2.8	2.6

- Assays were completed Genalysis Laboratories Perth,
  - Preliminary assays :Gold fire assay 50gm charge, copper using a 4 acid digest and AAS finish.
  - Final assays: Base Metal suite 4 acid digest and ICP-AES finish
- Intercepts are "down-hole" metres. No estimate regarding true thickness is made or implied.

Sample_id	Easting	Northing	Tenement	Prospect	Description
ARC41301	235274	6277786	M74/163	orientation	Outcrop 100m south of adit
ARC41302	235244	6277809	M74/163	orientation	Outcrop 100m south of adit
ARC41303	235223	6277826	M74/163	orientation	Outcrop 100m south of adit
ARC41304	233270	6280408	P74/305	Iron-ore	Old RC hole, 6-8m
ARC41305	233270	6280408	P74/305	Iron-ore	Old RC hole, 4-6m
ARC41306	233270	6280408	P74/305	Iron-ore	Old RC hole, 2-4m
ARC41307	233283	6280411	P74/305	Iron-ore	Face sample on Iron-ore cliff
ARC41308	233259	6280418	P74/305	Iron-ore	Face sample on Iron-ore cliff
ARC41309	233256	6280412	P74/305	Iron-ore	Face sample on Iron-ore cliff
ARC41310	233257	6280411	P74/305	Iron-ore	Spoil piled up at base of cliff

Table 4 Ferrous Metals Project: Assays Of Rock Samples												
Sample	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	TiO <sub>2</sub>	MnO	CaO	P	S	MgO	K <sub>2</sub> O	Na <sub>2</sub> O	LOI
UNITS	%	%	%	%	%	%	%	%	%	%	%	%
ARC41301	48.63	10.96	8.24	0.376	0.06	0.02	0.054	0.152	0.07	0.013	0.004	10.24
ARC41302	46.23	15.12	8.89	0.299	0.19	0.03	0.019	0.111	0.14	0.017	0.01	9.16
ARC41303	50.44	10.95	6.23	0.22	0.34	0.04	0.023	0.127	0.52	0.016	0.023	9.44
ARC41304	56.77	5.5	1.68	1.484	0.07	-0.01	0.164	0.294	0.16	0.144	0.028	8.96
ARC41305	59.64	3.65	1.36	1.096	0.04	0.02	0.09	0.246	0.12	0.091	0.037	7.69
ARC41306	56.93	4.57	1.83	1.237	0.04	0.02	0.052	0.309	0.36	0.065	0.064	9.76
ARC41307	40.4	21.43	8.33	1.388	0.04	0.02	0.013	0.175	0.21	0.662	0.038	9.74
ARC41308	51.52	8.71	4.68	1.674	0.06	-0.01	0.011	0.27	0.05	0.127	0.031	10.61
ARC41309	51.85	8.53	4.58	1.648	0.06	-0.01	0.011	0.271	0.04	0.124	0.03	10.6
ARC41310	55.99	5.72	2.91	1.037	0.05	0.02	0.025	0.249	0.18	0.045	0.006	9.65

- Assays were completed by Ultratrace Laboratories Perth,
- Assay technique: XRF.

#### **Aerodrome JV - Ravensthorpe (PIO earning 75%)**

During the quarter a contract geologist continued field mapping and ground checking VTEM and MLTEM anomalies that have been generated during 2007. Work will continue validating and ranking geophysical targets prior to drill testing.

#### **CORPORATE**

As at 31 March 2008, the Company had 44,662,297 fully paid shares on issue. On listing in February 2007, the market capitalisation of the Company was A\$8.6 million and has since increased to about A\$20 million as at the date of this report. The Company had A\$0.20 million cash on hand as at 31 March 2008.

In February an agreement was reached with some option holders to complete the early exercise of options during 2008. These agreements secure additional cash which will be used to complete the BFS at Mt Cattlin and to progress exploration at other projects.

The majority of options being exercised are the subject of ASX imposed restrictions until 2 years from the date the Company was granted quotation. The shares to be allotted on the exercise of the options will remain restricted until 6 February 2009. Application was made to ASX to release the options from escrow to enable their exercise prior to the replacement of restriction conditions on the shares and remaining options issued.

An ASX release was completed on the 4 March 2008 outlining the details of the early exercise of the options.



Up to the date of this report, the following announcements were released to the ASX:

28-Apr-2008	West Kundip Update
04-Apr-2008	Details of Share Registry address
26-Mar-2008	Change in substantial holding
13-Mar-2008	Half Year Accounts
05-Mar-2008	Audio Stream - Mt Cattlin BFS Update
04-Mar-2008	Mt Cattlin BFS Update
18-Feb-2008	Galaxy secures additional funding

Yours faithfully



**Michael Fotios**  
Managing Director

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Mr. Michael Fotios who is Managing Director of the Company and who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Fotios has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking 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. Fotios consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.