

# QUARTERLY REPORT

For the period ended 31 December 2007

## CORPORATE SUMMARY

**ASX CODE**  
GXY

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

**Options**  
11.2 million

**MARKET CAP**  
A\$22 million

**CASH**  
A\$0.41 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

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## HIGHLIGHTS

### Exploration

- Initial resource estimate was completed for the Mt Cattlin lithium/tantalum deposit including 12.3 million tonnes at 8.2% spodumene and 135 ppm Ta<sub>2</sub>O<sub>5</sub>
- Pre-feasibility Study at Mt Cattlin completed has found the project is viable
- Decision has been made to proceed with Bankable Feasibility Study immediately
- Review of West Kundip Prospect has identified manganese potential in addition to existing dolomite target
- Review of data at McMahon Prospect has highlighted pyrite potential
- Pioneer Nickel Limited (PIO) received significant results from diamond drilling beneath the old Mt Desmond/Elverdton workings including **12m grading 1.35% Cu and 0.75g/t Au**
- Iron ore potential at the Shoemaker project confirmed by field reconnaissance.

## EXPLORATION

### **Mt Cattlin - Ravensthorpe (GXY 100%)**

The Mt Cattlin tantalum and lithium project is located within the Archaean Ravensthorpe Greenstone Belt, 5 km E of Ravensthorpe in Western Australia.

The results of the initial resource estimate for the Mt Cattlin lithium/tantalum deposit were the subject of an ASX release dated 7 December 2007.

The results of the Pre-Feasibility Study at Mt Cattlin suggest the project is viable at a mining and processing rate of 1Mtpa. The details of the study were released to the ASX on 13 December 2007.

Detailed announcements regarding the structure of a Bankable Feasibility Study at Mt Cattlin will be made during February.

Galaxy has received a number of enquiries from interested parties and discussions are underway with potential strategic partners and customers regarding future off take and funding for the Mt Cattlin Project.

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

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

The key tenement holders in the Ravensthorpe region being Galaxy, Traka Resources Ltd, Pioneer Nickel Limited and Tectonic Resources NL have decided to cooperate with respect to ongoing exploration for iron ore. An informal 'Exploration Alliance' has been formed whereby data exchanges relating to iron ore prospectivity and target generation activities are being coordinated. The four separate tenement holdings of the Alliance cover 30 kilometres of prospective ground within the Ravensthorpe region

All available geological and technical data available to members of the Ravensthorpe Iron Ore Exploration Alliance was exchanged during the quarter period (Figure 1). This information is currently being collated to enable a more accurate assessment of the Iron Ore potential of the area as a whole. Geological mapping in select areas and a reinterpretation of available geophysical data has also been initiated as part of the reassessment.

Some of the previous exploration work on the project highlighted the fact that some of the strongly anomalous iron ore rock chip surface samples related to hematitic gossans developed over massive pyrite bodies rather than the more common host rocks like Banded Iron Formations. As there appears to be potential for significant amounts of pyrite the opportunity to exploit this resource for its iron and sulphide content (the components that make up pyrite) is being included in the overall assessment.

Drill target selection utilising the collated data base and new geological and geophysical data is currently being worked on in anticipation of a program as soon as a drill rig is available.

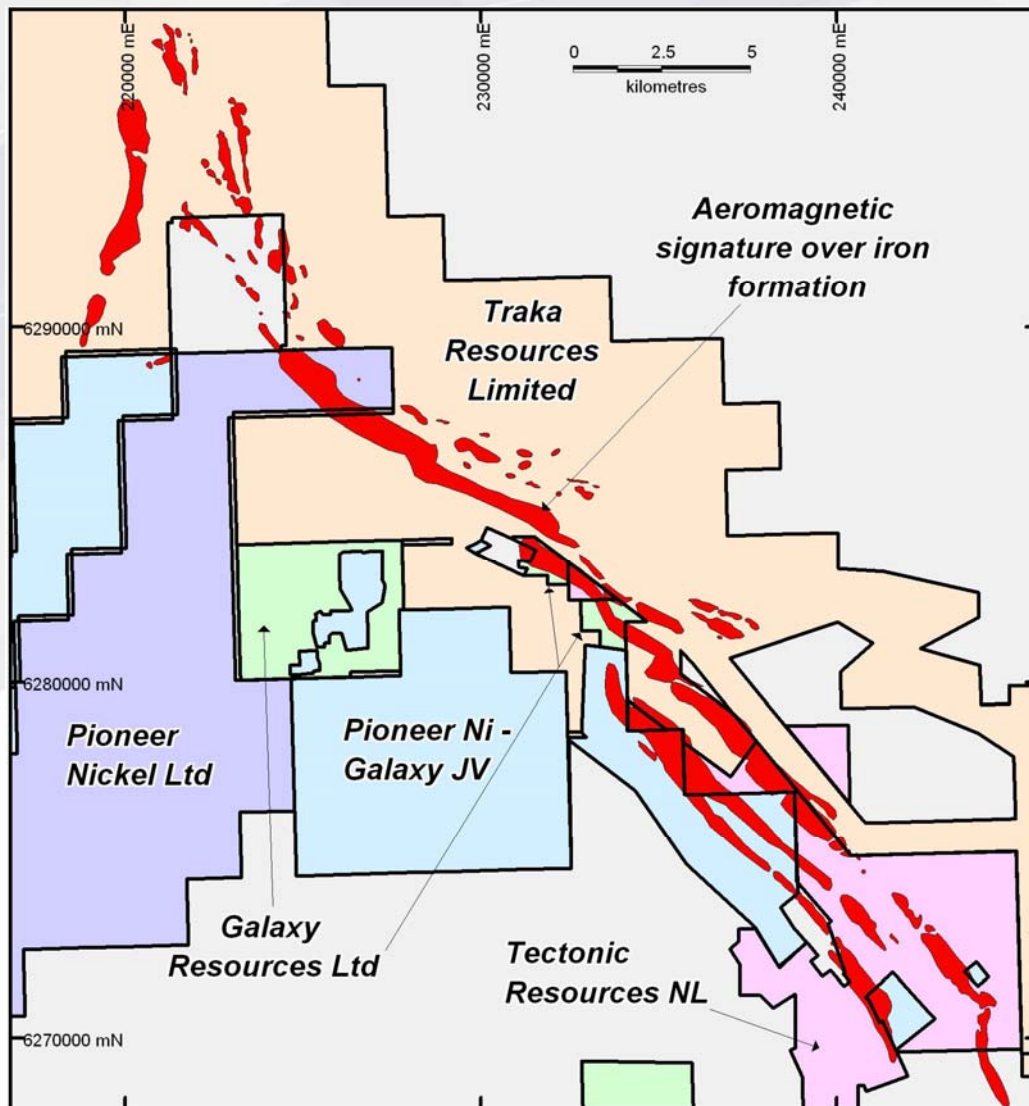


Figure 1. Exploration Alliance tenement holdings showing the extent of iron formation.

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

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

Interpretation of the detailed airborne magnetic and VTEM (Versatile Time-domain Electro Magnetics) surveys over the entire tenement area has been completed and a number of targets identified in the study will be the subject of follow up ground EM surveys during the March 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. Once the review is completed an exploration update will be issued outlining the historical activity, potential and planned exploration program.

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

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

Stage one diamond drilling, comprising twelve drill holes beneath the old Mt Desmond and Elverdton Copper Mines, commenced during the quarter and will be completed in mid February 2008. The program is targeting copper-gold mineralisation approximately 100m beneath the mine workings. To date, 9 pre-collared diamond drill holes have been completed for a total of 3,230m including 1,862m of diamond core. Drill holes all have final depths between 200 and 450m.

The copper gold mineralisation is hosted within an 850m long shear structure which has many of the characteristics of typical Archaean shear-hosted gold mine. To date, all drill holes have hit the targeted mineralised structure as evidenced by disseminated to matrix chalcopyrite and bornite mineralisation within a chlorite-biotite schist. The host structure has down-hole widths of between 6 and 30metres. To date assay results from only two holes have been returned which included **12m grading 1.35% Cu and 0.75g/t Au** in hole DERD 18.

In addition, a further 9 reverse circulation drill holes for 939m were completed at the PLP workings, which is interpreted to be the northern offset of the Mt Desmond mineralisation located approximately 200m to the north. Several of the holes intersected visible chalcopyrite mineralisation. Assay results from the drilling are awaited.

Table 1 Ravensthorpe JV Project Diamond Drilling: Significant Results								
Hole ID	East (m)	North (m)	Depth (m)	From (m)	To (m)	Intercept (m)	Cu (%)	Au (g/t)
DERD18	235,599	6,276,200	417.6	323	325	2	1.12	3.78
		and		327	339	12	1.35	0.75
		including		329	331	2	2.28	1.11
		including		332	338	6	1.65	1.03

- Hole positions by GPS pickup in MGA94-51 grid coordinates.
- Assays were completed by Genalysis Laboratory Services Pty Ltd, Gold analysis by 50gm fire assay with a 0.01g/t detection limit, copper analysis by four acid digestion AAS finish.
- Intercepts are "down-hole" metres. No estimate regarding true thickness is made or implied.

### Geophysics

Orientation 3-component down hole transient electromagnetic ("DHTEM") and down hole magnetometric resistivity ("DHMMR") surveys were concluded for 3 holes, demonstrating that conductivity anomalies are associated with Mt Desmond mineralisation. All holes will now be surveyed to look for targets that might represent higher concentrations of copper sulphides in the vicinity the completed holes.

On completion of drilling, including DHMMR surveys, detailed geological and geophysical compilation of all the data collected during the program will be undertaken. Metallurgical studies of drill core samples will also be undertaken to confirm metallurgical recoveries. Further drilling on the project will be planned once the results of all the current work have been interpreted. Clearing Permits already in place provide for the next pass of drilling at Mt Desmond.

### Mt Chester Manganese Prospect

The joint venture completed preliminary field mapping, sampling and mineralogy studies on samples of massive manganese from the Mt Chester Prospect. The mineralised unit is evident in mapping over a strike length of 300m. Assays of rock chip samples from along the outcrop



have not been received. A petrographic study of samples collected from existing ore dumps from an exploration adit indicates that the dominant manganese mineral is high value pyrolusite. A report describing the adit, from when it was dug during the 1980s, records that sampling returned 15 m at 27.9% MnO<sub>2</sub>. An application for a Clearing Permit, which will enable drill testing of the Mt Chester Manganese Prospect, is currently being drafted.

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

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

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

Initial field inspection of the hematite enriched iron formations at Shoemaker has confirmed the potential for iron ore within the Frere Formation. A detailed ASX announcement was released on 13 December 2007 summarising work to date. A mapping and sampling program is Schedule for the current quarter followed by RC drill testing of identified targets.

### **CORPORATE**

As at 31 December 2007, the Company had 44,662,297 fully paid shares on issue. On listing on the ASX in February 2007, the market capitalisation of the Company was A\$8.6 million and has since increased to about A\$22 million as at the date of this report. The Company had A\$0.41 million cash on hand as at 31 December 2007.

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

21-Dec-2007	Audio Stream - Mt Cattlin PFS Results
14-Dec-2007	Mt Cattlin PFS Results
13-Dec-200	Shoemaker Exploration Update
07-Dec-2007	Audio Stream - Mt Cattlin Resource Statement
07-Dec-2007	Mt Cattlin Resource Statement
27-Nov-2007	Results of Meeting
27-Nov-2007	AGM presentation to shareholders
27-Nov-2007	Chairman's Address to Shareholders
09-Nov-2007	Ravensthorpe JV - Drilling Update

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.