



14 February 2008.

Elizabeth Harris
Senior Adviser, Issuers (Perth)
ASX Limited
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Dear Elizabeth,

In response to your letter of 7 February 2008 regarding the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 December 2007, we provide the following information.

1. The Company is aware of the level of expenditure in the December quarter which was higher than is the level expected over the next quarter. The Company has been undertaking resource definition drilling pre-feasibility studies and JORC compliant resource calculations in preparation for a development decision on its Cattlin Creek tantalum/lithium project.
2. The Company is taking various steps to ensure it has sufficient funds in order to continue its operations.
3. The Company has 6,725,000 unlisted options exercisable at \$0.20 per option that are currently in the money and will raise, if exercised, a total of \$1,345,000. These options are held by directors, former directors and the company secretaries of the Company. The Company has secured undertakings from a number of option holders who have agreed that they would be prepared to the early exercise of some of those options during the March, June and September quarters, which would inject funds into the Company. It is expected that the option exercises will be sufficient to meet the Company's business objectives. Furthermore, the Managing Director has undertaken to exercise up to 1,500,000 options at \$0.30 to raise \$450,000 within this time frame if required.

It is noted that the majority of the options proposed to be exercised are subject to ASX imposed restrictions until 2 years from the date the Company was granted quotation and that any shares allotted on their exercise will remain restricted until that time.

In addition, the Company is considering a number of other situations and will provide details when they are able to do so.

4. The Company can confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1.
5. The Company believes that, the Company's balance sheet and the relative size of its projects and other assets and access to funds reflected by its share price are such as to indicate its financial condition in compliance with listing rule 12.2.

Should you require any further information please do not hesitate to contact the undersigned.

Yours sincerely,
for **GALAXY RESOURCE S LTD**

A handwritten signature in dark ink, appearing to read "L. A. Colless", is written over a horizontal line.

L. A. Colless
Secretary

FAXED
7 February 2008



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Perth WA 6000

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Internet <http://www.asx.com.au>

Ms Karen Brown
Company Secretary
Galaxy Resources Limited
129 Edward Street
BALCATTA WA 6021

Facsimile: 9227 8178

Dear Karen

Galaxy Resources Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 December 2007, released to ASX Limited ("ASX") on 31 January 2008, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$0.
2. Net negative operating cash flows for the quarter of \$790,000.
3. Cash at end of quarter of \$412,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

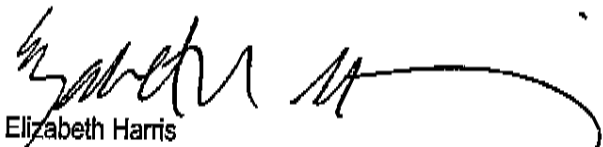
This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 5.00 p.m. W.S.T. on Thursday 14 February 2008.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me on 9224 0011.

Yours sincerely,



Elizabeth Harris
Senior Adviser, Issuers (Perth)