

**Galaxy Resources Limited**  
ACN 071 976 442

**Interim Financial Report**

**For the Half-year ended**

**31 December 2008**

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made by Galaxy Resources Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

# Galaxy Resources Limited

ACN 071 976 442

## Directors' Report

The Directors present their report together with the financial report of Galaxy Resources Limited for the half-year ended 31 December 2008 and the auditors' review thereon.

### Directors

The Directors of the Company during the whole of the half-year and up to the date of this report are:

C L Readhead	Non-executive Chairman
M G Fotios	Resigned as Managing Director 11 November 2008 Resigned as non-executive director 16 December 2008
R J Wanless	Non-executive director
Ignatius Tan	Appointed non-executive director 18 September 2008 Appointed as Managing Director 11 November 2008

### Review and results of operations

The review of the company's operations during the half year ended 31 December 2008 by significant industry segment is as follows.

	Segment Revenue		Segment result	
	2008	2007	2008	2007
	\$	\$	\$	\$
Minerals exploitation – Australia	-	-	-	-
Other (Interest)	55,108	40,914	55,108	40,914
Total continuing operations	<u>55,108</u>	<u>40,914</u>	<u>55,108</u>	<u>40,914</u>
Unallocated expenses			(2,020,404)	(185,021)
Profit (loss) before income tax expense			(1,965,296)	(144,107)
Income Tax (expense)			280,120	-
Profit (loss) for half-year			(1,685,176)	(144,107)
Less profit (loss) attributable to minority interests			-	-
Profit (loss) attributable to members of Galaxy Resources Limited			<u>(1,685,176)</u>	<u>(144,107)</u>

### Exploration activities

The Company continues to be actively involved in mineral exploration in Western Australia.

### Dividends

No dividends have been provided for or paid by the Company during the half year.

### Changes in state of affairs

During the half year, there was no significant change in the Company's state of affairs other than that referred to in the half-year financial statements or notes thereto.

# Galaxy Resources Limited

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## Directors' Report

### Matters subsequent to the end of the half-year

On 7 January 2009, 110,000 shares were issued at an issue price of 35 cents each together with 110,000 free attaching options (exercisable at 35 cents on or before 31 December 2009) each pursuant to the placement commenced in December 2008 to raise additional funds for the completion of the Mt Cattlin Definitive Feasibility Study.

On 21 January 2009, 14,000 shares were issued at 35 cents on exercise of unlisted options expiring 31 December 2009

On 16 February 2009, 650,000 shares were issued at an issue price of 35 cents each together with 650,000 free attaching options (exercisable at 35 cents on or before 31 December 2009) each pursuant to further placement to raise additional funds for the completion of the Mt Cattlin Definitive Feasibility Study.

On 25 February 2009, 950,019 shares were issued at an issue price of 35 cents each pursuant to an invitation to shareholders to participate in the Company's Share Purchase Plan. The funds so raised are to be applied to working capital as the Company prepares for the next phase of development of the Mt Cattlin Lithium Project.

A total of \$603,400 (less costs) has been raised from the above share issues since 31 December 2008.

Other than as stated above, there were no matters or circumstances that have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the half-year ended 31 December 2008.

### Auditors' independence declaration

The following is a copy of a letter received from the Company's auditors:

**Lead auditor's independence declaration under Section 307C of the Corporations Act 2001**

To the directors of Galaxy Resources Limited,

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there has been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2008 half yearly financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit

Graham Swan (Lead auditor)  
Rothsay Chartered Accountants

11 March 2009

Signed in accordance with a resolution of the Directors

Dated at Perth this 11th day of March 2009.  
On behalf of the Directors



Ignatius Tan  
Managing Director

# Galaxy Resources Limited

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## Income Statement

For The Half-Year Ended 31 December 2008

	Note	Half-year ended 31 Dec 2008 \$	Half-year ended 31 Dec 2007 \$
<b>Revenue from continuing operations</b>			
Interest received		55,108	40,914
Total revenue from continuing operations		55,108	40,914
<b>Expenses from continuing operations</b>			
Administration, secretarial and accounting fees		63,348	33,000
Audit and income tax preparation fees		4,000	7,000
Corporate lodgements and registry fees		25,844	29,699
Consulting fees		79,014	22,500
Depreciation		3,088	529
Directors fees		45,889	40,000
Directors benefits		(25,740)	-
Insurance		-	13,454
Legal fees		22,929	(712)
Office costs		52,810	16,372
Public relations & promotions		30,306	9,077
Personnel recruitment		26,425	-
Rent and storage		95,534	-
Repairs and maintenance		6,958	-
Salaries and personnel		35,972	-
Provision for employee entitlement		15,345	-
Exploration expenditure written off		1,520,875	13,903
Other expenses from ordinary activities		17,807	199
<b>(Loss) before income tax</b>		<b>(1,965,296)</b>	<b>(144,107)</b>
Income tax expense		(280,120)	-
<b>(Loss) from continuing operations</b>		<b>(1685,176)</b>	<b>(144,107)</b>
<b>(Loss) attributable to members of Galaxy Resources Limited</b>		<b>(1,685,176)</b>	<b>(144,107)</b>
<b>(Loss) per share for loss from continuing operations attributable to the ordinary equity holders of the Company</b>			
Basic earnings per share \$	5	(.0318)	(.0032)

Diluted earnings per share are not disclosed as they are not materially different to basic earnings per share.

The above income statement should be read in conjunction with the accompanying notes.

# Galaxy Resources Limited

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## Balance Sheet

As at 31 December 2008

	Note	Half year ended 31 Dec 2008 \$	Annual Report 30 June 2008 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	1,335,219	1,929,722
Trade and other receivables		212,043	141,680
Other financial assets		57,380	-
<b>TOTAL CURRENT ASSETS</b>		<b>1,604,642</b>	<b>2,071,402</b>
<b>NON-CURRENT ASSETS</b>			
Plant & equipment		218,466	81,274
Other assets (exploration and evaluation expenditure)		6,200,245	5,260,250
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,418,711</b>	<b>5,341,254</b>
<b>TOTAL ASSETS</b>		<b>8,023,353</b>	<b>7,412,926</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,098,636	606,776
Provisions		15,345	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,113,981</b>	<b>606,776</b>
<b>TOTAL LIABILITIES</b>		<b>1,113,981</b>	<b>606,776</b>
<b>NET ASSETS</b>		<b>6,909,372</b>	<b>6,806,150</b>
<b>EQUITY</b>			
Contributed equity	4	10,109,408	8,218,905
Reserves		247,353	349,458
Accumulated losses		(3,447,389)	(1,762,213)
<b>TOTAL EQUITY</b>		<b>6,909,372</b>	<b>6,806,150</b>

The above balance sheet should be read in conjunction with the accompanying notes.

# Galaxy Resources Limited

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## Statement of Changes in Equity

For the half-year ended 31 December 2008

	Half-year ended 31 Dec 2008 \$	Half-year ended 31 Dec 2007 \$
<b>Total equity at the beginning of the half-year</b>	<b>6,806,150</b>	4,750,659
Loss for the half-year	<b>(1,685,176)</b>	(144,107)
Total recognised income and expense for the financial period	<b>(1,685,176)</b>	(144,107)
<u>Transactions with equity holders in their capacity as equity holders</u>		
Contributions of equity	<b>1,957,365</b>	-
Cost of issue(equity contributions)	<b>(66,863)</b>	(2,178)
Issue of shares in lieu of service fees	-	-
Share options	<b>(102,104)</b>	-
<b>Total equity at the end of the half-year</b>	<b>6,909,372</b>	4,604,374

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Cash Flow Statement

For the half-year ended 31 December 2008

	Note	Half-year ended 31 Dec 2008 \$	Half-year ended 31 Dec 2007 \$
<b>Cash flows from operating activities</b>			
Receipts from customers and debtors (inclusive of goods and services tax)-		<b>301,930</b>	-
Payments to suppliers and contractors (inclusive of goods and services tax)		<b>(85,339)</b>	(545,078)
<b>Net cash (outflow) inflow from operating activities</b>		<b>216,591</b>	(545,078)
<b>Cash flows from investing activities</b>			
Interest received		<b>33,298</b>	40,914
Outflow for purchase of plant & equipment		<b>(140,279)</b>	(3,224)
Outflow for tenement purchase		-	-
Outflow for exploration expenditure		<b>(2,460,870)</b>	(826,892)
Outflow for security deposits		<b>(57,380)</b>	-
<b>Net cash (outflow) from investing activities</b>		<b>(2,625,231)</b>	(789,202)
<b>Cash flows from financing activities</b>			
Proceeds from share issues		<b>1,881,000</b>	-
Cost of issue of shares		<b>(66,863)</b>	(2,178)
<b>Net cash inflow from financing activities</b>		<b>1,814,137</b>	(2,178)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(594,503)</b>	(1,336,458)
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>1,929,722</b>	1,747,960
<b>Cash and cash equivalents at the end of the half-year</b>	3	<b>1,335,219</b>	411,502

The above cash flow statement should be read in conjunction with the accompanying notes.

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## Notes to the financial statements

For the half-year ended 31 December 2008

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below.

a. Basis of preparation

This general purpose financial report for the half-year ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134: "Interim Financial Reporting" and other mandatory reporting requirements. The half year report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2008 and any public announcements made by Galaxy Resources Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act, 2001

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period.

b. Other Changes in Accounting Policy

Since 1 July 2008, the Company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Company..

- AASB 8 Operating Segments
- AASB 101 Revised Presentation of Financial Statements

The following amending standards have also been adopted from 1 July 2008:

- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 2008-1 Amendments to Australian Accounting Standards Share-based Payments: Vesting conditions and cancellations
- AASB 2008-3 These amendments are consequential amendments to 20 standards and have no significant affect for the Group
- AASB 2008-5 and 2008-6 Amendments to Australian Accounting Standards arising from the Annual Improvements Projects

The Company has elected not to early adopt any new standards or amendments.

### 2. PROFIT (LOSS) FOR THE HALF YEAR

Loss for the half year includes no items that are unusual because of their nature, size or incidence.

### 3. RECONCILIATION OF CASH

	Half Year ended 31 Dec 2008 \$	Annual Report 30 June 2008 \$
For the purposes of this statement of cash flows, cash includes: (cash at the end of the financial year as shown in the Statement of Cash Flows equals this balance)		
Cash at bank and on hand	1,306,429	405,932
Cash on deposit (at call)	28,790	1,523,790
Cash on deposit – commercial bills (maturing within 90 days)	-	-
	<b>1,335,219</b>	<b>1,929,722</b>

# Galaxy Resources Limited

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## Notes to the financial statements

For the half-year ended 31 December 2008

### 4. EQUITY SECURITIES ISSUED

	2008 Shares	2007 Shares	2008 \$	2007 \$
Movements in issued capital				
Opening balance	51,412,297	44,662,297	9,084,350	6,441,495
Placements	3,360,000	-	1,176,000	-
Exercise of options issued	3,525,000	-	705,000	-
Options reserve transferred on exercise of options	-	-	76,365	-
Closing balance at end of half year	<u>58,297,297</u>	44,662,297	<u>11,041,715</u>	6,441,495
Less: cost of issue	-	-	(932,307)	(716,234)
As per Balance Sheet	<u>58,297,297</u>	44,662,297	<u>10,109,408</u>	5,725,261

### 5. EARNINGS / (LOSS) PER SHARE

	Half-year ended 31 Dec 2008 \$	Half-year ended 31 Dec 2007 \$
(a) <b>Basic earnings per share</b>		
Loss attributable to the ordinary equity holders of the Company	<u>(.0318)</u>	<u>(.0032)</u>
(b) <b>Diluted earnings per share</b>		
Diluted earnings per share are not disclosed as they are not materially different to basic earnings per share.		
	Number	Number
(c) <b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<u>58,297,297</u>	<u>44,662,297</u>

### 6. SEGMENTAL INFORMATION

The Company operates predominantly in Australia and predominantly in the mining industry.

### 7. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 7 January 2009, 110,000 shares were issued at an issue price of 35 cents each together with 110,000 free attaching options (exercisable at 35 cents on or before 31 December 2009) each pursuant to the placement commenced in December 2008 to raise additional funds for the completion of the Mt Cattlin Definitive Feasibility Study.

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Other than as stated above, there were no matters or circumstances that have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the half-year ended 31 December 2008.



# Galaxy Resources Limited

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## Notes to the financial statements

For the half-year ended 31 December 2008

### 8. CONTINGENCIES

#### Commitments for Expenditure – Mineral Tenements Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay \$431,480 in respect of tenement lease rentals, rates and exploration expenditure to meet the minimum expenditure requirements of the Western Australian Department of Minerals and Energy. These obligations will be fulfilled in the normal course of operations.

# Galaxy Resources Limited

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## DIRECTORS' DECLARATION

The Directors declare that:

- a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including
  - (i) complying with Accounting Standards, The Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the financial position and performance of the Company as at 31 December 2008, as represented by the results of its operations, changes in equity and its cashflows for the half-year to 31 December 2008; and
- (b) there are reasonable grounds to believe that Galaxy Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors pursuant to s 303(5) of the Corporations Act, 2001.



Ignatius Tan  
Managing Director

Signed at Perth this 11<sup>th</sup> day of March 2009

# ROTHSAY

Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001  
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

## Independent Review Report to the Members of Galaxy Resources Ltd

### The financial report and directors' responsibility

The interim financial report comprises the balance sheet, income statement, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Galaxy Resources Ltd for the half-year ended 31 December 2008.

The Company's directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Galaxy Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Galaxy Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the financial position of the company as at 31 December 2008 and of its performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Rothsay

G.R. Swan

Graham R Swan  
Partner

Dated 11<sup>TH</sup> MARCH 2009



Chartered Accountants

Liability limited by the Accountants Scheme, approved  
under the Professional Standards Act 1994 (NSW).