

9 March 2010

CAH Options Exercise Price Adjustment

Summary

Catalpa Resources Limited (ASX:CAH) ("Catalpa") has become aware that the exercise price of its listed options with the ASX code "CAHO" ("CAHO Options") (currently 1,916,859 on issue) was adjusted downwards in 2008, but that Catalpa did not disclose this adjustment at the time. The exercise price of the CAHO Options is currently \$1.045, rather than \$1.10 as previously disclosed by Catalpa.

Catalpa will resolve this matter by compensating CAHO Option holders who have converted CAHO Options since 10 December 2008, or who purchased CAHO Options before 10 December 2008 and sold those CAHO Options before Friday, 5 March 2010. The cost to Catalpa of providing this compensation is approximately \$100,000.

Background

The CAHO Options were originally issued in 2007 with an exercise price of \$0.10. At the time of the 11 for 1 consolidation in connection with the merger of Lion Selection Limited and Catalpa ("Consolidation"), Catalpa informed the market that the exercise price of the CAHO Options increased from \$0.10 to \$1.10 pursuant to the ASX Listing Rules.

In 2008, Catalpa conducted a rights issue ("2008 Rights Issue"). At that time, Catalpa had 38,350,060 CAHO Options on issue (pre 11 for 1 Consolidation) with an exercise price of \$0.10. Under the terms of the CAHO Options, the 2008 Rights Issue triggered an adjustment of the exercise price in accordance with a formula set out in the ASX Listing Rules. Pursuant to that formula, the exercise price of the CAHO Options was reduced from \$0.10 to \$0.095 (following the Consolidation, this price increased to \$1.045). That is, the exercise price of the CAHO Options should have adjusted downwards by \$0.005 (pre-Consolidation), or \$0.055 (post-Consolidation) ("Adjustment Amount").

Under the ASX Listing Rules, Catalpa was required to notify the ASX of the Adjustment Amount as a result of the 2008 Rights Issue 5 business days before it took place, however, due to an administrative oversight this did not occur.

CAHO Option holders effected by this matter

In Catalpa's view, the failure to notify ASX of the Adjustment Amount in 2008 has caused the following CAHO Option holders to have suffered loss:

ASX Code: **CAH**

Shares on issue:

144,648,419

Share Price Current:

\$1.47 (9 March 2010)

12 month range

\$1.98 (high) - \$0.20 (low)

Board of Directors

Mr Peter Maloney	Non Exec Chairman
Mr Bruce McFadzean:	Managing Director
Mr John Rowe:	Non Exec Director
Mr Murray Pollock:	Non Exec Director
Mr Barry Sullivan:	Non Exec Director
Mr Graham Freestone:	Non Exec Director
Mr Graham Anderson:	Company Secretary
Mr Leonard Math:	Company Secretary

Senior Management

Erik Palmbachs	CFO
Stuart Pether	GM Operations
Nick Winnall	Manager Exploration
Adrian Pelliccia	Manager Geology

- 1 CAHO Option holders who have converted CAHO Options since 10 December 2008; and
- 2 CAHO Option holders who acquired CAHO Options before 10 December 2008 and sold those CAHO Options before the CAHO Options were voluntarily suspended on Friday, 5 March 2010.

Where CAHO Options have been converted since 10 December 2008, CAHO Option holders have been paying either \$0.10 (pre-Consolidation), or \$1.10 (post-Consolidation), to convert the CAHO Options. That is, CAHO Option holders have been paying either \$0.005 (pre-Consolidation), or \$0.055 (post-Consolidation), more than they should have to convert the CAHO Options. Since 10 December 2008, 96,117 CAHO Options have been converted at \$0.10 and 27,890 CAHO Options have been converted at \$1.10.

In relation to CAHO Options that were purchased before 10 December 2008 and sold before 5 March 2010, it is likely that if the Adjustment Amount had been disclosed to the market, all things being equal, the market price of the CAHO Options would have been higher than at the time those CAHO Options were sold. Using a Black-Scholes valuation of the CAHO Options assuming the reduced exercise price, in Catalpa's view, the value of the CAHO Options would have increased by approximately \$0.0025 (pre-Consolidation), or \$0.025 (post-Consolidation). However, it may also have been the case that the market price of the CAHO Options at any point in time between 10 December 2008 and 5 March 2010 may have deviated from this theoretical value and the market price may have appreciated by as much as \$0.005 (pre-Consolidation), or \$0.055 (post-Consolidation).

10,635,763 CAHO options were acquired before 10 December 2008 and sold before the Consolidation.

As at today's date, 341,925 CAHO options were acquired before 10 December 2008 and sold after the Consolidation, but before 5 March 2010.

Resolution of this matter

In order to compensate each CAHO Option holder effected by this matter, Catalpa will be doing the following:

1. Where CAHO Options have been converted since 10 December 2008, Catalpa will write to each of the relevant CAHO Option holders enclosing a cheque drawn in the amount of \$0.005 (pre-Consolidation), or \$0.055 (post-Consolidation), as relevant, multiplied by the number of CAHO Options converted by that CAHO Option holder as final settlement of the matter.

This equates to an aggregate liability on the part of Catalpa of \$2,014.54.

2. In relation to CAHO Options that were purchased before 10 December 2008 and sold before 5 March 2010, Catalpa will write to each of the relevant CAHO Option holders enclosing a cheque drawn in the amount of \$0.005 (pre-Consolidation), or \$0.055 (post-Consolidation), as relevant, multiplied by the number of CAHO Options purchased by that CAHO Option holder before 10 December 2008 and sold before 5 March 2010 as final settlement of the matter.

This equates to an aggregate liability on the part of Catalpa of \$99,640.

Catalpa will write to each of the relevant CAHO Option holders in the coming days.



For further enquiries contact:

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ABOUT CATALPA RESOURCES

Catalpa Resources Limited (ASX: CAH) has two exciting gold assets; a 30% interest in the 100 000+ ounces per annum Cracow Gold Operations - a producing gold mine in Queensland (70% Newcrest Mining Limited); and the 100 000+ ounces per annum Edna May Gold Operations in Western Australia (100%) - an advanced gold project on schedule to commence production in June 2010.

The A\$92 million Edna May Gold Project is fully funded, and, as part of the finance facility, Catalpa has sold forward 352,316 ounces of gold at A\$1,557.50 per ounce. At an average gold price of A\$1,400 per ounce Catalpa will realize an average cash operating margin of A\$72 million per annum from the Edna May Gold Operations alone.

With a combined Mineral Resource of more than 1.9 million ounces and a combined Ore Reserve of more than a million ounces of gold, the Cracow and Edna May Operations will provide a sustainable cash flow to fund Catalpa's growth strategy.

Catalpa is confident that both the Cracow and Edna May Gold Operations offer further Reserve and Resource growth potential, with ongoing exploration programmes at both operations. In parallel, the Company continues to proactively identify and assess other production growth opportunities.

The Company has a committed and technically accomplished management team and a highly-experienced and supportive Board, committed to realising shareholder value from the Company's growing asset portfolio.

Catalpa has adopted best practice standards across all its activities, including health and safety, environmental management, corporate governance and social responsibility.

EDNA MAY OPERATIONS (100%)

Catalpa's wholly-owned Edna May Gold Operations is conveniently positioned just two kilometers from the infrastructure of Westonia, on the eastern edge of WA's Wheatbelt region. The mine is half way between Perth and Kalgoorlie and ideally situated to be serviced by either of these major mining centres.

With its robust economics, geologically and metallurgically well defined ore-body, high Ore Reserve confidence and excellent recovery rate of more than 92%, Catalpa's Edna May Gold Operations offers an attractive, long-term platform to grow a mid tier gold producer.

Catalpa's mine and processing schedule demonstrate average gold production at Edna May in excess of 100,000 ounces of gold recovered per annum for a life of mine of more than nine years, with production planned to commence in June 2010.

CRACOW GOLD OPERATIONS (30%)

Catalpa owns 30% of the Cracow Gold Operations in Queensland with Newcrest Mining Limited, and also has a pre-emptive right over Newcrest's 70% stake in the asset. The Cracow Gold Project is well managed and operated by Newcrest, allowing Catalpa to remain focused on constructing the Edna May Gold Project on time and within budget.

The Cracow Gold Project has a history of steady gold production of over 100,000 ounces per annum for the past four years and it is considered to have considerable exploration upside.

