

10 March 2010

ASX: CAH

NEWS RELEASE

DECEMBER 2009 HALF YEAR FINANCIAL RESULTS

Summary of Financial Results	Half Year to 31 Dec 09 \$'000s	Half Year to 31 Dec 08 \$'000s
Gold sales	3,633	-
Operating profit	803	(2,124)
Loss before merger costs and tax	(1,783)	(3,265)
Loss after tax	(3,679)	(3,265)
EPS (cents per share)	(3.32)	(9.79)

HIGHLIGHTS

- The Edna May Gold Project remains within budget, and ahead of schedule to produce first gold in May 2010.
- Catalpa successfully completed a merger and acquired a 30% stake in the Cracow Gold Operations (Newcrest 70%); and a pre-emptive right over the remaining 70% of this 100,000 ounce per annum operation.
- The Cracow Gold Operations continues to exceed production expectations, with two records set in December including a new monthly stoping record of 36,043t and a new monthly mill processing record of 41,858t. Gold production for the period was 53,082 ounces, (2008: 41,727 ounces), of which 2,930 ounces accrued to Catalpa (30% with effect from 1 December 2009) to realise revenue of \$3.633 million.
- Catalpa's share of the Cracow Gold Project for the month of December delivered a profit of \$0.964 million and an operating cash flow surplus of \$1.7 million.
- The 30% stake in the Cracow Gold Operation delivered an operating cash flow surplus of \$3.3 million with respect to the 5 month period from August 2009 to December 2009.



Catalpa Resources Limited

ABN 74 084 669 036

**Half-Year Financial Report
31 December 2009**

CATALPA RESOURCES LIMITED

HALF YEAR REPORT

CORPORATE INFORMATION

ABN 74 084 669 036

Directors

Peter Maloney	(Chairman)
Bruce McFadzean	(Managing Director)
John Rowe	(Non-Executive Director)
Murray Pollock	(Non-Executive Director)
Barry Sullivan	(Non-Executive Director)
Graham Freestone	(Non-Executive Director)

Company Secretary

Graham Anderson and Leonard Math (Joint Company Secretaries)

Registered Office

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Share Register

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APPLECROSS WA 6153
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Fax: (618) 9315 2233
Email: registrar@securitytransfer.com.au

Auditors

PKF Chartered Accountants and Business Advisors
Level 7, BGC Centre
28 The Esplanade
PERTH WA 6000
Tel: (618) 9278 2222
Fax: (618) 9278 2200

Internet Address

www.catalparesources.com.au

Stock Exchange Listing

Catalpa Resources Limited (CAH) shares are listed on the Australian Securities Exchange.

CATALPA RESOURCES LIMITED

HALF YEAR REPORT

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CATALPA RESOURCES LIMITED

HALF YEAR REPORT

DIRECTORS' REPORT

The directors of Catalpa Resources Limited submit the financial report of Catalpa Resources Limited and its subsidiaries (the Group) for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Peter Maloney	(Non-Executive Chairman)	- appointed 10 December 2009
Bruce McFadzean	(Managing Director)	
John Rowe	(Non-Executive Director)	- Non-Executive Chairman for period to 9 December 2009
Murray Pollock	(Non-Executive Director)	
Barry Sullivan	(Non-Executive Director)	
Graham Freestone	(Non-Executive Director)	- appointed 10 December 2009
Nigel Johnson	(Non-Executive Director)	- resigned 10 December 2009

REVIEW AND RESULTS OF OPERATIONS

Corporate

During the period under review Catalpa successfully completed a merger with Lion Selection Limited and acquired a 30% stake in the Cracow Gold Operations (Newcrest 70%); and a pre-emptive right over the remaining 70% of this 100 000 ounce per annum operation.

Following the merger, Catalpa's Board was restructured and Peter Maloney was appointed Non-Executive Chairman and Graham Freestone as Non-Executive Director. Former Chairman, Mr John Rowe, remains on the Board as Non-Executive Director.

At a General Meeting on 18 February, shareholders approved the restructure of Catalpa's share register with the cancellation of some 50 million (49,922,703) Catalpa shares which were acquired by Catalpa during the transaction. The share restructure effectively completed the merger process and left Catalpa's share register considerably cleaner with 144.6 million shares and approximately 16 million options.

Edna May Gold Project

Mining commenced at the Edna May Gold Project on schedule in October 2009. Construction of the Edna May Gold Processing Plant and associated infrastructure is well advanced with installation of the crusher, Ball and SAG mills complete. Plant refurbishment is currently 95% complete. The coarse ore stockpile, tunnel and conveyors are also well advanced and all major concrete and steel works are complete. The tails storage facility construction remains on schedule for commissioning in April 2010.

The Project remains within budget, and ahead of schedule to produce first gold in May 2010. Importantly, an excellent safety standard has been achieved during the construction of Edna May Gold Project which remains Lost Time Injury free.

Resource Drilling

On 2 December 2009, the Company reported an updated Mineral Resource and Ore Reserve delivering a further 16% boost to gold Reserves, and a 13% increase in the Mineral Resource at the Edna May Gold Project. The revised Mineral Resource and Ore Reserve estimate was the result of several significant RC and diamond drilling programs.

CATALPA RESOURCES LIMITED

HALF YEAR REPORT

Total Mineral Resources after mining depletion are estimated at 1.66 million ounces of gold which represents an increase of 170,000 ounces of gold (13%) to the previous estimate. The increase was driven by additions to the Edna May Deposit including an initial estimate of mineralisation within the Golden Point Gneiss and a reduction in applied cut-off grade to 0.4 g/t Au to reflect the economic cut-off grade at A\$1,250 per ounce.

Total Ore Reserves after mining depletion are estimated at 954,000 ounces of gold which represents an increase to the previous estimate of 134,000 ounces of gold (+16%), driven by additional drilling upgrading Inferred Mineral Resources within the Edna May Deposit and revised gold pricing assumptions.

A current RC Resource Definition drill programme is underway at Golden Point, targeting mineralisation adjacent to the Edna May open pit, with 43 holes for 4,000m completed in a 6,500m, 65 hole programme. The results support the potential to further expand Mineral Resource ounces and increase the Ore Reserve at the Edna May Gold Project. An updated Mineral Resource estimate is expected in April following completion of drilling and interpretation of results.

Further information regarding Mineral Resources or Ore Reserves and the competent persons statement can be found under the company website at www.catalparesources.com.au

Cracow Joint Venture

The Cracow Gold Operations continue to exceed production expectations, with two records set in December including a new monthly stoping record of 36,043t and a new monthly mill processing record of 41,858t. Gold production for the period was 53,082 ounces, (2008: 41,727 ounces), of which 2,930 ounces accrued to Catalpa (30% with effect from 1 December 2009) to realise revenue of \$3.633 million.

Operating costs for the Operation remain well under control, with cash costs for the year-to-date under budget at A\$485/oz.

Catalpa's share of the Operation for the month of December delivered an operating cash flow surplus of \$1.7 million.

Operating Results

The consolidated loss of the Group after tax for the half-year ended 31 December 2009 is \$3.679 million (2008: \$3.265 million). The loss for the period included:

- Gold sales revenue of \$3.633 million;
- Profit of \$0.964 million from the Group's share of the Cracow Gold Project for the month of December; and
- \$2.056 million of expenses relating to the merger with the Lion Group.

Financial Position

The net assets of the Group increased from \$44.611 million at 1 July to \$108.028 million at 31 December, reflecting the merger with the Lion group of companies.

As at the date of this report the Group has drawn down \$49 million of its \$55 million facility with Macquarie Bank and has a further facility of \$10 million which remains unused.

The Group had a net current deficiency of \$8.904 million at period end due to current payables of \$11.661 million, relating principally to the main contractor building the processing plant at the Edna May site. These payables were paid in January 2010 from funds drawn down from the Macquarie Bank loan facility. The funds drawn down in January 2010 are repayable in greater than 1 year.

CATALPA RESOURCES LIMITED HALF YEAR REPORT

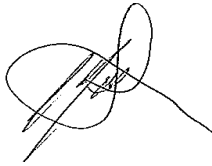
ROUNDING

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded to the nearest thousand dollars unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 4.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Bruce McFadzean', with a stylized flourish extending from the end.

Bruce McFadzean
Managing Director
Perth, 10 March 2010

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Catalpa Resources Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Catalpa Resources Limited and the entities it controlled during the half year.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth, Western Australia this 10th day of March 2010

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PKF Perth is a member of the PKF International Limited network of legally independent member firms. PKF Perth is also a member of PKF Australia Limited, a national network of legally independent firms each trading as PKF. PKF Perth does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

CATALPA RESOURCES LIMITED
HALF YEAR REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated	
	Half-year ended	
	31 December	31 December
	2009	2008
Notes	\$'000s	\$'000s
Continuing Operations		
Sale of gold	3,633	-
Cost of sales	(2,749)	-
Gross profit	884	-
Exploration and evaluation costs expensed as incurred	(81)	(2,124)
Operating profit/(loss)	803	(2,124)
Other revenue	296	76
Administrative costs	(2,863)	(1,217)
Business combination expenses	(2,056)	-
Finance cost	(19)	-
Loss before income tax	(3,839)	(3,265)
Income tax benefit	160	-
Loss for the period attributable to owners of the parent	(3,679)	(3,265)
Other comprehensive income	-	-
Total comprehensive income for the period attributable to owners of the parent	(3,679)	(3,265)
Earnings per share (cents per share)		
- basic loss per share for the half-year	(3.32)	(9.79)
- diluted loss per share for the half-year	(3.32)	(9.79)

Notes to the condensed consolidated financial statements are included on pages 8 to 18

CATALPA RESOURCES LIMITED
HALF YEAR REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	Consolidated	
		31 December 2009 \$'000s	30 June 2009 \$'000s
CURRENT ASSETS			
Cash and cash equivalents		4,215	32,297
Other receivables		2,110	839
Other financial assets		-	3,533
Inventory		3,607	-
Prepayments		252	9
Exploration, evaluation and development		1,917	-
TOTAL CURRENT ASSETS		12,101	36,678
NON CURRENT ASSETS			
Property, plant and equipment	6	61,613	7,457
Exploration, evaluation and development	7	71,373	1,526
Borrowing costs		-	3,663
Future income tax benefit		3,342	-
TOTAL NON CURRENT ASSETS		136,328	12,646
TOTAL ASSETS		148,429	49,324
CURRENT LIABILITIES			
Trade and other payables		11,661	4,113
Borrowings		7,782	20
Income tax payable		561	-
Provisions		1,001	107
TOTAL CURRENT LIABILITIES		21,005	4,240
NON CURRENT LIABILITIES			
Borrowings		8,489	66
Provisions		4,424	407
Deferred income tax liability		6,483	-
TOTAL NON CURRENT LIABILITIES		19,396	473
TOTAL LIABILITIES		40,401	4,713
NET ASSETS		108,028	44,611
EQUITY			
Issued capital	9	141,183	74,101
Reserves		4,540	4,526
Accumulated losses		(37,695)	(34,016)
TOTAL EQUITY		108,028	44,611

Notes to the condensed consolidated financial statements are included on pages 8 to 18

CATALPA RESOURCES LIMITED
HALF YEAR REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED	Ordinary shares \$'000s	Share- based payments reserve \$'000s	Accumulated losses \$'000s	Total equity \$'000s
At 1 July 2008	32,976	501	(27,202)	6,275
Loss for the period	-	-	(3,265)	(3,265)
Total income and expense for the period recognised directly in equity	-	-	(3,265)	(3,265)
Contribution of equity net of costs	3,202	-	-	3,202
Share-based payment	-	166	-	166
At 31 December 2008	36,178	667	(30,467)	6,378
At 1 July 2009	74,101	4,526	(34,016)	44,611
Loss for the period	-	-	(3,679)	(3,679)
Total income and expense for the period recognised directly in equity	-	-	(3,679)	(3,679)
Contribution of equity net of costs	67,082	-	-	67,082
Share-based payment	-	14	-	14
At 31 December 2009	141,183	4,540	(37,695)	108,028

Notes to the condensed consolidated financial statements are included on pages 8 to 18

CATALPA RESOURCES LIMITED
HALF YEAR REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated	
		Half-year ended	Half-year ended
		31 December	31 December
		2009	2008
		\$'000s	\$'000s
Cash from operating activities			
Receipts from sales of gold		3,633	-
Payments to suppliers and employees		(3,880)	(2,865)
Interest received		296	91
Interest paid		(19)	-
Income tax paid		(272)	-
Net cash flows used in operating activities		(243)	(2,774)
Cash flows from investing activities			
Purchase of property, plant and equipment		(44,122)	(11)
Payment for exploration, evaluation and development		(6,981)	-
Transfer from term deposits		3,533	-
Payment of business combination expenses		(2,056)	-
Cash acquired as part of business combination	11	2,896	-
Net cash used in investing activities		(46,730)	(11)
Cash flows from financing activities			
Proceeds from issue of ordinary shares net of expenses		14	3,202
Proceeds from borrowings		20,000	-
Payment of facility fee		(1,100)	-
Repayment of borrowings		(23)	-
Net cash provided by financing activities		18,891	3,202
Net (decrease)/increase in cash and cash equivalents		(28,082)	417
Cash and cash equivalents at the beginning of the period		32,297	2,809
Cash and cash equivalents at the end of the period	5	4,215	3,227

Notes to the condensed consolidated financial statements are included on pages 8 to 18

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Catalpa Resources Limited (the "company") for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 10 March 2010.

Catalpa Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report should be read in conjunction with the annual Financial Report of Catalpa Resources Limited as at 30 June 2009.

It is also recommended that the half-year financial report be considered together with any public announcements made by Catalpa Resources Limited and its controlled entities during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 "Interim Financial Reporting", and other mandatory professional reporting requirements. The half-year report has been prepared on a historical cost basis, except where stated. All amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded to the nearest thousand dollars unless otherwise indicated.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009, except for the impact of the standards and interpretations described below.

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 30 June 2009.

- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations* effective 1 January 2009
- AASB 3 *Business Combinations (revised 2008)* effective 1 July 2009
- AASB 7 *Financial Instruments: Disclosures* effective 1 January 2009
- AASB 8 *Operating Segments* effective 1 January 2009
- AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 January 2009
- AASB 123 *Borrowing Costs (revised 2007)* effective 1 January 2009
- AASB 127 *Consolidated and Separate Financial Statements (revised 2008)* effective 1 July 2009
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations [AASB 2]* effective 1 January 2009
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* effective 1 July 2009
- AASB 2009-3 *Amendments to Australian Accounting Standards - Embedded Derivatives [AASB 139 and Interpretation 9]* effective 30 June 2009

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant accounting policies (continued)

- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 July 2009
- AASB 2009-6 *Amendments to Australian Accounting Standards* operative for periods beginning on or after 1 January 2009 that end on or after 30 June 2009

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments.

AASB 8 Operating Segments

AASB 8 replaced AASB 114 *Segment Reporting* upon its effective date. AASB 8 disclosures are shown in note 3, including the related revised comparative information.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

Annual Improvements Project

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 January 2010

In May 2008 and April 2009 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
(b) Significant accounting policies (continued)

The following accounting policies were adopted 1 July 2009:

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Joint venture arrangements

The Group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising its interest in the assets and the liabilities of the joint venture. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

Inventories

Gold in solution form, ore and work in progress is physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct costs and an appropriate portion of fixed and variable production overhead expenditure, including depreciation and amortisation, incurred in converting materials into finished goods.

Materials and supplies are valued at the lower of cost and net realisable value. Any provision for obsolescence is determined by reference to specific stock items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant accounting policies (continued)

Deferred Mining Expenditure

The Group defers mining costs incurred during the production stage of its operations as part of determining the cost of inventories. This is generally the case where there are fluctuations in deferred mining costs over the life of the mine and the effect is material. The amount of mining cost deferred is based on the ratio obtained by dividing the amount of waste tonnes mined by the quantity of ore tonnes. Mining costs deferred in the year are deferred to the extent that the current year waste to ore ratio exceeds the life of mine waste to ore ratio. Deferred mining costs are then charged against reported profits to the extent that, in subsequent years, the current year ratio falls below the life of mine ratio. The life of mine ratio is based on the economically recoverable reserves of the operation.

The life of mine ratio is a function of an individual mine's design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of mine ratio even if they do not affect the mine's design. Changes to the life of mine ratio are accounted for prospectively.

Underground mining operations occur progressively on a level by level basis. In these operations an estimate is made of the life of level average underground mining cost per tonne of ore mined to expense underground mining costs in the Income Statement. Underground mining costs incurred during the year are deferred to the extent that the actual cost per tonne of ore mined on a level in the year exceeds the life of level average. Previously deferred underground mining costs are released to the Income Statement to the extent that the actual cost per tonne of the ore mined in the year is less than the life of level average.

Deferred mining costs are included in the balance sheet as exploration, evaluation and development and form part of the total investment in the relevant cash-generating unit to which they relate, which is reviewed for impairment in accordance with the accounting policy on Impairment disclosed in the Company's June 2009 annual report. The release of deferred mining costs is included in cost of sales.

Treasury shares

The Company's own equity instruments, that are held as a result of the merger with Lion Selection Limited (treasury shares), are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(c) Going concern

At 31 December 2009 the Group incurred a loss of \$3.679 million after tax and had a deficiency in working capital of \$8.904 million. The deficiency in working capital is due to current payables of \$11.661 million relating principally to the main contractor building the processing plant at the Edna May site. These payables were paid in January 2010 from funds drawn down from the bank loan facility in January 2010 (refer to note 8(a)). The funds drawn down in January 2010 are repayable in greater than 1 year. As at 31 December 2009 period end the balance of the loan facility that was unused was \$35 million. The Group also has a mezzanine finance facility of \$10 million that was unused at the date of the half year financial report.

As at 31 December 2009 and at the date of this report, the Edna May project is fully funded and is on budget with production to commence in June 2010. In addition cash-flow from Catalpa's acquisition of a 30% interest in the Cracow Joint Venture has commenced in December 2009.

The Directors have reviewed the Company's cash flow forecasts to March 2011 which indicate the Group will have the cash resources to meet its commitments over that period.

The half year financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Restatement of earnings per share comparatives

The EPS calculations for the comparative period have been restated to include the impact of the share consolidation undertaken in December 2009, in accordance with AASB 133 *Earnings Per Share*.

3. SEGMENT INFORMATION

The group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and the management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group's two mine sites are each treated as separate operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss, which is measured on the same basis as profit or loss in the consolidated financial statements. There is no change in the basis of segmentation on adoption of AASB 8 *Operating Segments*.

All operating activities are conducted in Australia.

Half-year ended 31 December 2009	Edna May Gold Project	Cracow Joint Venture	Unallocated items	Total
	\$'000s	\$'000s	\$'000s	\$'000s
Revenue				
External sales	-	3,633	-	3,633
Total segment revenue	-	3,633	-	3,633
Interest revenue				296
Total revenue per the statement of comprehensive income				3,928
Segment result	(320)	964	-	644
Interest revenue				296
Corporate expenses				(2,544)
Expense of business acquisition				(2,056)
Finance costs				(19)
Net loss before tax per the statement of comprehensive income				(3,679)
31 December 2009				
Segment assets	69,670	71,818	3,599	145,087
Deferred tax asset				3,342
Total assets per the statement of financial position				148,429

Total assets have materially increased from the 30 June 2009 annual report due to the acquisition of an interest in the Cracow Joint Venture and plant construction and mine development work carried out at the Edna May Project during the period.

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (continued)

Half-year ended 31 December 2008	Edna May Gold Project	Cracow Joint Venture	Unallocated items	Total
	\$'000s	\$'000s	\$'000s	\$'000s
Revenue				
Total segment revenue	-	-	-	-
Interest revenue				76
Total revenue per the statement of comprehensive income				76
Segment result	(2,463)	-	-	(2,463)
Interest revenue				76
Corporate expenses				(878)
Net loss before tax per the statement of comprehensive income				(3,265)
30 June 2009				
Segment assets	8,983	-	40,341	49,324
Total assets per the statement of financial position				49,324

CONSOLIDATED	
December 2009	December 2008
\$'000s	\$'000s

4. EXPENSES

(a) Cost of goods sold

Cost of goods sold includes:

Depreciation and amortisation	1,555	-
Processing and other costs	1,194	-
	<u>2,749</u>	<u>-</u>

(b) Finance cost

Interest costs:

Interest on loan	144	-
Finance leases	19	-
Facility fees and other costs	388	-
	<u>551</u>	<u>-</u>
Less: capitalised borrowing costs	(532)	-
	<u>19</u>	<u>-</u>

5. CASH AND CASH EQUIVALENTS

For the purposes of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	4,215	3,227
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CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land & Buildings \$'000s	Plant and Equipment \$'000s	Total \$'000s
Gross carrying amount			
Balance at 30 June 2009	474	12,281	12,755
Additions	4,951	45,155	50,106
Acquired as part of business acquisition	-	4,980	4,980
Balance at 31 December 2009	<u>5,425</u>	<u>62,416</u>	<u>67,841</u>
Accumulated depreciation, amortisation and impairment			
Balance at 30 June 2009	(84)	(5,214)	(5,298)
Depreciation charge	(198)	(732)	(930)
Balance at 31 December 2009	<u>(282)</u>	<u>(5,946)</u>	<u>(6,228)</u>
Net book value			
As at 30 June 2009	390	7,067	7,457
As at 31 December 2009	<u>5,143</u>	<u>56,470</u>	<u>61,613</u>

7. EXPLORATION, EVALUATION AND DEVELOPMENT

Exploration, evaluation and development costs carried forward in respect of mining areas of interest:

	\$'000s
Current	
Opening net book amount at 1 July 2009	-
Incurred during the year	121
Amortisation	(163)
Acquired as part of business acquisition (refer to note 11)	1,959
Closing net book amount at 31 December 2009	<u>1,917</u>
Non-current	
Opening net book amount at 1 July 2009	1,526
Incurred during the year	6,860
Increase in provision for restoration	3,000
Amortisation	(462)
Acquired as part of business acquisition (refer to note 11)	60,449
Closing net book amount at 31 December 2009	<u>71,373</u>

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	CONSOLIDATED	
	December	June
	2009	2009
	\$'000s	\$'000s
8. BORROWINGS		
<i>Current</i>		
Secured:		
Bank loan (a)	8,500	-
Less: borrowing costs	(973)	-
Finance lease liabilities (b)	118	20
Unsecured:		
Premium funding	137	-
	7,782	20
 <i>Non-current</i>		
Secured:		
Bank loan (a)	11,500	-
Less: borrowing costs	(3,402)	-
Finance lease liabilities (b)	391	66
	8,489	66
 (a) The amount of the bank loan facility used as at period end is as follows:		
Amount used	20,000	-
Amount unused	35,000	-
	55,000	-

As at the date of this report the Group had drawn down an additional \$29 million of this facility resulting in a loan balance of \$49 million (refer to note 13).

The bank loan is secured by way of:

- a fixed and floating charge over all assets and undertakings of the Group, excluding its interest in the Cracow Gold Project;
- a mortgage over the Edna May Gold Project tenements; and
- a fixed charge over the Company's proceeds account and gold account.

Interest was charged during the period at a rate of 9.1% pa.

- (c)** The Group's lease liabilities are secured by the assets leased. In the event of default the assets revert to the lessor. Interest on finance leases is charged at rates between 7.5% to 9.5% pa.
- (d)** The Group has access to a mezzanine loan facility of \$10 million. This facility is unused as at period end.

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. CONTRIBUTED EQUITY

	CONSOLIDATED	
	December	June
	2009	2009
	\$'000s	\$'000s
Ordinary shares (i)	141,183	74,101

(i) Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	CONSOLIDATED	
	No	\$'000s
<i>Movement in ordinary shares on issue</i>		
At 30 June 2009	1,171,777,896	74,101
Conversion of listed options at \$0.10 each	74,533	7
1 for 11 share consolidation	(1,065,318,526)	-
Conversion of listed options at \$1.10 each	7,724	8
Shares issued as consideration for acquisition of subsidiaries	88,029,353	154,932
	194,570,980	229,047
Less treasury shares (a)	(49,922,703)	(87,864)
At 31 December 2009	144,648,277	141,183

- (a) The treasury shares were acquired as part of the merger with Lion Selection Limited ("LST") in December 2009 (refer to note 11), being the shares LST held in the Company prior to the merger. These shares were cancelled in February 2010.

10. COMMITMENTS AND CONTINGENCIES

Expenditure commitments relate to the following contracts:

(i) Contract for the construction of the Edna May Gold Treatment Plant

The total cost of the project is estimated to be \$52.2 million which includes a guaranteed maximum price component of \$46 million. The remaining commitment under this contract as at period end is \$16.8 million. An arrangement has been entered into to pay the contractor for work completed to date if the contract is terminated prior to completion. This commitment is fully funded by a loan facility with Macquarie Bank Limited (refer to note 8).

(ii) Contract to supply and operate mobile mining equipment to the Edna May Gold Project

A termination fee is payable by the Group if this contract is terminated with less than 6 months notice. The maximum termination fee payable is \$2.800 million. No termination fee is payable if the Group provides more than 6 months notice.

(iii) Contract to supply electricity to the Edna May Gold Project

The Group have entered into a 3 year contract to purchase electricity for the Edna May Gold Project. Supply of electricity under the contract commenced during February 2010. The Group has an obligation under the contract to purchase a minimum amount of electricity each year and has provided a bank guarantee of \$1,216,145 to the electricity provider to cover the cost of failing to meet any obligations under the contract, including any shortfall in electricity usage.

There were no other material changes to commitments to those disclosed in the Company's annual report for the year ended 30 June 2009.

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. COMMITMENTS AND CONTINGENCIES (continued)

Contingent liabilities

Bank guarantee

The Cracow Gold Project, of which the Group has a 30% share (refer note 12), has bank guarantees of \$6.497 million in favour of a service provider. The Group's share of this contingent liability is \$1.949 million (30 June 2009: nil).

Cross charge

The obligations of the Group to make payments under the Cracow Mining Joint Venture Agreement are secured by registered cross charges over the assets of the Cracow Gold Project given in favour of the other joint venture participant.

There were no other material contingent assets or liabilities as at period end.

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. ACQUISITION OF SUBSIDIARIES

During December 2009, the Group completed a merger with Lion Selection Limited. As part of the merger the Group acquired a 100% interest in Lion Selection Limited which in turn has a 100% interest in:

AuSelect Limited;
Sedimentary Holdings Limited;
Sedgold Pty Ltd; and
Fernyside Pty Ltd.

The above subsidiaries collectively hold a 30% interest in the Cracow Gold Project (refer to note 12). The Cracow Gold Project is an underground gold mine which produced 53,082 ozs of gold for the half-year ended 31 December 2009. The Group has made gold sales of 2,930ozs since acquisition date.

The consideration transferred consisted of 88,029,353 shares with a fair value of \$1.76 each based on the quoted price of the shares of Catalpa at the date of exchange.

Acquisition-related costs amounting to \$2.056 million have been excluded from the consideration and have been recognised as an expense in the period.

Assets acquired and liabilities assumed at the date of acquisition

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of the acquired subsidiaries based on the best information available as of the reporting date. Provisional business combination accounting is as follows:

	Fair value at acquisition date \$'000s	Carrying value \$'000s
<i>Current assets</i>		
Cash	2,896	2,896
Trade and other receivables	248	248
Financial assets	87,864	85,236
Inventories	3,434	3,434
Exploration, evaluation and development	1,959	1,959
Total current assets	96,401	93,773
<i>Non-current assets</i>		
Property, plant and equipment	4,980	4,980
Exploration, evaluation and development	60,449	34,848
Deferred tax asset	3,342	3,342
Total non-current assets	68,771	43,170
Total assets	165,172	136,943
<i>Current liabilities</i>		
Trade and other payables	1,511	1,511
Income tax payable	833	833
Provisions	747	747
Total current liabilities	3,091	3,091
<i>Non-current liabilities</i>		
Provisions	507	507
Deferred tax liabilities	6,642	6,642
Total non-current liabilities	7,149	7,149
Total liabilities	10,240	10,240
Provisional fair value of identifiable net assets	154,932	
Acquisition date fair value of consideration transferred		
Shares issued at fair value		154,932

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. ACQUISITION OF SUBSIDIARIES (continued)

Net cash inflow arising from the acquisition

	\$'000s
Consideration paid in cash	-
Cash and cash equivalent balances acquired	2,896
	<u>2,896</u>

Impact of acquisition on the results of the Group

The acquired subsidiaries contributed revenues of \$3.633 million and a net gain of \$0.964 million to the consolidated entity for the period from 1 December 2009 to 31 December 2009. Had the acquisition of the subsidiaries been effected at 1 July 2009, the revenue of the Group for the half-year ended 31 December 2009 would have increased by \$18.711 million and the net gain for the half-year would have decreased by \$0.2 million.

12. JOINTLY CONTROLLED OPERATION

The Group owns a 30% interest in the Cracow Gold Project located in Queensland. Newcrest Mining Limited own the other 70% and manage the operation. Each joint venture partner is responsible for selling their share of gold produced.

The Group's interest, as a venturer, in assets employed in the Cracow Gold Project is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories:

	CONSOLIDATED	
	December 2009 \$'000s	June 2009 \$'000s
Share of joint venture assets and liabilities		
Current assets	5,636	-
Non-current assets	23,385	-
Total assets	29,021	-
Current liabilities	2,603	-
Non-current liabilities	435	-
Total liabilities	3,038	-
Net assets	25,983	-
Share of joint venture revenue, expenses and results		
Revenue	-	-
Expenses	(1,912)	-
Loss before income tax	(1,912)	-
Share of joint venture capital commitments	-	-

CATALPA RESOURCES LIMITED
HALF YEAR REPORT
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. EVENTS AFTER THE BALANCE SHEET DATE

Bank loan facility

The Group has drawn down further funds under the bank loan facility subsequent to period end. As at the date of this report the facility had been utilised as follows:

	<u>\$'000s</u>
Amount used	49,000
Amount unused	<u>6,000</u>
	<u>55,000</u>

The mezzanine facility of \$10 million remains unused as at the date of this report.

Treasury shares

The treasury shares acquired as part of the merger with Lion Selection Limited ("LST") in December 2009 were cancelled in February 2010 (refer to note 9).

No other matter or circumstance has arisen since 31 December 2009 that has significantly affected, or may significantly affect, the operations of Catalpa Resources Limited and its controlled entities, or the state of affairs of Catalpa Resources Limited and its controlled entities in subsequent periods.

CATALPA RESOURCES LIMITED HALF YEAR REPORT

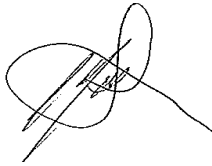
DIRECTORS'S DECLARATION

In the opinion of the directors of Catalpa Resources Limited:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2009 and of its performance, as represented by the results of its operations and cash flows for the half- year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the Directors



Bruce McFadzean
Managing Director

Perth, 10 March 2010



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CATALPA RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Catalpa Resources Limited, which comprises the Condensed Statement of Financial Position as at 31 December 2009, and the Condensed Statement of Comprehensive Income, Condensed Statement of Changes in Equity and Condensed Cash Flow Statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Catalpa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

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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 half-year financial report of Catalpa Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth, Western Australia on this 10th day of March 2010