

18 March 2010

The Manager  
Company Announcements Office  
ASX Limited

**NOTICE TO OPTION HOLDERS**

We attach a copy of the letter sent to shareholders in relation to the  
Entitlement Offer announced on 17 March 2010

Yours faithfully



**Leonard Math**  
Company Secretary  
Catalpa Resources Limited

17 March 2010

Dear Security holder,

**Catalpa Catalpa Resources Limited - Renounceable Entitlement Offer**

Catalpa Resources Limited (**Catalpa** or the **Company**) today announced that it will restructure the A\$10m mezzanine portion of the Company's A\$65 million debt facility with Macquarie Bank Limited (**Macquarie**). To facilitate the restructure and to accelerate Catalpa's growth the Company is undertaking a \$10m institutional placement (**Placement**) and a \$10m entitlement offer.

**1 for 19 Entitlement at \$1.25 per share**

In recognition of the support from Catalpa's shareholder base, the Company is offering Eligible Shareholders (defined below) the opportunity to participate in a fully underwritten 1 for 19 pro rata renounceable entitlement offer of fully paid ordinary shares in Catalpa (**New Shares**) at a price of \$1.25 per each New Share (**Entitlement Offer**) to raise approximately A\$10 million. The Entitlement Offer is being fully underwritten by Investec Bank (Australia) Limited (**Investec**) and Austock Securities Limited.

The Entitlement Offer price of \$1.25 per New Share represents a:

- 7 cent discount to the Placement price of \$1.32 per share;
- 16.1% discount to the closing price of Catalpa shares on 11 March 2010; and
- 10.6% discount to the 20 day volume weighted average price (**VWAP**) and a 15.0% discount to the theoretical ex rights price (after also adjusting for the placement).

Catalpa's Managing Director, Mr Bruce McFadzean said, "I encourage all Eligible Shareholders to participate in the Entitlement Offer and increase their holding in Catalpa as we move forward to commence production from the Company's flagship project, the Edna May Gold Mine. With a forward hedge book of 352,317 oz @ A\$1,557.5/oz the Edna May project is expected to produce strong operating cash flow margin of ~A\$80m per annum".

**Oversubscription facility**

The Entitlement Offer will also provide eligible shareholders with the opportunity to elect to subscribe for shares in addition to their pro rata entitlement. Further information is contained in the Entitlement Offer Booklet that will be sent to Eligible Shareholders shortly.

**Institutional Placement**

In conjunction with the Entitlement Offer, Catalpa also announced a \$10m institutional placement (**Placement**). The Placement was offered at \$1.32 per share and introduced a large North American and other new and large long term investors to Catalpa's register. The fully paid ordinary shares offered under the Placement were placed to investors exempt from disclosure under Chapter 6D of the Corporations Act 2001 (Cth) (**Corporations Act**) utilising Catalpa's capacity under ASX Listing Rule 7.1. Investec is Lead Manager of the non-US portion of the Placement. The Placement and the Entitlement Offer are together referred to as the **Offer** in this letter.

**Purpose and use of funds raised**

The purpose of the Offer is to raise funds to be used to:

- accelerate resource definition and exploration drilling at Edna May;
- facilitate the debt restructure with Macquarie Bank Limited; and
- provide additional working capital.

The following documents have been lodged with ASX today and are available on ASX's website ([www.asx.com.au](http://www.asx.com.au)):

- ASX announcement;
- Investor Presentation;
- Notice under section 708AA(2)(f) (**Cleansing Notice**); and
- Entitlement Offer Booklet,

(together, the **Offer Documents**).

The full terms and details of the Entitlement Offer are outlined in the Offer Documents.

**Eligible Shareholders**

Shareholders eligible to participate in the Rights Issue (**Eligible Shareholder**) are those holders of shares in Catalpa who:

- are registered as a holder of shares as at 7.00pm (Sydney time), Friday, 26 March 2010;
- have a registered address in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer,

Catalpa may (in its absolute discretion) extend the Entitlement **Offer** to any institutional shareholder in a foreign jurisdiction subject to compliance with applicable laws.

### Offer document and continuous disclosure

Eligible Shareholders should carefully read the Offer Documents that will be sent to them and be available on ASX and have regard to publicly available information on Catalpa, including all announcements made by Catalpa to ASX, including Catalpa's Interim and Annual Reports, including the December 2009 Half Year Results dated 11 March 2010 (which are available from its website, [www.catalparesources.com.au](http://www.catalparesources.com.au), or from ASX's website, [www.asx.com.au](http://www.asx.com.au)).

### Capital structure

Under the Entitlement Offer, 8,013,378 New Shares will be issued by Catalpa to raise total gross proceeds of \$10,016,722.50. Under the Placement, 7,575,758 shares will be issued by Catalpa to raise total gross proceeds of \$10,000,000.56. Under the debt restructure, in consideration for the conversion of the \$10m mezzanine finance facility into project debt (resulting in a 2.5% pa interest rate reduction) and Macquarie forgoing the right to 6.06m Catalpa options (exercise price 82.5c per share), Catalpa has agreed to issue Macquarie 500,000 Catalpa fully paid ordinary shares. The total number of shares in Catalpa on issue immediately following completion of the Offer and the issue of shares to Macquarie (assuming no other issues of Catalpa shares) will be 160,767,555.

### Timetable

Event	Date
<b>Announcement of Entitlement Offer</b>	Tuesday, 16 March 2010
<b>Lodgment of Appendix 3B, Cleansing Notice and Offer Documents with ASX</b>	Tuesday, 16 March 2010
<b>Ex date and rights trading commences</b>	Monday, 22 March 2010
<b>Record Date for determining entitlements under the Entitlement Offer (7pm Sydney time)</b>	Friday, 26 March 2010
<b>Entitlement Offer Documents and Entitlement and Acceptance Forms dispatched. Entitlement Offer opens for acceptance</b>	Tuesday, 30 March 2010
<b>Rights trading ends</b>	Friday, 9 April 2010
<b>Securities quoted on a deferred settlement basis</b>	Monday, 12 April 2010
<b>Acceptances close (5pm Perth time)</b>	Friday, 16 April 2010
<b>New Shares issued under the Entitlement Offer and confirmation statements dispatched. Deferred settlement trading ends.</b>	Friday, 23 April 2010
<b>New Shares commence trading on ASX on normal settlement basis</b>	Tuesday, 27 April 2010

The timetable is indicative only and may change, subject to the requirements of the ASX Listing Rules and the Corporations Act. Dates and times are Australian Western Standard Time, unless otherwise noted.

Best regards,



**Bruce McFadzean** | Managing Director

### NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

This letter has been prepared for publication in Australia and may not be released or distributed in the United States. This letter does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this letter have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws. Neither Catalpa nor any other person warrants or guarantees the future performance of the shares to be issued under the Rights Issue or any return on any investment made pursuant to the Rights Issue. This letter contains certain "forward-looking statements". Forward looking words such as, "expect", "should", "could", "may", "predict", "plan", "will", "believe", "forecast", "estimate", "target" and other similar expressions are intended to identify forward-looking statements within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in the information in this letter are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including forecasts, projections, guidance on future earnings and estimates including resource and reserve estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward-looking statements only speak as to the date of this letter and Catalpa assumes no obligation to update such information. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Catalpa and the board of directors of Catalpa, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward-looking statements in this letter.