

EQUITY RAISING

Entitlement Offer

DETAILS OF A FULLY UNDERWRITTEN 1 FOR 19 RENOUNCEABLE PRO-RATA ENTITLEMENT OFFER OF CATALPA RESOURCES LIMITED ORDINARY SHARES AT AN OFFER PRICE OF A\$1.25 PER NEW SHARE

THIS ENTITLEMENT OFFER CLOSSES AT 5.00 PM (PERTH TIME) ON FRIDAY, 16 APRIL 2010

This is an important document which is accompanied by an Entitlement and Acceptance Form for you to subscribe for new ordinary shares in Catalpa Resources Limited. Please read this document carefully and call your professional adviser or Catalpa if you have any queries.

Not for release in the United States

Registered Office

1st floor, 9 Havelock Street
West Perth WA 6005
Telephone +61 8 9321 3088

Stock Exchange Listing

Catalpa ordinary shares are listed on the Australian Securities Exchange (**ASX**) (ASX Code:CAH).

Website

To view annual reports, shareholder and company information, news announcements, background information on Catalpa's businesses and historical information, visit Catalpa's website at www.catalparesources.com.au.

Catalpa Share Registry

Security Transfer Registrars Pty Limited
770 Canning Highway
Applecross WA 6153

Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with Application Monies to:

Catalpa Share Registry
C/- Security Transfer Registrars Pty Limited
PO Box 535
Applecross WA 6953 AUSTRALIA

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1 Chairman's letter

Dear Shareholder,

On behalf of the directors of Catalpa Resources Limited (ASX: CAH) (**Company**), I am pleased to invite you to participate in the entitlement offer described in this letter. The offer is a fully underwritten 1-for-19 renounceable pro-rata entitlement offer of new Catalpa fully paid ordinary shares (**New Shares**) to raise approximately A\$10.0 million (**Entitlement Offer**).

Background to the Offer

Catalpa announced on 16 March 2010 that it was restructuring the \$10.0 million mezzanine portion of the Company's A\$65.0 million debt facility with Macquarie Bank Limited (**MBL**). To facilitate the restructure and to accelerate the Company's exploration program, the Company is undertaking a A\$10.0 million institutional placement (**Placement**) and the A\$10.0 million Entitlement Offer.

The Offer

The Company is seeking to raise approximately A\$10.0 million of fully underwritten new capital through the Entitlement Offer at an issue price of A\$1.25 per New Share. No shareholder approvals are necessary with respect to the Entitlement Offer.

The Entitlement Offer is fully underwritten by Investec Bank (Australia) Limited and Austock Securities Limited (**Joint Underwriters**).

Purpose and use of funds raised

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

- accelerate resource definition and exploration drilling at Edna May;
- facilitate the debt restructure with MBL; and
- provide a working capital buffer during the commissioning of the Edna May Gold Project.

Details of your Entitlement

As an Eligible Shareholder (as defined below), you are entitled to subscribe for 1 New Share for every 19 existing Catalpa ordinary shares (**Share**) held at 7:00pm (Sydney time) on Friday, 26 March 2010 (**Record Date**).

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

- 7.0 cent discount to the Placement price of A\$1.32 per New 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).

Shares issued under the Entitlement Offer, the Placement and to MBL will be issued on a fully paid basis and will rank equally with existing Shares from the date of issue.

This letter contains a number of important documents including:

- "Key Dates" for the Offer;
- Instructions on "How to Apply", setting out how to accept all or part of your Entitlement if you choose to do so;
- ASX Offer announcements, which include the Catalpa Resources Limited Debt Restructure and Equity Raising Presentation released to ASX on 16 March 2010; and
- a personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions provided on the form and the instructions in the "How to Apply" section of this Offer Booklet.

The Offer closes at 5:00pm (WST) on Friday, 16 April 2010.

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 below. Eligible Shareholders who wish to apply for New Shares in excess of their Entitlement need to complete the relevant portion of the Entitlement and Acceptance Form and return the Entitlement and Acceptance Form with the requisite Application Monies or make a payment by BPAY. Please see the instructions in the "How to Apply" section of this Offer Booklet.

How to participate?

To participate, you need to ensure that:

- you have made your payment (**Application Monies**) via BPAY[®] pursuant to the instructions that are set out on your personalised Entitlement and Acceptance Form and payment via BPAY[®] has been received by Catalpa by 5:00pm (WST) on Friday, 16 April 2010.

OR

- your completed personalised Entitlement and Acceptance Form, together with payment of Application Monies is received by Catalpa by 5:00pm (WST) on Friday, 16 April 2010.

If you wish to subscribe for shares in addition to your pro rata entitlement, please complete the relevant portion of the Entitlement and Acceptance Form.

Please refer to instructions in the "How to Apply" section of this letter for further information.

Further Information

Further information on the Entitlement Offer and Catalpa's business is detailed in this letter. You should read the entirety of this letter carefully before deciding whether to participate in the Entitlement Offer.

If you have any further question about the Entitlement Offer, you should seek advice from your stockbroker or other professional adviser, or you can visit the Entitlement Offer website at www.catalparesources.com.au.

On behalf of the directors, I thank you for your continued support of Catalpa and encourage you to carefully consider this investment opportunity.

Yours Sincerely,

Peter Maloney
Chairman

2 Key dates for the Entitlement Offer

Event	Date
Announcement of Entitlement Offer	Tuesday, 16 March 2010
Ex date and rights trading commences	Monday, 22 March 2010
Record Date for determining entitlements under the Entitlement Offer (7.00pm Sydney time)	Friday, 26 March 2010
Offer document Entitlement Offer Documents and Entitlement and Acceptance Forms despatched. Entitlement Offer opens for acceptance.	Tuesday, 30 March 2010
Rights trading ends	Friday, 9 April 2010
Securities quoted on a deferred settlement basis	Monday, 12 April 2010
Acceptances close (5pm)	Friday, 16 April 2010
New Shares issued under the Entitlement Offer and confirmation statements despatched. Deferred settlement trading ends.	Friday, 23 April 2010
New Shares commence trading on ASX on normal settlement basis	Tuesday, 27 April 2010

This timetable is indicative only and subject to change without notice. All times are Perth time unless otherwise noted.

Note: Catalpa reserves the right, subject to the *Corporations Act 2001* (Cth) (**Corporations Act**), ASX Listing Rules and other applicable laws to vary the dates of the Entitlement Offer, including extending the Entitlement Offer or accepting late applications, either generally or in particular cases, without notice. You cannot, in most circumstances, withdraw the application once it has been accepted. No cooling off rights apply to the Entitlement Offer.

Applicants for the Entitlement Offer (**Applicants**) are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Entitlement Offer opens.

Enquiries

If you have any questions, please call Catalpa on +61 8 9321 3088 at any time from 8.30am to 5.00pm (Perth time) Monday to Friday, or consult your stockbroker, accountant or other independent professional adviser.

Website: www.catalparesources.com.au

3 How to Apply

3.1 Entitlement Offer

Eligible Shareholders (as defined under the heading 'Important Information') are being offered the opportunity to subscribe for 1 New Share for every 19 Catalpa ordinary shares (**Shares**) held at 7.00pm (Sydney time) Friday, 26 March 2010 (**Entitlement**), at the offer price of A\$1.25 per New Share (**Offer Price**). Eligible Shareholders will also be able to apply for New Shares in excess of their Entitlement on the terms set out in this booklet and accompanying Entitlement and Acceptance form.

The Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow rights issues to be offered without a prospectus. As a result, it is important for Eligible Shareholders to read and understand the information on Catalpa and the Entitlement Offer made publicly available, prior to taking up all or part of their Entitlement or applying for additional New Shares over and above their Entitlement.

In particular, please refer to this booklet, Catalpa's interim and annual reports and other announcements made available at our website, www.catalparesources.com.au (including the financial report of Catalpa and its subsidiaries for the half-year ended 31 December 2009 that was released to ASX on 10 March 2010).

Your Entitlement is set out on the accompanying Entitlement and Acceptance Form and has been calculated as 1 New Share for every 19 Shares you held as at the Record Date of 7.00pm (Sydney time) Friday, 26 March 2010. If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. New Shares issued under the Entitlement Offer will rank pari passu with issued Shares.

3.2 Consider the Entitlement Offer in light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant or other independent professional adviser if you have any queries or are uncertain about any aspects of the Entitlement Offer. You should also refer to the "Key Risks" section of the Catalpa Resources Limited Debt Restructure and Equity Raising Presentation released to ASX on Tuesday, 16 March 2010 and attached to this booklet.

3.3 Complete and return the accompanying Entitlement and Acceptance Form with your Application Monies or make payment by BPAY®

If you decide to take up all or part of your Entitlement, or to take up all of your Entitlement and apply for additional New Shares in excess of your Entitlement, please complete and return the Entitlement and Acceptance Form with the requisite Application Monies OR pay your Application Monies via BPAY® by following the instructions set out on the Entitlement and Acceptance Form.

Catalpa will treat you as applying for as many New Shares as your payment will pay for in full. If you are paying by BPAY®, please make sure to use the specific Biller Code and unique Customer Reference Number (**CRN**) on the back of your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your entitlement in respect to one of those holdings only use the CRN specific to that holding set out in the applicable Entitlement and Acceptance Form. If you do not use the correct CRN specific to that holding, as set out in the applicable Entitlement and Acceptance Form, your application will not be recognised as valid.

3.4 Oversubscription facility

Where an Eligible Shareholder has submitted a valid application for their full Entitlement, that Eligible Shareholder may apply for additional New Shares (**Additional New Shares**). The additional New Shares will only be issued to an Eligible Shareholder if there is a sufficient number of New Shares in respect of which Catalpa has not received valid applications and the board of directors of Catalpa (after consulting with the Joint Underwriters) has determined in its absolute discretion to issue additional New Shares to that Eligible Shareholder. The additional New Shares will be issued at the Entitlement Offer issue price of A\$1.25 and will be issued simultaneously with the issue of New Shares in respect of an Eligible Shareholder's full Entitlement.

Eligible Shareholders who apply for New Shares in excess of their Entitlement are not assured of being allotted any New Shares in excess of their Entitlement.

Eligible Shareholders who wish to apply for New Shares in excess of their Entitlement need to complete the relevant portion of the Entitlement and Acceptance Form and return the Entitlement and Acceptance Form with the requisite Application Monies or make a payment by BPAY. Please see section 3.7 for further details.

Set out below is a table showing the number of New Shares that directors of Catalpa and companies controlled by the directors of Catalpa will apply for in excess of Entitlements:

Director	Number of Shares held beneficially as at 16 March 2010	Holding Entity	Entitlements	Number of additional New Shares applied for in excess of Entitlements
Peter Maloney	165,847	Yenolam Superannuation Fund	8,729	100,000
Bruce McFadzean	92,500	Deborah McFadzean	4,868	3,100
John Rowe	90,910	ROWE Family Superfund Julia Evelyn Rowe	4,785	50,000
Barry Sullivan	60,000	Nulis (Nominees) Australia Ltd	3,158	50,000

Catalpa also reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or if they or their nominees fail to provide information to substantiate their claims.

3.5 Rights trading

If you choose not to take up your Entitlement, you still have the potential opportunity to receive payment for those renounced Entitlements by trading them on ASX or otherwise selling them during the rights trading period (Monday, 22 March to Friday, 9 April 2010).

3.6 Ineligible Shareholders

Ineligible Shareholders may also have the potential opportunity to receive payment for Entitlements they would have received had they been eligible to participate in the Entitlement Offer. The Company has appointed Austock Nominees Pty Ltd (**Austock**

Nominees) as nominee to sell Ineligible Shareholder's Entitlements. Austock Nominees will only sell the Entitlements if there is a viable market in the Entitlements and a premium over the expenses of sale can be obtained.

Any such sale will be at a price and be conducted in a manner that Austock Nominees will determine in its sole and absolute discretion.

Any amount realised from the sale of Ineligible Shareholder's Entitlements by Austock Nominees will be distributed pro-rata to each Ineligible Shareholder (after deducting the costs of the sale and the distribution of the proceeds). To the maximum extent permitted by law, neither Catalpa nor Austock Nominees will be liable for any failure to sell Ineligible Shareholders' Entitlements at any particular price. If there is no viable market for Ineligible Shareholder's Entitlements, they will be allowed to lapse and the relevant New Shares will revert to the Joint Underwriters.

3.7 Acceptance of the Entitlement Offer

The method of acceptance of the Entitlement Offer will depend on your method of payment being:

- by BPAY; or
- by cheque, bank draft or money order.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY, you:

- (a) agree to be bound by the terms of this booklet and the provisions of Catalpa's constitution;
- (b) authorise Catalpa to register you as the holder(s) of the New Shares allotted to you;
- (c) declare that all details and statements made in the Entitlement and Acceptance Form are complete and accurate;
- (d) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement Offer;
- (e) acknowledge that once Catalpa receives the Entitlement and Acceptance Form or your payment by Bpay, you may not withdraw it except as allowed by law;
- (f) agree to apply for, and be issued with up to, the number of New Shares that you apply for at the Offer Price of A\$1.25 per New Share;
- (g) authorise Catalpa and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Catalpa Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (h) declare that you were the registered holder(s) at the Record Date of the Shares indicated on the Entitlement and Acceptance Form as being held by you on the Record Date;
- (i) acknowledge that the information contained in this booklet is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs;
- (j) represent and warrant that the law of any place (other than Australia and New Zealand) does not prohibit you from being given this booklet or making an application for New Shares; and
- (k) represent and warrant that you are an Eligible Shareholder and have read and understood this booklet and the Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and

agreements contained in this booklet and the Entitlement and Acceptance Form.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are not in the United States or acting for the account or benefit of a person in the United States;
- (b) you acknowledge that the New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction in the United States, and accordingly, the New Shares may not be offered, sold or otherwise transferred in the United States except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and
- (c) you have not and will not send any materials relating to the Entitlement Offer to any person in the United States or any country outside Australia and New Zealand.

Payment by BPAY

For payment by BPAY please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions.

Please note that should you choose to pay by BPAY:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the declarations on that Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY payment is received by the Catalpa Share Registry by no later than 5.00pm (Perth time) Friday, 16 April 2010. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your Entitlement and Acceptance Form in accordance with the instructions on the Form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to "Catalpa Entitlement Offer" and crossed "Not Negotiable".

Your cheque, bank draft or money order must be:

- for an amount equal to A\$1.25 multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheques will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears

in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your application will not be accepted.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

Cash payments will not be accepted. Receipts for payment will not be issued.

Mail

To participate, your payment must be received no later than the close of the Entitlement Offer, on 5.00pm (Perth time) Wednesday, 16 April 2010. Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with Application Monies to:

Catalpa Share Registry
C/- Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953 AUSTRALIA

4 Important Information

This booklet (including the ASX announcements produced in it) and enclosed accompanying personalised Entitlement and Acceptance Form have been prepared by Catalpa. The information in this booklet is dated 16 March 2010 (other than the ASX announcements produced in it).

No party other than Catalpa has authorised or caused the issue of the information in this booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in the information in this booklet.

The information in this booklet is important and requires your immediate attention.

You should read the information in this booklet carefully and in its entirety before deciding whether to invest in New Shares. In particular, you should consider the risk factors outlined in "Key Risks" section of the Catalpa Resources Limited Debt Restructure and Equity Raising Presentation released to ASX on 16 March 2010, any of which could affect the operating and financial performance of Catalpa or the value of an investment in Catalpa.

Catalpa has applied for the grant by ASX of official quotation of the New Shares. It is expected that normal trading will commence in relation to New Shares issued under the Entitlement Offer on Tuesday, 26 April 2010. Catalpa disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares before the New Shares are listed on the official list of ASX or receiving their confirmation of issue, whether on the basis of confirmation of the allocation provided by Catalpa or the Catalpa Share Registry or otherwise.

1 Eligible Shareholders

The information in this booklet contains an offer of New Shares to Eligible Shareholders (as defined below) and has been prepared in accordance with section 708AA of the Corporations Act as modified by Australian Securities and Investments Commission (ASIC) Class Order 08/35.

Eligible Shareholders are those holders of Shares 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.

For the avoidance of doubt, Catalpa may (in its absolute discretion) extend the Entitlement Offer to any institutional shareholder in foreign jurisdictions who were not invited to participate in the Entitlement Offer (subject to compliance with applicable laws).

All other holders of Shares are not eligible to participate in the Entitlement Offer (**Ineligible Shareholders**).

2 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot, in most circumstances, withdraw your Application once it has been accepted.

3 Notice of nominees and custodians

Nominees and custodians which hold Shares as nominees or custodians will have received, or will shortly receive, a letter from the Joint Underwriters to the Entitlement Offer. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Entitlement Offer is only available to Eligible Shareholders.

4 Not investment advice

The information in this booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Catalpa is not licensed to provide financial product advice in respect of the New Shares. The information in this booklet does not purport to contain all the information that you may require to evaluate a possible application for New Shares.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the information in this booklet, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant or other independent professional adviser.

5 Taxation

The Company has obtained advice from PKF Corporate Advisory Services (WA) Pty Ltd regarding the Australian income tax implications of the Entitlement Offer for Australian resident Eligible Shareholders.

5.1 Income Tax Implications

The following comments provide an overview of the potential Australian income tax implications of the Entitlement Offer of the Company ordinary shares to Eligible Shareholders, and the invitation for Eligible Shareholders to apply for New Shares in excess of their Entitlement.

The taxation comments below:

- (a) are based upon the application of the Australian income tax legislation, current at the date of this Entitlement Offer. Subsequent changes to the legislation and/or administration of the legislation may impact the views expressed within;
- (b) are general in nature and not intended as specific advice to Eligible Shareholders. The application of the Australian income tax legislation may vary according to the individual circumstances of the Eligible Shareholder. In this regard, the comments below are only relevant to those Eligible Shareholders that:
 - (1) are residents of Australia for taxation purposes; and

- (2) hold their Shares on capital account (i.e. have not been held for the purpose of resale or as trading stock);
- (c) should not be relied upon by Eligible Shareholders as a substitute for professional advice. The Australian income tax implications advised within may not be applicable to the Eligible Shareholder's particular circumstances. Accordingly, it is strongly recommended that Eligible Shareholders seek taxation advice from their own professional tax advisor.

5.2 Australian Income Tax Implications for Eligible Shareholders

5.2.1 Grant of Rights

Broadly, in the past the Commissioner of Taxation (the **Commissioner**) has considered that the grant of rights by a company to shareholders will be viewed as property separate from the shareholding itself. Further, as the rights can be converted into money, the value of the rights can be treated as an assessable gain to the shareholder. Comments made by the Commissioner in Class Ruling *CR 2007/42* support this view.

In 2007, the High Court of Australia considered the Australian tax implications of the acquisition of certain put options granted to a shareholder by a company in which the shareholder held shares (*Federal Commissioner of Taxation v. McNeil* 2007 ATC 4,223). In that decision, the High Court held that the market value of tradeable put options issued by a company to its shareholders was assessable income at the time of issue of the options.

In 2008, the Federal Government passed the *Tax Laws Amendment (2008 Measures No. 3) Act 2008* which applies to ensure that an amount equal to the market value of rights granted by an issuing entity to existing shareholders, to acquire certain interests in the issuing entity, is non assessable non exempt income at the time the rights are issued. For this rule to apply, the shareholders must hold their original interests in the issuing entity on capital account.

Specifically, the rules will apply to a shareholder where:

- (a) at the issue time, the shareholder already own shares in the company;
- (b) the rights are issued to the shareholder because of the shareholder's ownership of the original interests;
- (c) the original interests are not revenue assets or trading stock at the issue time;
- (d) the original interests and the rights are not traditional securities; and
- (e) the original interests are not convertible interests.

Where a shareholder cannot satisfy these tests, it is possible that the finding of the High Court in *McNeil's Case* could apply. Accordingly, it is important that Eligible Shareholders obtain independent professional advice on the application of these new rules that takes into account the specific circumstances of the shareholder.

In this context, a convertible interest includes an interest issued by a company that gives its holder a right to be issued with an equity interest in the company.

Also, in this context, traditional securities means a security held by a taxpayer that:

- (a) is or was acquired by the taxpayer after 10 May 1989;
- (b) either:
 - (1) does not have an eligible return; or
 - (2) has an eligible return, where:
 - (A) the precise amount of the eligible return is able to be ascertained at the time of issue of the security; and
 - (B) the amount is not greater than 1.5% of the amount calculated in accordance with the formula:

Payments x Term

Where:

Payments is the amount of the payment or of the sums of the payments (excluding any periodic interest) liable to be made under the security when held by any person; and

Term is the number (including any fraction) of years in the term of the security;

- (c) is not a prescribed security within the meaning of section 26C of the *Income Tax Assessment Act 1936*; and
- (d) is not trading stock of the taxpayer.

An eligible return in relation to a security will arise, if at the time when the security is issued it is reasonably likely, by reason that the security was issued at a discount, bears deferred interest or is capital indexed or for any other reason, having regard to the terms of the security, for the sum of all payments (other than periodic interest payments) under the security to exceed the issue price of the security, and the amount of the eligible return is the amount of the excess.

It is noted that in the *Explanatory Memorandum to the Tax Laws Amendment (2008 Measures No. 3) Act 2008* the following is stated at paragraph 1.14,

“In the event that the principles enunciated in McNeil’s case do apply to include the market value of rights in a taxpayer’s ordinary income at the time of issue, then where that amount is otherwise included in assessable income again, section 6-25 will apply to ensure that the amount that was included in the taxpayer’s assessable income at the time of issue will not be included in the taxpayer’s assessable income again at any other time.”

5.2.2 *Rights Trading*

Where an Eligible Shareholder chooses not to take up an Entitlement, the shareholder has the potential opportunity to receive payment for the renounced Entitlements by trading them during the rights trading period; namely, Thursday 18 March 2010 to Tuesday 6 April 2010.

It is likely that the Commissioner will consider that any gain arising from the trading of the rights will be assessable income as income accordingly to ordinary concepts or as a capital gain. It is noted that in the Full Federal Court decision in *Allina Pty Limited v. Federal Commissioner of Taxation* 91 ATC 4,195, the gain made by a taxpayer arising on the disposal of renounceable rights was assessed under the capital gains tax (CGT) rules where the taxpayer in that case was not a share trader and the rights were disposed of shortly after the entitlement to the rights was granted to the taxpayer.

Where the CGT rules apply to the disposal of the rights, an assessable capital gain will arise if the capital proceeds received on disposal exceed the cost base of the rights. The cost base of the rights will include the acquisition cost and any incidental costs on acquisition or disposal, and non-capital costs of ownership that are not deductible to the Eligible Shareholder.

An individual, complying superannuation funds and trusts (subject to certain conditions) may not be able to discount this capital gain, as the shareholder may not have been considered to have held the rights for at least 12 months before disposal. Where the 12 month test can be met (refer timing of acquisition comments below), the CGT discount rules may be available.

Where the CGT rules apply to the disposal of the rights, a capital loss will arise if the capital proceeds received on disposal are less than the reduced cost base of the rights. The reduced cost base in general terms will be similar to the cost base, but will not include the non-capital costs of ownership.

Any net capital gain arising must be included in the assessable income of the shareholder. Any capital loss may only be used to offset the capital gains.

5.2.3 *Exercise of Rights*

Special CGT rights rules apply to the exercise of rights to acquire shares. These rules can apply in circumstances where:

- (a) the Eligible Shareholder did not pay for the rights when the rights were issued; and
- (b) when the rights were issued, the Eligible Shareholder already owned shares or convertible interests issued by the company or a company that is a member of the same wholly owned group.
- (c) In these circumstances the cost base of the shares is in broad terms, the sum of the cost base of the rights at the time of exercise and any amount paid to exercise the rights. Further a capital gain or capital loss the Eligible Shareholder would otherwise make on the exercise of the rights is disregarded for Australian income tax purposes.

5.2.4 *Timing Where the Special CGT Rights Rules Apply*

Under these rules, where an Eligible Shareholder acquired the rights from a company, the Eligible Shareholder is taken to have acquired the rights when the Eligible Shareholder acquired the original shares. For Australian CGT purposes, the Eligible Shareholder is taken to have acquired the new shares when the Eligible Shareholder exercises the rights.

5.2.5 *Convertible Interest Rules*

Should the special CGT rights rules not apply, it is still possible that the special CGT convertible interests' rules may apply. Under these rules, where an Eligible Shareholder acquires shares (except shares under an employee share scheme) by converting a convertible interest that is not a traditional security, the cost base of the shares is in broad terms, the sum of the cost base of the rights at the time of exercise and any amount paid to exercise the rights. Further, a capital gain or capital loss the Eligible Shareholder would otherwise make on the exercise of the rights is disregarded for Australian income tax purposes.

5.2.6 *Timing Where Special CGT Convertible Interest Rules Apply*

Under these rules, the Eligible Shareholder is taken to have acquired New Shares when the Eligible Shareholder converts the convertible interest.

5.2.7 *Acquisition and Disposal of New Shares*

Eligible Shareholders who exercise their Entitlements will acquire New Shares. Any future dividends or other distributions made in respect of those New Shares will be subject to the same taxation treatment as dividends or other distributions made on existing shares held in the same circumstances.

In relation to the future disposal of New Shares, Eligible Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares.

Eligible Shareholders who exercise their Entitlements and subscribe for New Shares will acquire those shares with a cost base for CGT purposes equal to the Offer Price payable by them for those shares plus any non-deductible incidental costs they incur in acquiring those shares.

The New Shares that the Eligible Shareholders acquire as a result of taking up their Entitlement will be treated for CGT purposes as having been acquired by them on the day in which they exercised their Entitlement.

Any capital gain arising to individuals and trusts (other than a trust that is a complying superannuation entity) may be subject to a discount of 50%, after offsetting current year

or prior year capital losses, if the New Shares are held for more than 12 months before disposal.

Please note the CGT discount is also available to complying superannuation entities at a rate of 33.33%. Company shareholders are not eligible for the CGT discount.

5.3 Goods and Services Tax (GST) Implications for Eligible Shareholders

If the Eligible shareholder is not registered or required to be registered for GST, there will be no GST consequences arising on the acquisition or disposal of the New Shares.

If the Eligible Shareholder is registered or required to be registered for GST and the Eligible Shareholder acquires or disposes of a New Share, this transaction will be an input taxed financial supply. Input taxed financial supplies are not subject to GST. No input tax credits will be available for the GST incurred on acquisitions relating to an input taxed financial supply where the Eligible Shareholder breaches the Financial Acquisitions Threshold (**FAT**), unless the acquisition is a reduced credit acquisition. Eligible Shareholders should seek GST advice as to whether they breach the FAT and the availability of reduced input tax credits on acquisitions.

There will be no GST consequences in respect of dividend payments by the Company to Eligible Shareholders.

5.4 Duty Implications for Eligible Shareholders

No Australian duty should be payable in relation to the grant or disposal of rights that are quoted on the Australian Stock Exchange.

Further, no Australian duty should be payable by the Eligible Shareholder on the acquisition and disposal of the New Shares.

6 Rounding of Entitlements

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

7 Information availability

Eligible Shareholders in Australia and New Zealand can obtain a copy of this booklet during the period of the Entitlement Offer on our website, www.catalparesources.com.au, or by calling the Catalpa Share Registry. Persons who access the electronic version of this booklet should ensure that they download and read the entire booklet. The electronic version of this booklet on the ASX website will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling Catalpa on +61 8 9321 3088 at any time from 8.30am to 5.00pm (Perth time) Monday to Friday.

8 Future performance and forward-looking statements

Neither Catalpa nor any other person warrants or guarantees the future performance of the New Shares or any return on any investment made pursuant to the Entitlement Offer. This booklet 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 booklet 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 booklet 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 booklet.

9 Past performance

Investors should note that the past share price performance of Catalpa shares provides no guidance as to future share price performance

10 Governing Law

This booklet, the Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in Western Australia, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia.

11 Foreign jurisdictions

The information in this booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of the information in this booklet (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of the information in this booklet, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

11.1 New Zealand

The New Shares being offered under the information in this booklet are also being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). The information in this booklet is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

11.2 United States

This document may not be released in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document 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, registration under the US Securities Act and applicable US state securities laws.

11.3 Other Jurisdictions

The New Shares may not be offered or sold in any other jurisdiction except to persons to whom such offer or sale is permitted under applicable law.

12 Debt Restructure

The debt component of the development costs of Catalpa's Edna May Gold Project (which is held by Catalpa's wholly owned subsidiary, Edna May Operations Pty Ltd (**EMO**)) is being financed by project facilities made available by Macquarie Bank Limited (**MBL**).

The MBL facilities originally comprised a project facility of A\$55 million, a mezzanine facility of A\$10 million and a contingent instrument facility (for statutory performance bonds) of A\$3,51 million.

As part of the fee for establishment of the mezzanine facility, Catalpa was required to issue to MBL 133,333,334 options (expiring 31 March 2014) exercisable at A\$0.075 per

option. The issue of these options was approved by Catalpa's shareholders in May 2009. Catalpa issued 50% of the options to MBL on 25 May 2009 (**First Tranche Options**) and the remaining 50% (**Second Tranche Options**) were to be issued upon EMO making the first drawing under the mezzanine facility.

Consequent upon the merger with Lion Selection, Catalpa's options were consolidated with the result that the First Tranche Options were reduced to 6,060,606 and the exercise price was increased to A\$0.825 per option.

The MBL facilities have been restructured in that the project loan has been increased (by A\$10 million) to A\$65 million, the mezzanine loan has been cancelled and the contingent instrument facility has been left unchanged.

Catalpa is not permitted to make drawings under the project facility in excess of an aggregate amount of A\$55 million (being the original project facility limit) unless and until it has raised equity of at least A\$8 million, (net of fees).

The requirement for Catalpa to issue the Second Tranche Options has been removed. As a part of the restructure of the MBL facilities, 500,000 fully paid ordinary shares will be issued by Catalpa to MBL on or about the date that Catalpa raises the equity referred to in the preceding paragraph. Those shares will not be issued to MBL until after the Record Date for the Entitlement Offer and MBL will therefore not be eligible to participate in the Entitlement Offer in respect of those shares.

The amortisation of the increased project facility remains unchanged so it is still required to be repaid in full by 30 June 2014. It should be noted that a higher margin would have been payable in relation to drawings under the original mezzanine facility so there will be a saving given that drawings under the project facility attract a lesser margin which will now apply to the increased project facility.

Otherwise, the terms of MBL facilities remain largely unchanged although certain restrictions have been placed on the ability of Lion Selection and its subsidiaries to dispose of assets, incur financial indebtedness and create encumbrances.

13 Joint Underwriting

Catalpa has entered into an underwriting agreement with Investec Bank (Australia) Limited (**Investec**) and Austock Securities Limited, (together, the **Underwriters**) and Austock Nominees (**Underwriting Agreement**). Pursuant to the Underwriting Agreement, the Joint Underwriters have agreed to manage and fully underwrite the Entitlement Offer on a several basis. The Joint Underwriters will be paid underwriting fees of approximately \$500,836 under the Underwriting Agreement.

Customary with these types of arrangements:

- Catalpa has agreed to indemnify the Joint Underwriters and their respective directors, officers, employees, agents and contractors against losses they may suffer or incur in connection with the Entitlement Offer;
- the Joint Underwriters may, at any time up to settlement of the Entitlement Offer (expected to occur on Friday, 23 April 2010), terminate the Underwriting Agreement and be released from their obligations under it on the occurrence of certain events, including if:
 - either the All Ordinaries Index or the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on Tuesday, 16 March 2010 and remains at or below that level for 2 consecutive business days or until the business day immediately prior to the issue of the New Shares, whichever is shorter;
 - the price of gold as quoted on the US\$ Comex Market falls to a level that is 90% or less than the level as at the close of trading on Tuesday, 16 March 2010 and remains at or below that level for 2 consecutive trading days on which the Comex market trades;

- the Company breaches, or defaults under, a material debt or financing arrangement or any related documentation which has a material adverse effect on the Company;
- any event of default or event which gives a lender or financier the right to accelerate or require payment of the debt or financing or other similar material event occurs which has a material adverse effect on the Company;
- there is a delay of more than 2 business days in the timetable for the Entitlement Offer without the Joint Underwriters' consent;
- any adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, Switzerland, Germany, the United Kingdom, the United States of America or the international financial markets;
- any order to cease trading the securities of the Company is made by a securities regulatory authority, other than a trading halt or suspension voluntarily requested with the consent of the Joint Underwriters to facilitate the Entitlement Offer;
- any material adverse change occurs in the financial or trading position of Catalpa or its Related Bodies Corporate (as defined in sections 9 and 50 of the Corporations Act); and
- any other event occurs which has, or is likely to have, a materially adverse effect on the Entitlement Offer;

Pursuant to the Underwriting Agreement, Catalpa has agreed that for a period of 90 days from the date of issue of the New Shares it will not, without the consent of the Joint Underwriters, agree to issue or offer to issue any securities other than pursuant to the Placement, an issue resulting from the convertible securities already on issue or an issue of options under the Employee and Contractors Option Plan of Westonia Mines Limited.

The Joint Underwriters have not authorised or caused the issue of this booklet and take no responsibility for any information in this booklet or any action taken by you on the basis of such information. To the maximum extent permitted by law, the Joint Underwriters exclude and disclaim all liability, for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and the information in this booklet being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. The Joint Underwriters make no recommendations as to whether you or your related parties should participate in the Entitlement Offer nor do they make any representations or warranties to you concerning this Entitlement Offer, or any such information and you represent, warrant and agree that you have not relied on any statements made by any of the Joint Underwriters or any of their affiliates in relation to the New Shares or the Entitlement Offer generally.

Pursuant to the Underwriting Agreement, Austock Nominees has agreed to sell the Entitlements of Ineligible Shareholders on ASX or by such other method as the Company directs. Austock Nominees may sell the Entitlements of Ineligible Shareholders at any price and, if Austock Nominees is unable to sell the Entitlements of Ineligible Shareholders, then those Entitlements will lapse and the relevant New Shares will be fully underwritten by the Joint Underwriters. The gross proceeds (if any) of the sale of the Entitlements of Ineligible Shareholders less all relevant brokerage and other selling costs, taxes and charges will be distributed (**Net Proceeds**). It is important to note that Austock Nominees will be acting for and providing services to Catalpa in this process and will not be acting on behalf of, and owes no duties or obligations (whether fiduciary or otherwise) to, Ineligible Shareholders. Catalpa's share registry will be responsible for the distribution of Net Proceeds and the allocation of Net Proceeds amongst them.

14 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this booklet.

Any information or representation that is not in this booklet may not be relied on as having been authorised by Catalpa, or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of Catalpa, or any other person, warrants or guarantees the future performance of Catalpa or any return on any investment made pursuant to the information in this booklet.

Attachment - ASX Offer announcements
