

Diminishing risk a major part of company's growth strategy as it expands on two fronts

With its Edna May gold mine in Western Australia expected to go into production this month – and exciting new discoveries confirmed nearby at the Golden Point prospect – it was perhaps surprising that **Catalpa Resources Ltd's** managing director Bruce McFadzean should speak of debt restructure as well as resource developments at a recent conference in Perth.

Given the line-up of projects anticipated in the coming months, the capital raising and debt restructuring came at a good time for the company, and reflected an awareness of the need to operate conservatively in the midst of rapid development.

McFadzean explained how the company had grown since 2008.

"We raised \$39 million in equity, we started construction in July and we started a merger with our largest shareholder Lion Selection and finalised it in December last year," he said. "We're now a \$30,000 producer from our Cracow gold project in Queensland, which is 70%-owned and managed by Newcrest Mining Ltd.

"We're just about to finish construction (at Edna May), and we're at a point where we're about to pop out as a mid-tier producer.

"Our market cap (at the time of McFadzean's appearance at the Paydirt Gold Conference) is sitting at \$230 million, shares on offer today are 145 million, options are 16 million, our largest shareholder is now 6% and we've set this project up to generate some serious cash."

Upside sighted

The majority of the junior's corporate focus is centred on Edna May, while the potential for resource growth continues to be pursued through exploration in the near mine area and region.

Located halfway between Perth and Kalgoorlie-Boulder, the project is expected to bring in 100,000 ounces of gold per annum starting this year, with a recovery rate of 92%.



Bruce McFadzean

According to McFadzean, all-round figures from the resource give it much to boast about.

"The interesting thing about our reserves is that I hear everyone talk about grades, but what we do as a group is focus on risk," he said.

"That's our focus – on Edna May. One of the things that I saw in this project when I looked at it in March 2008 was that this project very much ticks all the boxes.

"Much of the ore is measured down to the base of the model, we've got a good handle on the geological and metallurgical risk and this ore body has had more holes put in it than I've had hot dinners ... approximately 135 kilometres of drill holes and the majority of it is core."

With a processing plant built and currently running through the commissioning stage, Catalpa is aiming to keep this, and other facets of the project, in economic and manageable territory, with \$92 million spent on the project overall.

"We've increased the leach and absorption capacity at the plant by 60% as well as conducted other minor modifications to the flowsheet," McFadzean said.

"We have a large tails dam with a 27 Mt capacity at the project.

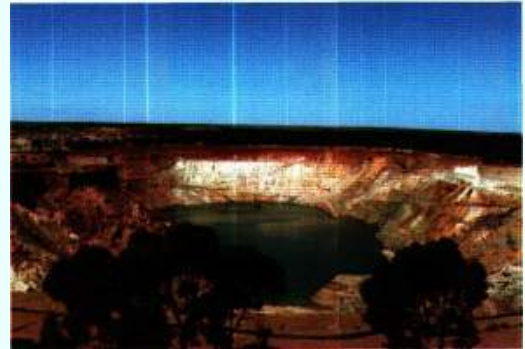
"Like everything we do at Catalpa, it's about being simple – we don't have any complex cut over grade strategies, it's just over 0.4 of a gram (and) straight into a great big mill.

"We haven't changed any of the construction timelines from this time last year. We've really stuck to our guns and forced this project to happen on time and on schedule and we're a month ahead at this point."

Tantalising opportunity

Extending the resources has always been on the cards, with good results coming from the Golden Point gneiss (which lies south east of the main Edna May pit), where RC drilling earlier this year hit strong intercepts from 43 holes. Here, grades were as high as 7.10 g/t.

"The exciting part about Golden Point



Flashback: Edna May just after Catalpa became involved with the project.

is that it runs adjacent to the Edna May ore body and a bit to the east ... we have already done some work on optimising the resource, and initial work indicates the pit extends to the east," McFadzean explained.

"We're quite excited about the hits we had at depth because we don't know much about Golden Point at depth – we just announced drill hits in the top 100m, which are quite exciting in themselves, but what happens at depth we don't know.

"Additionally, we are focusing on the option to bring a series of other ore bodies that may be along strike, and to feed these into our process plant."

The other focus for the junior is Cracow in Qld, where some 100,000 ounces of gold has been consistently produced since 2004.

Located 500 km north west of Brisbane, the project has a strong history of discovery which Catalpa is looking to grow through further exploration in the area.

"It's unhedged, it's a large epidermal system endowed with some 2 million oz and it's had a great exploration history as well as an 80-year production history," McFadzean said.

"Looking at the various ore bodies that have been mined to date, the discovery has been quite extraordinary – some 1.3 million oz have been discovered in the past 10-12 years in this field by Newcrest and its partner, which is now Catalpa.

"We think it's got a 5-6 year mine life when considering the present mining inventory, and agree along with many experts that we've got an up to and beyond 10 year opportunity with Cracow."

By Caroline Smith



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FINANCE VIDEO: Catalpa Resources (ASX:CAH) MD Bruce McFadzean Speaks at RIU Sydney Resources Round-up

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Sydney, Australia, May 20, 2010 - (ABN Newswire) - FINANCE VIDEO: Catalpa Resources (ASX: [CAH.AX](#)) MD Bruce McFadzean Speaks at RIU Sydney Resources Round-up.

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

View the video at this link:

<http://www.abnnewswire.net/multimedia/en/62912/Catalpa-Resources>