CATALPA
RESOURCES

16 March 2010

The Manager
Company Announcements Office
ASX Limited

NOTICE TO OPTION HOLDERS

Find attached the mailed out to Catalpa Resources Limited Option Holders on the Renounceable Entitlement Offer.

Yours faithfully

Leonard Math
Company Secretary
Catalpa Resources Limited

16 March 2010

Not for release or distribution in the United States

Dear Optionholder

Catalpa Resources Limited - Renounceable Entitlement Offer

Catalpa Resources Limited (**Catalpa**) is pleased to announce that it will be undertaking a fully underwritten 1 for 19 renounceable entitlement offer of fully paid ordinary shares in Catalpa (**New Shares**) at a price of A$1.25 per each New Share (**Entitlement Offer**) to raise approximately A$10 million.

Catalpa is also undertaking a placement 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 (**Placement**).

The funds raised under the Entitlement Offer and the Placement will be used to:

- accelerate resource definition and exploration drilling at Catalpa's Edna May Project;
- facilitate a debt restructure with Macquarie Bank Limited; and
- provide a working capital buffer during commissioning of the Edna May Project.

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).

The purpose of this letter is to give you the notice in order to allow you to participate in the Entitlement Offer in respect of your options should you wish to do so.

In order to be eligible to participate in the Entitlement offer in respect of your options, you need to:

1. ensure that you will be an "Eligible Shareholders" (as described in the Offer Booklet lodged by Catalpa on ASX) (**Eligible Shareholder**); and
2. complete a Notice of Exercise of Options and lodge that notice with Security Transfer Registrars, together with your payment for the number of shares you wish to take up. Notice of exercise of your options and payment of the exercise price of options should be received by Security Transfer Registrars Pty Ltd on or before 4 pm Perth time on Friday 26 March 2010 as option holders lodging notices of exercise after that date cannot be assured of the allotment of shares by the Record Date.

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The following documents have been lodged on ASX in respect of the Entitlement Offer:

- ASX announcement;
- Investor Presentation;
- Notice under section 708AA(2)(f) of the Corporations Act; and
- Offer Booklet,

(**Offer Documents**).

Before deciding whether to exercise any or all of your options, you should read the Offer Booklet, ASX announcement and Investor Presentation in their entirety and, if any doubt, consult your stock broker or other professional advisor. This letter is only intended to inform you of your rights in relation to your options.

If you do not wish to participate in the Entitlement Offer you do not need to take any action.

Yours sincerely

Leonard Math
Company Secretary
Catalpa Resources Limited

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