CATALPA RESOURCES

Media Release / ASX Announcement

11 April 2011

OPERATIONS UPDATE

Edna May Gold Operations

- **Edna May on track to achieve Bankable Feasibility Study (BFS) targets**
- **Management moves quickly to resolve issues; systemic failure of new tank agitator blades, unreliability of utilities, deferred higher grade ore following pit wall failure mid 2010**
- **Resource and grade control models continue to reconcile well with production**
- **Studies are in progress to increase processing capacity to 3.2Mtpa in CY2012 (as per BFS) to further increase gold production**
- **Following release of maiden underground resource, drilling continues to support the potential for a concurrent underground operation to supply high-grade feed in CY2012**
- **Edna May remains a long life asset, targeting the delivery of high cash margins**

Cracow Gold Operations

- **Cracow continues to perform well and remains on track to deliver on FY2011 production expectations**
- **Successful completion of plant upgrade to 550ktpa on time and under budget**

Group Guidance

- **As a result of issues affecting Edna May, FY2011 Group guidance is revised to 91,000 ounces to 100,000 ounces; cash costs to be A$890 to A$815 per ounce**

ASX Codes

Shares: CAH

Options: CAHOB

Shares on issue:
177,954,355

Share Price Current:
A$1.78 (8 April 2011)

12 month range:
A$2.27 (high) - A$1.36 (low)

Market Capitalisation:
A$317 million

CATALPA RESOURCES

OPERATIONS UPDATE

Catalpa Resources Limited (ASX:CAH), an emerging mid-tier Australian gold producer, presents an update on its Edna May Gold Operations in Western Australia and its Cracow Gold Operations (30%) in central Queensland.

Edna May Gold Operations

Catalpa continues to progress ramp up to BFS targets of 2.8Mtpa throughput and 92% recovery at the long life Edna May Gold Operations, and to advance underground mining studies with a view to establishing a high grade underground operation in 2012. Since commissioning, ramp up to full production has been extended due to the **sequential impact of**; the systemic failure of new tank agitator blades, unreliable utilities (power and water) and deferred access to higher grade ore following episodes of pit wall instability.

I. *Systemic Failure of Tank Agitator Blades;* the systemic failure of new tank agitator blades due to premature fatigue was identified early in March quarter 2011. As a result, the plant has been forced to operate with as many as three tanks off-line simultaneously following the failure of 4 of the 8 tanks during the March quarter 2011. A new supplier of agitator blades has been sourced, product quality has been verified and a replacement programme over the coming months will **return the leach and adsorption circuits to normal operations**. In the short term, recoveries are anticipated to be reduced to 90% (from 92%). This interruption to production is the subject of an insurance claim.

II. *Process Water Availability;* inadequate process water availability necessitated a temporary reduction in plant throughput rate in the March quarter 2011. **Process water is now guaranteed** following the commissioning of a new tailings thickener and the installation of additional borefield capacity.

III. *Power Outages;* power outages during the March quarter 2011 due to extreme weather conditions resulted in 3 days of lost production. In addition, power rationing to 'tie-in' the regional 206 megawatt Collgar Wind Farm to the power grid was imposed in April forcing a further 6 day shutdown. **Catalpa has engaged in discussions with Western Power** to improve future power reliability.

IV. *Pit Wall Failure - Extended Impact of Deferred Higher Grade Ore*; Catalpa engaged a second mining fleet and commenced a programme of accelerated waste mining to stabilise a section of the pit wall during the previous three quarters. Deferred higher grade ore was substituted with lower grade oxide stockpiles, impacting on gold production. **The wall is now stable**, and the open pit operation has returned to a single fleet with no further accelerated waste mining anticipated.

Management moved quickly to address these events which are **now largely resolved**. The Resource and grade control models continue to reconcile well with production. Catalpa is well funded with a strong cash and bullion position and continues to deliver into the favourable hedge at A$1,557 per ounce, with remaining gold being sold into the spot market. Catalpa remains extremely confident that the operation will achieve BFS targets over the coming months.

The implementation of corrective measures by Catalpa's experienced management team has allowed the Company to focus on further plant optimisation together with advancing the underground opportunity for delivery of high-grade or in 2012. On-going resource definition and extension drilling programmes are planned and budgeted through CY2011 together with underground mining studies.

Issue	Resolution	Actual/Expected Outcome
Systemic failure of tank agitator blades (design fault)	✓ Replacement of defective tank agitator blades with new supplier in coming months ✓ Insurance claim against supplier	✓ Return to normal plant recovery and throughput ✓ Financial compensation
Power reliability	✓ Engage with Western Power to improve future power supply reliability	✓ Improved reliability ✓ Return to normal throughput
Process water reliability	✓ Additional capacity installed into the bore field ✓ New tailings thickener commissioned	✓ Unconstrained plant throughput
Pit wall failure - deferral of higher grade ore	✓ Accelerated waste stripping to stabilise the pit wall	✓ Higher grade ore scheduled Jun/ Sept 2011 quarters

Cracow Gold Operations

Catalpa's 30%-owned Cracow Gold Operations in Queensland continues to perform well and is on track to deliver on FY2011 production expectations. Cracow successfully completed a plant upgrade to 550ktpa on time and under budget in the March quarter 2011. Cracow has provided a consistent cashflow to Catalpa and to the majority owner and operator, Newcrest Mining Limited.

GUIDANCE FY2011

Following implementation of corrective measures, Catalpa anticipates a return to steady state operation at Edna May with full production expected to be achieved in CY2011. In the interim, production will be impacted by the legacy of some of these issues through the remainder of FY2011 with anticipated gold production for the period from January to June 2011 reduced by 13,000 ounces to 16,000 ounces.

As a result, full-year production guidance for Edna May has been revised down to 62,000 to 69,000 ounces (previously 75,000 to 85,000 ounces) with cash cost guidance revised to A$1,080 and A$980 per ounce (previously A$784 to A$730 per ounce).

Cracow remains on target to produce at the upper end of FY2011 guidance of 29,000 to 31,000 attributable ounces of gold, with cash cost guidance of A$570 to A$530 per ounce.

Overall, Catalpa's Group production guidance has been revised to 91,000 to 100,000 ounces of gold for the year ending 30 June 2011 (previously 105,000 to 120,000 ounces), and cash cost guidance is revised to A$890 to A$815 per ounce (previously A$677 to A$745 per ounce).

About Catalpa Resources Limited

Catalpa Resources Limited (ASX: CAH) is a fast growing mid tier gold producer with two exciting gold assets; a 100% interest in the 100,000 ounces per annum Edna May Gold Project in Western Australia and a 30% interest in the 100,000 ounces per annum Cracow Gold Project in Queensland (70% Newcrest Mining Limited).

Catalpa's flagship Edna May Gold Project boasts a nine year mine life with a forward sold position of 300,000 ounces of gold at A$1,557.50 per ounce. The Company recently confirmed an impressive high grade underground Resource of 660,000 tonnes at 9.1g/t gold for 195,000 ounces (refer ASX announcement November 2010). Mining studies are in progress with a view to establishing an underground operation concurrent with existing open pit operations in 2012.

The Cracow Gold Project has a history of steady underground gold production of over 100,000 ounces per annum for the past five years and it is considered to have considerable exploration upside. Catalpa has a pre-emptive right over Newcrest's 70% stake in the asset.

With a combined Mineral Resource of more than 2 million ounces of gold and a combined Ore Reserve of more than one million ounces of gold, the Cracow and Edna May Operations provide a sustainable long life cash flow to fund Catalpa's growth strategy and provide shareholder returns.

Catalpa is confident that both Edna May and Cracow offer further Reserve and Resource growth potential, with ongoing exploration programs at both operations. In parallel, the Company strives to proactively identify and assess other production growth opportunities.

The Company has a motivated and technically accomplished management team and a highly-experienced and supportive Board, committed to realising shareholder value from the Company's asset portfolio.

Catalpa strives for best practice standards across all its activities, including health and safety, environmental management, corporate governance and social responsibility.

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