CATALPA RESOURCES
'Safe & Successful'

16 May 2011

Manager Announcements
Company Announcements Office
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

LETTER TO SHAREHOLDERS: TAKEOVER PROPOSAL BY ST BARBARA LIMITED

Attached is a copy of Catalpa Resources Limited's Letter to Shareholders in regards to the Takeover Proposal by St Barbara Limited.

Yours sincerely

Erik Palmbachs
Chief Financial Officer & Company Secretary
Catalpa Resources Limited

LEVEL 1, 9 HAVELOCK STREET, WEST PERTH WA 6005
PO BOX 1300, WEST PERTH WA 6872
www.catalparesources.com.au
ASX:CAH
TELEPHONE: +61 8 6216 9700
FACSIMILE: +61 8 9321 8804
EMAIL: manager@catalparesources.com.au

CATALPA RESOURCES

'Safe & Successful'

16 May 2011

TAKEOVER PROPOSAL BY ST BARBARA LIMITED

Dear Fellow Shareholder

As you may be aware, St Barbara Limited has announced an unsolicited takeover proposal to acquire all of the shares in your company by Scheme of Arrangement.

St Barbara's proposal is a mix of 50% cash and 50% St Barbara shares comprising:

- 0.4535 St Barbara shares, plus
- A$0.9613 cash

for each Catalpa share. At St Barbara's closing price on Friday 13th May this was equivalent to $1.81 per Catalpa share.

The St Barbara proposal is highly conditional and there is no certainty that it will proceed. However, in the coming weeks, your Board intends to hold discussions with St Barbara and its advisers to determine if transaction terms can be negotiated which are sufficiently attractive enough to facilitate a Catalpa Board recommendation.

Unsolicited takeover proposals like this typically take many months to finally resolve and while we will provide updates whenever possible, I ask for your patience during this period.

In the meantime, your Board recommends that you TAKE NO ACTION in relation to your Catalpa shares at this time.

Your Board has long recognised the opportunity to create a leading mid-tier Australian gold company as reflected in our five-year plan. In this regard we have held discussions with a number of other gold companies seeking to explore the potential for consolidation opportunities by way of merger, takeover or other corporate transactions.

In addition to holding discussions with St Barbara, your Board will continue to proactively explore and assess all other options for delivering the best possible outcome for you, our shareholders.

More detail on these options will be provided in a formal response to the St Barbara proposal which we will provide in the coming weeks based on the results of our discussions with St Barbara and its advisers.

During this period, if you have any questions in relation to St Barbara's proposal, please feel free to contact Bruce McFadzean, your Managing Director and CEO.

Your Board has appointed Macquarie Capital Advisers and Freehills to advise Catalpa and we look forward to your continued support as we work hard to protect the interests and maximise the financial returns for all shareholders and other stakeholders.

Yours sincerely

P J Maloney

Peter Maloney
Chairman
Catalpa Resources Limited