



On budget: Catalpa's first production blast on the northern crest of the pit on December 14, part of its march to have the Edna May Gold Project producing gold by June. Photo: SUPPLIED

Edna project set for May start

CATALPA Resources has updated the market on construction progress at its wholly owned \$92 million Edna May Gold Project in Westonia, halfway between Perth and Kalgoorlie.

The company said construction remained on schedule and within budget for commissioning in May and first gold production in June.

Managing director Bruce

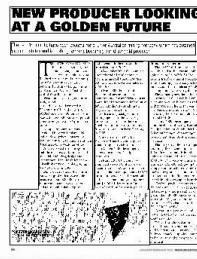
McFadzean said construction deadlines and capital cost risks that "plagued" many projects over the past few years were significantly reduced at Edna May.

"We do not have any long lead items outstanding, refurbishment is essentially complete, we have ore on the ROM pad, our people and systems are in place, we have power and water, a supportive community and

the project is well advanced and on schedule," Mr McFadzean said.

Mr McFadzean said negotiations with power suppliers had also been finalised with Perth Energy given a four-year-supply contract.

Catalpa expects average gold production at Edna May to be in excess of 100,000 ounces of gold per annum, with a mine life running over nine years.



NEW PRODUCER LOOKING AT A GOLDEN FUTURE

The past 18 months have been eventful for a junior Australian mining company which has attained producer status and is pushing towards becoming a mid-tier gold producer.

THE COMPANY, CATALPA Resources, has undergone a name change, completed a successful capital raising, finalised a merger and is six months away from commissioning the \$A92 million Edna May gold mine at Westonia in Western Australia's central Wheatbelt region.

Westonia has a strong gold mining background.

Gold was first discovered at Westonia in 1911, and up to 1947 production of 575,000 tonnes of ore resulted in 360,000 ounces of gold at a recovered grade of 19.5 grams to the tonne.

An open pit operation was developed between 1984 and 1991, and in 1994 a private consortium bought the mining tenements and then listed in 2002 as Westonia Mines.

An extensive drilling program, metallurgical testwork, process and financial modelling, design and environmental studies followed and a feasibility study completed for an open pit project in 2006.

Based on a resource of 1.1 million ounces of gold with a recoverable reserve of about 800,000oz, the Edna May open pit was dewatered and a processing plant acquired

and relocated to the minesite for refurbishment in 2007.

In December 2009, the company updated total mineral resources after mining depletion to 1.66Moz with total ore reserves estimated at 945,000oz.

In May 2008, the board of Westonia Mines announced the appointment of Bruce McFadzean as managing director and chief executive officer with the task of taking the project into production.

With a strong background in mining operations, he was a key figure in the start-up of the Frances Creek iron ore project for Territory Resources in the Northern Territory in 2007.

Since his arrival at the then Westonia Mines the company has gone through a transformation.

In August 2008, the company changed its name to Catalpa Resources.

In March 2009, the company completed a \$A31.4 million share placement and a \$A7.5 million share purchase plan to complement a \$A67.5 million project debt facility secured earlier the same month, raising more than \$A106 million to fully fund the \$A92 million Edna May project

through to production.

The \$A67.5 million debt facility was financed with a forward sold gold price of \$A1557.50 for 352,317oz over its first five years of production, an outstanding price when you take into account that in February 2009 exchange rates were vastly different.

The company negotiated the price at a time when the Australian gold price was \$930/oz, but the Australia/United States exchange rate was only 63c. The rate now hovers at 90-93c, anchoring the Australian gold price at around \$A1200/oz.

In June 2009, the company announced that following discussions, Catalpa and major shareholder Lion Selection had agreed to a merger to create a mid-tier Australian gold producer.

The merger resulted in Catalpa retaining 100% ownership of the 100,000oz per annum Edna May gold project and adding 30% of the 100,000ozpa Cracow gold mine in Queensland (30,000oz), giving the company an immediate income from the Cracow production and potential production of 130,000ozpa of gold once Edna May was up and running.

"We're a producer in our own right now with our 30 per cent share in Cracow post merger and we've got another 100,000 ounces coming when Edna May comes online in June 2010," McFadzean told *RESOURCESTOCKS*.

"We are in a good space and we're in the right commodity, there's no doubt about that.

"When I first looked at this project I did all my numbers based on \$A1200 an ounce for gold as I believed it stacked up with changes to the mill throughput capacity I was aiming at."

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BRUCE MCFADZEAN
CATALPA RESOURCES





The Edna May feasibility study came up with a cash cost of \$A636/oz and McFadzean is adamant that it will not be any higher now that all the contracts have been finalised, giving the company a tidy annual profit.

"We thought we had been conservative in the feasibility study, but we'd like to think we'll come in a little less than that as a mine life cost," he said.

"I believe the cash cost for the average Australian producer is now in the high SA600s."

While ticking all the boxes with the merger and consolidation, McFadzean has kept his eye on the development of the open pit at Westonia to ensure it will come into production on schedule and under budget.

"That's what we said we would do and we're on track to achieve it," he said.

McFadzean added that the focus was to build Catalpa into a mining house based on the skill set and experience within the company, but emphasised that he was not prepared to rush into new projects.

"We want to establish ourselves as being sensible, able to generate a lot of cash for our shareholders with skilled management," he explained.

"We're in a position where we could go in and assess an ore body with our in-house skill set, but we also like to think we are feet-on-the-ground people.

"When I first had a look at the data for Edna May, I thought that either no one knew or no one appreciated what information existed on the project.

"When you've got that level of drilling into any resource, I don't care whether it is half a gram, 2 grams or 10 grams to the tonne, it's de-risked significantly when you've got 135 kilometres of drilling into one ore body.

"You just don't see 64 per cent measured or proved these days, that's an unusual statistic."

McFadzean believes that gold failures in the past five years haven't occurred because they were low grade.

Although, in fact, they may have been medium to high-grade deposits, the failures have been because the drill information and their models didn't reflect what was there.

"I get people say to me that Edna May is a big, low-grade deposit and I

say 'so what,'" he added.

"That's got nothing to do with it. When you've optimised and evaluated as many ore bodies as I have you realise it has nothing to do with it.

"The new Boddington mine is only 0.4 grams to the tonne. But so what? They're processing 38 million tonnes a year – that's what the relevance is.

"It's about throughput, drilling confidence, resource confidence, metallurgical testwork and competence, and the Edna May project ticks all of those boxes.

"Geologists rarely put an ore body in the right place, but they have in this instance. It's not a high-grade one, but it's a big one – it's 80 to 100 metres wide and 800 metres long.

"It's a mass of solid mineralisation and it sits just a couple of minutes away from the local township and excellent infrastructure. How good is that?"

On the subject of future expansion McFadzean indicated that while the Catalpa structure was equipped to assess other projects, the immediate focus was on getting the Edna May operation up and running.

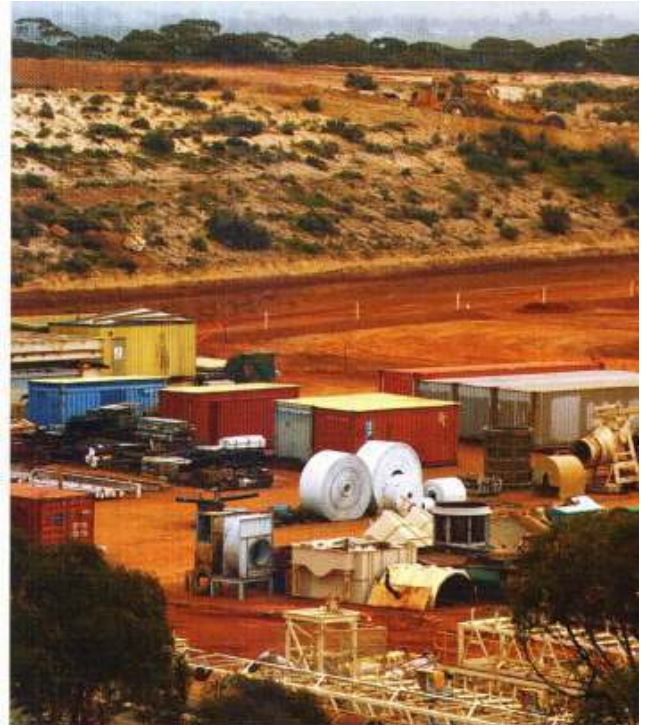
He pointed out that even during the merger discussions the company's operations team was totally cut off from the corporate merger activities to ensure they weren't distracted. However, he did admit the company would be looking at growth once Edna May was operational.

"We have had many inquiries about whether we were interested in the other 70 per cent of Cracow, but at the moment Newcrest is saying that it's not for sale and I can understand that they can't have an operation out there with a 'for sale' sign on it all the time," he said.

"But you never know what the future will bring in terms of the other 70 per cent.

"We'll have a chat to them when things have settled down, but in simple terms, we will always be looking to do something, but any action we take will have to conform to our strategy of being sensible and generating cash flow."

While the Catalpa Resources market capitalisation may have been around \$A35 million in 2008, the past 18 months has totally changed the company and McFadzean believes as a leading Australian mid-tier gold producer the market cap will top \$A250 million as a post merger gold producer. – **Ron Berryman**



The Catalpa processing plant under construction at Edna May

CATALPA RESOURCES AT A GLANCE



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MARKET CAPITALISATION

\$A304.5 million (at press time)

MAJOR SHAREHOLDERS

Lion Selection Group 46.86%
HSBC Custody Nominees
Australia 7.07%
ANZ Nominees 3.43%
National Nominees 3.39%
Reneagle 1.62%