



26 February 2010

The Manager
Company Announcements Office
ASX Limited

No of pages (incl.): 5

Dear Sir/Madam

We enclose an announcement in relation to the Australian Taxation Office's ("ATO") Class Ruling in relation to the demerger of Lion Selection Group Limited by Lion Selection Limited ("Lion") and the cash distribution of 10 cents per share to the former shareholders of Lion.

We note that the ATO Class Ruling is only of relevance to former shareholders of Lion.

Yours faithfully

A handwritten signature in black ink, appearing to read "Leonard Math".

Leonard Math
Company Secretary
Catalpa Resources Limited

26 February 2010

ATO CLASS RULINGS

Catalpa Resources Limited (ASX:CAH) ("Catalpa") refers to the ASX Release of Lion Selection Limited ("Lion") dated 10 December 2009 which noted the Australian Tax Office's ("ATO") preliminary verbal confirmation of the Class Rulings in relation to the demerger of Lion Selection Group Limited ("LSG") by Lion ("Demerger") and the cash distribution of 10 cents per share by way of a return of capital to the former shareholders of Lion ("Cash Distribution").

Lion is now a wholly-owned subsidiary of Catalpa.

Catalpa advises that the ATO has issued the two final Class Rulings.

Class Rulings

A copy of both ATO Class Rulings can be located on the ATO's and Catalpa's respective websites.

In relation to the Demerger, the ATO has confirmed:

1. A capital gains tax event occurred in relation to each Lion share when Lion made the payment of the capital reduction amount (satisfied by the in specie distribution of LSG shares).
2. If the capital reduction amount exceeds the cost base of a Lion share, the relevant Lion shareholder made a capital gain.
3. No capital loss can be made from this particular capital gains tax event.
4. Where the capital reduction amount is not more than the cost base of a Lion share, the cost base and the reduced cost base of the relevant Lion share will be reduced (but not below nil).
5. The first element of the cost base and reduced cost base of each LSG share received by Lion shareholder will be equal to the capital reduction amount applied on behalf of each Lion shareholder to acquire each LSG share.
6. The in specie distribution to Lion shareholders of shares in

ASX Code: **CAH**

Shares on issue:

144,678,419

Share Price Current:

\$1.365 (26 February 2010)

12 month range

\$1.98 (high) - \$0.20 (low)

Board of Directors

Mr Peter Maloney	Non Exec Chairman
Mr Bruce McFadzean	Managing Director
Mr John Rowe	Non Exec Director
Mr Murray Pollock	Non Exec Director
Mr Barry Sullivan	Non Exec Director
Mr Graham Freestone	Non Exec Director
Mr Graham Anderson	Company Secretary
Mr Leonard Math	Company Secretary

Senior Management

Erik Palmbachs	CFO
Stuart Pether	GM Operations
Nick Winnall	Manager Exploration
Adrian Pelliccia	Manager Geology



LSG is not a “dividend” for Australian income tax purposes.

7. Certain anti-avoidance rules will not apply to the in specie distribution received by Lion shareholders.

In relation to the payment of the Cash Distribution, the ATO has confirmed that:

1. Catalpa notes that in its ASX release of 10 December 2009 Lion informed the market that the ATO had provided preliminary verbal confirmation that 1.25cps of the Cash Distribution would be deemed to be an unfranked dividend, with the remaining 8.75cps being a return of capital. The ATO’s final Class Ruling now confirms that no part of the Cash Distribution is a “dividend” for Australian income tax purposes.
2. Certain anti-avoidance rules will not apply to the Cash Distribution.
3. A capital gains tax event occurred when Lion paid the Cash Distribution to Lion shareholders in respect of Lion shares they owned at the record date (i.e. 7 December 2009) and continued to own at the payment date (i.e. 10 December 2009).

For further enquiries contact:

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Disclaimer

The following is a general description of the Australian income and capital gains tax consequences to former Lion shareholders of the Demerger and the Cash Distribution. Former Lion shareholders who are not resident in Australia for tax purposes should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of the Demerger and the Cash Distribution. The above summary is intended only for Australian resident former Lion shareholders. The above description is based upon the Australian law and administrative practice in effect at the date of this announcement, but it is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every former Lion shareholder. Former Lion shareholders should seek independent professional advice in relation to their own particular circumstances.

ABOUT CATALPA RESOURCES

Catalpa Resources Limited (ASX: CAH) has two exciting gold assets; a 30% interest in the 100,000 ounce per annum Cracow Gold Operations - a producing gold mine in Queensland (70% Newcrest Mining Limited); and the 100,000 ounce per annum Edna May Gold Operations in Western Australia (100%) - an advanced gold project ahead of schedule to commence production a month early in May 2010.

The A\$92 million Edna May Gold Project is fully funded, and, as part of the finance facility, Catalpa has sold forward 352,316 ounces of gold at A\$1,557.50 per ounce. At an average gold price of A\$1,400 per ounce Catalpa will realize an average cash operating margin of A\$72 million per annum from the Edna May Gold Operations alone.



With a combined Mineral Resource of more than 1.9 million ounces and a combined Ore Reserve of more than a million ounces of gold (refer announcement dated 2 December 2009), the Cracow and Edna May Operations will provide a sustainable cash flow to fund Catalpa's growth strategy.

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

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

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

EDNA MAY OPERATIONS (100%)

Catalpa's wholly-owned Edna May Gold Operations is conveniently positioned just two kilometers from the infrastructure of Westonia, on the eastern edge of WA's Wheatbelt region. The mine is half way between Perth and Kalgoorlie and ideally situated to be serviced by either of these major mining centres.

With its robust economics, geologically and metallurgically well defined ore-body, high Ore Reserve confidence and excellent recovery rate of more than 92%, Catalpa's Edna May Gold Operations offers an attractive, long-term platform to grow a mid tier gold producer.

Catalpa's mine and processing schedule demonstrate average gold production at Edna May in excess of 100,000 ounces of gold recovered per annum for a life of mine of more than nine years, with production planned to commence in June 2010.

CRACOW GOLD OPERATIONS (30%)

Catalpa owns 30% of the Cracow Gold Operations in Queensland with Newcrest Mining Limited, and also has a pre-emptive right over Newcrest's 70% stake in the asset. The Cracow Gold Project is well managed and operated by Newcrest, allowing Catalpa to remain focused on constructing the Edna May Gold Project on time and within budget.

The Cracow Gold Project has a history of steady gold production of over 100,000 ounces per annum for the past four years and it is considered to have considerable exploration upside.

