



CATALYST METALS LIMITED

ABN 54 118 912 495

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date and time of meeting

23 September 2011 at 10.00 a.m.

Place of meeting

Celtic Club
48 Ord Street
West Perth, Western Australia

CATALYST METALS LIMITED

ABN 54 118 912 495

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Catalyst Metals Limited (Company) will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Friday, 23 September 2011 at 10.00 a.m.

AGENDA

To consider and if thought fit to pass, with or without amendment, the following resolutions as ordinary resolutions.

1. Ratification of share issue

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue and allotment by the Company of 750,000 ordinary fully paid shares to Providence Gold and Minerals Pty Ltd in January 2011 pursuant to the terms of the Four Eagles Heads of Agreement, further details of which are set out in the explanatory memorandum accompanying the notice of meeting, is approved.”

The Company will disregard any votes cast on this resolution by Providence Gold and Minerals Pty Ltd and any of its associates.

2. Ratification of share placement

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue and allotment by the Company in March 2011 of 3,250,000 ordinary fully paid shares at a subscription price of 20 cents each, further details of which are set out in the explanatory memorandum accompanying the notice of meeting, is approved.”

The Company will disregard any votes cast on this resolution by any shareholder who participated in the share placement and any of their associates.

3. Approval of Performance Rights Plan

“That for the purposes of ASX Listing 7.2 (Exception 9) and for all other purposes, any issue of securities made under the Catalyst Metals Limited Performance Rights Plan, a summary of the terms and conditions of which is set out in the explanatory memorandum accompanying the notice of meeting, within the period of 3 years from the date of passing this resolution, is approved as an exception to ASX Listing Rule 7.1.”

The Company will disregard any votes cast on this resolution by any Directors of the Company and any of their associates.

4. Approval of issue of Performance Rights

“That for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, the issue of 1 million Performance Rights to Mr Bruce Kay (or his nominee) on the terms and conditions set out in the explanatory memorandum accompanying this notice of meeting, is approved.”

The Company will disregard any votes cast on this resolution by Bruce Kay and any of his associates.

By order of the Board

Frank Campagna
Company Secretary

Perth, Western Australia
11 August 2011

VOTING EXCLUSION NOTE

Where a voting exclusion applies, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

PROXIES

A member of the Company who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote for the member at the meeting. A proxy need not be a member of the Company. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the proxy instructions on that form.

In accordance with Regulation 7.11.37 of the Corporations Regulations, the directors have determined that the identity of those entitled to attend and vote at the meeting is to be taken as those persons who held shares in the Company as at 10.00 a.m. on 21 September 2011.

CATALYST METALS LIMITED

ABN 54 118 912 495

EXPLANATORY MEMORANDUM

This explanatory memorandum has been prepared for the information of shareholders of Catalyst Metals Limited in connection with the business to be considered at the forthcoming general meeting of shareholders of the Company and should be read in conjunction with the accompanying notice of meeting.

RESOLUTION 1 – RATIFICATION OF SHARE ISSUE

In December 2010, Catalyst entered into the Four Eagles Heads of Agreement for a farm-in and joint venture in respect of exploration licences EL 4525 and EL 5295 situated north of Bendigo in Victoria. As consideration for Providence Gold and Minerals entering into the Four Eagles Heads of Agreement and granting the Company the right to earn an interest in the Four Eagles Project, the agreement provided for an initial payment of \$150,000 for the partial reimbursement of expenditure incurred on the tenements and the issue of 750,000 shares in Catalyst.

Following satisfaction of the condition precedent to the Four Eagles Heads of Agreement in January 2011 Catalyst paid \$150,000 and issued 750,000 ordinary fully paid shares to Providence Gold and Minerals.

ASX Listing Rule 7.1 prohibits a listed company from issuing equity securities representing more than 15% of its issued capital in any 12 month period without first obtaining shareholder approval (subject to certain exceptions).

Under ASX Listing Rule 7.4, a company can seek ratification of issues that have been made within the previous 12 month period. The effect of such ratification is that the shares are then deemed to have been issued with shareholder approval, and are therefore not counted towards the 15% limit. The approved shares are also included in the base number for calculating the Company's 15% limit, thereby increasing the number of equity securities the Company can issue without first having to obtain shareholder approval under Listing Rule 7.1.

The issue of 750,000 shares to Providence Gold and Minerals in January 2011 was made within the Company's available 15% capacity at the time of issue. Resolution 1 seeks the ratification by shareholders of the issue of the 750,000 shares to Providence Gold and Minerals. If the resolution is approved then those shares will be deemed to have been issued with shareholder approval and will therefore not be counted in the 15% capacity.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purposes of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of securities issued was 750,000 fully paid shares.
- (b) the shares were recorded in the books of the Company at a deemed issue price of 20 cents per share.
- (c) the shares were allotted and credited as fully paid and rank equally with the existing shares on issue.
- (d) the shares were allotted and issued to Providence Gold and Minerals as part consideration for granting the Company the right to earn an interest in the Four Eagles Project.
- (e) no funds were raised from the issue of the shares.

The Board recommends that shareholders vote in favour of Resolution 1 as it refreshes the Company's 15% capacity under ASX Listing Rule 7.1 to the extent of the shares the subject of the resolution and allows the Company to retain the flexibility to issue further securities up to the 15% capacity in the future. The Chairman intends to vote undirected proxies in favour of Resolution 1.

RESOLUTION 2 – RATIFICATION OF SHARE PLACEMENT

On 25 March 2011, Catalyst made a private placement of 3,250,000 ordinary fully paid shares at a subscription price of 20 cents each to raise \$650,000 in additional working capital for the Company. The offer of shares under the placement was made to sophisticated and professional investors and did not require disclosure by virtue of the exceptions in Section 708 of the Corporations Act. The placement was also made within the Company's available 15% capacity under ASX Listing Rule 7.1 at the time of issue.

As stated above, a company can seek ratification pursuant to ASX Listing Rule 7.4 for the issue of securities that have been made within the previous 12 month period. The effect of such ratification is that those shares are then deemed to have been issued with shareholder approval and will therefore not be counted towards the Company's 15% capacity and will be included in the base number of shares for calculating the 15% capacity in the future.

Resolution 2 seeks the ratification by shareholders of the issue of the 3,250,000 shares to sophisticated and professional investors. If the resolution is approved then those shares will be deemed to have been issued pursuant to shareholder approval and they therefore will not be counted in the 15% capacity.

The following information is provided to shareholders for the purposes of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of securities issued was 3,250,000 fully paid shares.
- (b) the issue price of the securities was 20 cents per share.
- (c) the shares were allotted and credited as fully paid and rank equally with the existing shares on issue.
- (d) the shares were allotted and issued to sophisticated and professional investors, who are not related parties of the Company.
- (e) the funds raised have or will be used for exploration programmes on the Four Eagles project and the Company's other mineral exploration projects and for general working capital purposes.

The Board recommends that shareholders vote in favour of Resolution 2 as it refreshes the Company's 15% capacity under Listing Rule 7.1 to the extent of the shares the subject of the resolution and allows the Company to retain the flexibility to issue further securities up to the 15% capacity in the future. The Chairman intends to vote undirected proxies in favour of Resolution 2.

RESOLUTION 3 – APPROVAL OF PERFORMANCE RIGHTS PLAN

General

The Directors have resolved to implement a Performance Rights Plan (**PR Plan**) to provide ongoing incentives to selected employees, Directors and consultants of the Company or any of its subsidiaries (**Eligible Participants**).

As stated above, ASX Listing Rule 7.1 prohibits a listed company from issuing equity securities representing more than 15% of its issued capital in any 12 month period without obtaining shareholder approval (subject to certain exceptions).

ASX Listing Rule 7.2 (Exception 9) provides that ASX Listing Rule 7.1 will not apply to issues under an employee incentive scheme for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme. Resolution 3 seeks shareholder approval for the purposes of Exception 9 of ASX Listing Rule 7.2 to any issue of securities under the PR Plan made within the period of 3 years from the date of passing of the resolution, as an exception to ASX Listing Rule 7.1.

If Resolution 3 is passed, the Company will be able to issue equity securities under the PR Plan without affecting the Company's ability to issue up to 15% of its total ordinary securities without shareholder approval in any 12 month period.

It should be noted that Directors of the Company will not be eligible to participate in the PR Plan without first obtaining specific shareholder approval.

The objective of the PR Plan is to attract, motivate and retain Eligible Participants by providing performance related incentives and rewards. It will also enable Eligible Participants, upon becoming shareholders, to participate in the future growth and development of the Company. The Directors consider this to be a cost effective and efficient means of providing targeted incentives and rewarding Eligible Participants and expects it to result in future benefits to both the Company and Eligible Participants.

No Performance Rights have yet been issued under the PR Plan. The Company has previously established an Employee Share Option Plan which will operate in conjunction with the proposed PR Plan.

A summary of the terms and conditions of the PR Plan are set out below. A copy of the full terms and conditions of the PR Plan may be obtained by contacting the Company.

Summary of the Performance Rights Plan

The material terms of the PR Plan are summarised as follows:

- (a) **Offer of Rights:** The Board is responsible for administering and managing the PR Plan. When an Eligible Participant satisfies specified criteria imposed by the Board (including performance criteria and specified periods of tenure) the Board may make a written offer (**Offer**) of Performance Rights to an Eligible Participant. The Offer will specify the number of Performance Rights offered (as determined by the Board) and the conditions that must be met by the Eligible Participant before the Performance Rights will vest.
- (b) **Performance Rights:** Performance Rights will not be quoted on ASX. Each Performance Right will, upon vesting, entitle the holder to one (1) ordinary fully paid share in the capital of the Company.
- (c) **Vesting Conditions:** The Performance Rights will not vest unless the vesting conditions imposed by the Board have been satisfied. These will typically be linked to the achievement of key performance indicators or other conditions relevant to the position of the Eligible Participant.
- (d) **No Consideration:** An Eligible Participant will not be required to make any payment in return for a grant of Performance Rights nor for the issue of shares upon the vesting of Performance Rights.
- (e) **Lapse of Performance Rights:** Performance Rights that have not vested will lapse on a maximum of the seventh anniversary of the date of grant of the Performance Rights or on the first to occur of certain specified events, including:
 - (i) the performance conditions attaching to the Performance Right not being satisfied within the nominated prescribed period.
 - (ii) a purported transfer of the Performance Rights (other than a permitted transfer).
 - (iii) a determination by the Board, acting reasonably, that the Eligible Participant has acted fraudulently, dishonestly or is in breach of their obligations to the Company.
 - (iv) the Eligible Participant ceasing to be an Eligible Participant, other than by reason of retirement, permanent disability, retrenchment or death.
 - (v) a resolution being passed to wind up the Company.
 - (vi) any other circumstances specified by the Board in the Offer.

If an Eligible Participant ceases to be an Eligible Participant by reason of retirement, permanent disability, retrenchment or death, the Board may determine that some or all of an Eligible Participant's Performance Rights will vest even if a performance condition has not been satisfied. If no such determination is made by the Board within 3 months after the person ceases to be an Eligible Participant, all Performance Rights held by that Eligible Participant will automatically lapse.

- (f) **Shares Allotted Upon Vesting of Performance Rights:** The Company will issue shares to the Eligible Participant as soon as practicable after the vesting of Performance Rights. The shares allotted under the PR Plan will be of the same class and will rank equally with all other issued shares in the Company at the date of issue. The Company will apply for quotation of the new shares on ASX within the time required by ASX Listing Rules.
- (g) **Transfer of Performance Rights:** Performance Rights are not transferable except to a legal personal representative of the holder, following the holder's death.
- (h) **Reorganisation of Capital:** If the Company reorganises its capital, Performance Rights on issue will be reorganised in accordance with the ASX Listing Rules, such that the holder of a Performance Right does not receive a benefit that holders of ordinary shares do not receive.
- (i) **No Other Rights:** A Performance Right gives the holder no rights other than as expressly provided in the PR Plan and those provided at law where such rights cannot be excluded. Holders of Performance Rights will not be entitled as a result of holding Performance Rights to vote at meetings of shareholders, receive dividends, participate in surplus profits or assets of the Company upon a winding up, or participate in new issues of securities offered to shareholders

The Directors may participate in the PR Plan (subject to specific shareholder approval) and are therefore excluded under the ASX Listing Rules from voting on Resolution 3 (other than as proxy for shareholders that are entitled vote). Accordingly, the Directors make no recommendation to shareholders in respect of voting on Resolution 3. The Chairman intends to vote undirected proxies in favour of Resolution 3.

RESOLUTION 4 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS

Background

Mr Bruce Kay was appointed as a non-executive director of the Company on 10 February 2011, after successfully securing and negotiating the Four Eagles Heads of Agreement on behalf of the Company. Since his appointment, Mr Kay, a qualified geologist, has been responsible for leading the Company's exploration strategy on the Four Eagles Project and the Company's other key exploration projects, as well as providing technical input to the Board.

In order to recognise and reward the efforts of Mr Kay in progressing the Company's exploration strategy and to provide an incentive if the Company successfully farms-in to the Four Eagle Project, the Board proposes to issue to Mr Kay, or his nominee, 1,000,000 Performance Rights in the Company.

Key terms and conditions of Performance Rights

Each Performance Right will entitle the holder to one fully paid ordinary share upon satisfaction of certain vesting conditions.

The Performance Rights will vest in accordance with the earn-in terms of the Four Eagles Heads of Agreement and specifically on the following basis:

- (a) 300,000 Performance Rights will vest on the date that the Company, through its wholly owned subsidiary, Kite Gold, elects to continue after Phase 1 of the Four Eagles Heads of Agreement, as evidenced by satisfaction of the relevant condition precedents to Phase 2, being the issue and allotment of a further 750,000 Catalyst shares and payment of a further \$100,000 in cash, to Providence Gold and Minerals; and
- (b) 700,000 Performance Rights will vest on the date that the Company, through Kite Gold, becomes entitled to the transfer of a 50% interest in each of exploration licences EL 4525 and EL 5295 under the Four Eagles Heads of Agreement.

All Performance Rights that have not previously vested will vest immediately on the date:

- (a) a takeover bid for the Company's shares becomes unconditional or a court approves a scheme of arrangement for the merger of the Company with another entity; or

- (b) the Company disposes of any of its rights and interests in the Four Eagles Heads of Agreement and/or exploration licences EL 4525 and EL 5295, either via a direct sale of its interests in the project and the assignment of the Four Eagles Heads of Agreement, the sale of all the shares it holds in Kite Gold, the issue of new shares in Kite Gold, or otherwise.

Unless the Board in its absolute discretion determines otherwise, an unvested Performance Right will automatically lapse upon the earlier of:

- (a) the date that Kite Gold withdraws, or is deemed to have withdrawn, from the Four Eagles Heads of Agreement.
- (b) a determination by the Board, acting reasonably, that Mr Kay has acted fraudulently, dishonestly or is in breach of his obligations to the Company or a subsidiary of the Company.
- (c) Mr Kay ceasing to be a Director for any reason other than retirement at age 60 or older (or an earlier age approved or agreed by the Board), permanent disability or death.
- (d) seven years from the date of grant.
- (e) a resolution being passed to wind up the Company.

If Mr Kay ceases to be a Director by reason of retirement at age 60 or older (or an earlier age approved or agreed by the Board) (other than retirement by rotation, where Mr Kay is re-elected), permanent disability or death, the Board may determine that some or all of the Performance Rights will vest even if one of the vesting conditions has not been satisfied. If no such determination is made by the Board within 3 months after Mr Kay ceases to be a Director, all unvested Performance Rights held by Mr Kay or his nominee will automatically lapse.

The Performance Rights will not be transferable except to a legal personal representative of Mr Kay, following death.

The Company will issue shares to Mr Kay (or his nominee) as soon as practicable after the vesting of Performance Rights. The shares allotted will be of the same class and will rank equally with all other issued shares in the Company at the date of issue. The Company will apply for listing of the new shares on ASX within the time required by ASX Listing Rules.

If the Company reorganises its capital, Performance Rights on issue will also be reorganised in accordance with the ASX Listing Rules, such that Mr Kay does not receive a benefit that holders of ordinary shares do not receive.

There are no participating rights or entitlements inherent in the Performance Rights and Mr Kay will not be entitled as a result of holding Performance Rights to vote at meetings of shareholders, receive dividends or participate in surplus profits or assets of the Company upon a winding up or participate in new issues of securities offered to shareholders.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires, subject to certain exceptions, that an entity must not issue or agree to issue equity securities to a Related Party without the approval of shareholders. Mr Kay, as a Director, is a Related Party of the Company. Accordingly, shareholder approval is being sought under ASX Listing Rule 10.11 for the issue of Performance Rights to Mr Kay.

The following information is provided to shareholders for the purposes of Listing Rule 10.13:

- (b) the Performance Rights will be issued to Mr Bruce Kay or his nominee.
- (c) the maximum number of Performance Rights to be issued is 1,000,000 and the maximum number of fully paid ordinary shares to be issued upon vesting of the Performance Rights is 1,000,000.
- (d) the Performance Rights will be issued no later than 1 month after the date of the meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).

- (e) the Performance Rights will be granted for no consideration and the shares to be issued upon vesting of the Performance Rights will be issued for no consideration.
- (f) the key terms of the Performance Rights are set out above.
- (g) no funds will be raised by the issue of the Performance Rights.

ASX Listing Rule 7.1

If shareholders approve Resolution 4 pursuant to ASX Listing Rule 10.11, then approval is not required under ASX Listing Rule 7.1. Accordingly, if the Resolution is approved and the 1,000,000 Performance Rights are issued, these will not be included in the calculation of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

Chapter 2E Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a Related Party of the Company (which includes a Director) unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) shareholder approval is obtained to the giving of the financial benefit.

The proposed issue of Performance Rights by the Company to Mr Kay constitutes the giving of a financial benefit to a Related Party of the Company. Resolution 4 seeks shareholder approval to the issue of Performance Rights to Mr Kay or his nominee for the purposes of Chapter 2E.

In accordance with the requirements of Chapter 2E and in particular with Section 219 of the Corporations Act, the following information is provided to shareholders, together with the other information contained in this explanatory memorandum, to allow them to assess the proposed grant of Performance Rights by the Company to Mr Kay:

- (a) Mr Kay is a Related Party of the Company to whom Resolution 4, if approved, would permit the financial benefit being given;
- (b) the nature of the financial benefit to be given to Mr Kay is the grant of 1 million Performance Rights;
- (c) as at the date of this explanatory memorandum, the issued capital of the Company is 39,088,226 shares and 2,000,000 options. If the Performance Rights are granted to Mr Kay then the Company's issued capital would include 1 million Performance Rights. If all of the Performance Rights are granted and subsequently vest, the number of shares on issue in the Company will increase to 40,088,226 (assuming no options were exercised or other securities were issued in the meantime).
- (d) if shareholders approve the grant of the 1,000,000 Performance Rights to Mr Kay, the vesting of those Performance Rights may result in a dilution of all other shareholders' holdings in the Company by approximately 2.5% based on the number of shares on issue in the Company at the date of this explanatory memorandum (assuming all the Performance Rights vest and no options were exercised or other securities were issued in the meantime);
- (e) as at the date of this explanatory memorandum, Mr Kay has a direct or indirect interest in the following securities in the Company:

341,308 shares; and
500,000 unlisted options.

If the Performance Rights are granted to Mr Kay and they subsequently vest in full, the number of shares held by Mr Kay will increase by 1,000,000. Based on the number of shares on issue at the date of this explanatory memorandum and assuming no options are exercised or other securities are issued, if the Performance Rights vest in full, Mr Kay's voting power will increase from 0.87% to 3.35%, or to 4.54% if Mr Kay also exercises all his options.

- (f) the 1,000,000 Performance Rights and any shares issued on the vesting of the Performance Rights, will be issued by the Company to Mr Kay for no consideration and therefore no funds will be raised by the grant or vesting of the Performance Rights. The only costs the Company will incur in respect of the Performance Rights (and the vesting of those Performance Rights) are legal, valuation and minimal administrative costs.
- (g) details of the indicative value of the Performance Rights is set out below.
- (h) Mr Kay's remuneration package currently comprises Non-Executive Director's fees of \$30,000 per annum (plus statutory superannuation contributions). Mr Kay is also paid a discounted commercial daily rate of \$1,200 (exclusive of GST) for the provision of technical consulting services to the Company outside of and in addition to his role as a Non-Executive Director. Prior to his appointment as a Non-Executive Director, Mr Kay was also granted 500,000 unlisted options in July 2010 in his then capacity as senior technical consultant to the Company, with 250,000 options exercisable at 20 cents each on or before 30 June 2014 and 250,000 options exercisable at 30 cents each on or before 30 June 2015.
- (i) each of the Director's interests in the outcome of, and recommendation in respect of, Resolution 4 is set out below.
- (j) other than the information specified in this explanatory memorandum, the Company believes there is no other information that would be reasonably required by shareholders in order to decide whether it is in the best interests of the Company to approve Resolution 4.

Valuation of Performance Rights

An indicative value of the Performance Rights to be granted to Mr Kay has been assessed as at 1 August 2011 using Australian Accounting Standard AASB 2 (Share-based payment) and adopted by the Board. The indicative value of each Performance Right is in the range of 21.6 cents to 31.6 cents and, based on the last available underlying share price on 28 July 2011, a value of 30.4 cents. The valuation is based on the following assumptions:

- (a) each Performance Right will vest (otherwise the Performance Rights have nil value);
- (b) the initial undiscounted value of each Performance Right is effectively the value of an underlying share in Catalyst and the valuation is based on the price range that Catalyst shares traded on ASX during July 2011;
- (c) no discount is applied for the vesting conditions, as these are not market based performance conditions;
- (d) a discount of 20% is applied for general restrictions, such as non-listed status, non-voting rights, no dividend rights and no rights to surplus on a winding-up, which result in a lesser value than an ordinary share; and
- (e) vesting periods have not been taken into account;

It should be noted that the valuation is a representative valuation as at 1 August 2011, using a range of prices that Catalyst shares traded on ASX in July 2011 and the most recent share price available prior to the valuation of 38 cents at 28 July 2011. It is not a representative valuation as at the proposed grant date. If Resolution 4 is approved and the Catalyst share price is higher or lower than 38 cents on the grant date, this will affect the value of the Performance Rights at the grant date.

The highest, lowest and last sale prices of Catalyst's shares on ASX during the 12 months immediately preceding the date of this explanatory memorandum and the respective dates of those sale prices were:

Highest: 39.5 cents per share on 1 July 2011
 Lowest: 12.0 cents per share on 18 August 2010
 Last: 35.0 cents per share on 10 August 2011 being the last day on which the Company's shares were traded on ASX before the date of this explanatory memorandum.

The Board (other than Mr Kay) considers that if the Company is successful in farming-in to the Four Eagles Project this will increase the value and prospects of the Company and that the number and value of the Performance Rights to be granted to Mr Kay appropriately recognises and rewards the efforts of Mr Kay in respect of securing the opportunity to farm-in to the Four Eagles Project and in his efforts in guiding and progressing the exploration strategy in respect of the Four Eagles Project.

Corporate Governance Principles and Recommendations

The Board acknowledges that the proposed issue of Performance Rights to Mr Kay as part of his remuneration arrangements does not conform to the normal scope of non-executive remuneration outlined in Recommendation 8.3 of the ASX Corporate Governance Principles and Recommendations. However, the Board (excluding Mr Kay) considers that the issue of the Performance Rights is reasonable and appropriate in the circumstances, for the reasons set out above and the following reasons:

- (a) Mr Kay was instrumental in introducing the Company to the Four Eagles Project and negotiating and securing the Four Eagles Heads of Agreement and it is considered appropriate and in the best interests of all shareholders that he be rewarded once the Company becomes entitled to a 50% interest in the Four Eagles Project; and
- (b) Mr Kay has been providing services to the Company well beyond the scope of a non-executive director at a discounted commercial rate. Partly compensating Mr Kay in the form of Performance Rights enables the Company to preserve its cash resources.

Directors' Interests and Recommendations

No Director, other than Mr Kay, has an interest in the outcome of Resolution 4.

The Directors (other than Mr Kay) recommend that shareholders vote in favour of Resolution 4 on the basis that they consider the grant of the Performance Rights to be reasonable in the circumstances and allows the Company to appropriately reward and remunerate Mr Kay in a cost effective and efficient manner.

Mr Kay declines to make a recommendation in relation to Resolution 4 due to his material personal interest in the outcome of Resolution 4. Mr Kay has not voted on any Board resolution in respect of the grant of the Performance Rights to him.

The Board (other than Mr Kay) is not aware of any other information that would reasonably be required by shareholders to allow them to make a decision on whether it is in the best interests of the Company to approve Resolution 4. The Chairman intends to vote undirected proxies in favour of Resolution 4.

GLOSSARY OF TERMS

“ASIC” means Australian Securities and Investments Commission.

“ASX” means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange operated by ASX Limited, as the context requires.

“ASX Listing Rules” means the official listing rules of ASX.

“Board” means the board of directors of the Company.

“Company” or “Catalyst” means Catalyst Metals Limited (ABN 54 118 912 495).

“Constitution” means the constitution of the Company.

“Corporations Act” means the Corporations Act 2001 (Commonwealth).

“Corporations Regulations” means the Corporations Regulations 2001 (Commonwealth).

“Director” means a director of the Company.

“Four Eagles Heads of Agreement” means the heads of agreement dated 24 December 2010 between the Company, its wholly owned subsidiary, Kite Gold Pty Ltd, Providence Gold and Minerals Pty Ltd and Mr Thomas John Burrowes for the farm-in and joint venture in respect of the Four Eagles Project.

“Four Eagles Project” means the gold project situated north of Bendigo in Victoria, currently comprising exploration licences EL 4525 and EL 5295.

“Kite Gold” means Kite Gold Pty Ltd (ACN 147 745 560) a wholly owned subsidiary company of Catalyst.

“option” means an option to subscribe for a fully paid ordinary share in the Company.

“Performance Right” means a right to have issued one fully paid ordinary share in the Company upon satisfaction of vesting conditions.

“PR Plan” means the Performance Rights Plan, a summary of the terms and conditions of which is set out in this explanatory memorandum.

“Providence Gold and Minerals” means Providence Gold and Minerals Pty Ltd (ACN 004 881 789) the registered holder of exploration licences EL 4525 and EL 5295.

“Related Party” has the meaning given to that term in section 228 of the Corporations Act

“Takeover Bid” has the meaning given to that term in section 9 of the Corporations Act.

CATALYST METALS LIMITED

ABN 54 118 912 495

PROXY FORM

Company Secretary
Catalyst Metals Limited
6 Outram Street
West Perth Western Australia 6005

FACSIMILE: (08) 9284 5426

I/We _____
being a member of Catalyst Metals Limited,

of (address) _____

holding _____ shares in the capital of the Company,

hereby appoint _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote on my/our behalf at the general meeting of the Company to be held on 23 September 2011 at the Celtic Club, 48 Ord Street, West Perth, Western Australia, and at any adjournment thereof. If no voting directions are given, the Chairman will vote in favour of each resolution.

Instructions on voting

	FOR	AGAINST	ABSTAIN
Resolution 1 Ratification of share issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Ratification of share placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Approval of Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of issue of Performance Rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the Chairman of the meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote in respect of the resolutions, please place a mark in this box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he/she has an interest in the outcome of the resolution and votes cast by him/her other than as proxy holder will be disregarded because of that interest.

If you do not mark this box and you have not directed your proxy how to vote, the Chairman will not cast your votes on Resolution 4 and your votes will not be counted in calculating the required majority for Resolution 4.

Dated this _____ day of _____ 2011

Individuals and joint holders to sign:

Companies to sign (affix common seal if applicable):

Signature

Director, or sole director and sole secretary
(delete as applicable)

Signature

Director or Company Secretary

VOTING BY PROXY

1. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint a proxy (who need not be a member) to attend and vote on his/her behalf.
2. If the member is entitled to cast two or more votes at the meeting, they may appoint two proxies. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.
3. The proxy form must be received at the Company's registered office at 6 Outram Street, West Perth, Western Australia, 6005, or by facsimile on (08) 9284 5426 and in both cases, not less than 48 hours before the time of the holding of the meeting.
4. In the case of joint holders of a share in the Company the vote of the senior who tenders a vote, whether in person or by proxy, attorney or representative, must be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the register.
5. An instrument appointing a proxy must be in writing under the hand of the appointor or of the appointor's attorney, duly authorised in writing or, if the appointor is a corporation, under seal. A copy of the power of attorney must be lodged for any proxy appointed under a power of attorney.
6. A proxy for a corporation must be appointed under the common seal of the corporation or signed in accordance with the requirements of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company; or
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary, that director.

For the Company to rely on the assumptions set out in Sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

7. If no voting instructions are marked on the proxy form then the proxy may vote as he/she thinks fit or may abstain from voting.

If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the shareholder's behalf on a poll and the shares the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their proxy forms with a direction on how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned and the nominated proxy does not attend the meeting, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the meeting which do not contain a direction how to vote will be used to support each of the resolutions proposed in the notice of meeting.