



16 April 2008

Elizabeth Harris
Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

By Email: elizabeth.harris@asx.com.au

Dear Elizabeth

Catalyst Metals Limited

Catalyst Metals Limited ("Catalyst" or "the Company") advises that the following responses to your letter dated 14 April 2008 are based on the understanding of Directors, Mr Nathan McMahon and Mr Bryan Dixon of the equity financing arrangements with Opes Prime Stockbroking Limited ("Opes"):

1. At the time the Companies Update 02/08 was released to the market, the Company advises:
 - 1.1 The Company was aware of equity financing arrangements entered into by Mr Nathan McMahon, Kingsreef Pty Ltd and Warrior Finance Pty Ltd (together the "Parties") with Opes.
 - 1.2 The Company did not consider that the financing arrangements were material to the Company.
 - 1.3 Mr McMahon and Mr Dixon maintained that the Parties retained an equitable interest in the Catalyst shares, the subject of the financing arrangements. Mr McMahon and Mr Dixon's understanding was that the key terms of the financing arrangements with Opes were that of a standard margin loan facility and provided that the terms were adhered to by the Parties there would be no change to this equitable interest. The Parties have never been in default of these arrangements and hence the Company did not consider that any disclosure of those arrangements was required at that time.
 - 1.4 Not applicable.
- 2 Not applicable

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- 3 In relation to the Opes Margin Loan to Mr McMahon and Mr Dixon, the Company advises:
- 3.1 Mr McMahon's and Mr Dixon's equity financing arrangements with Opes were entered into in December 2005 and September 2007 respectively.
- 3.2 The parties to the three arrangements were:
- Opes and Mr McMahon;
 - Opes and Kingsreef Pty Ltd ("Kingsreef"); and
 - Opes and Warrior Finance Pty Ltd ("Warrior").
- 3.3 190,000 Company shares relate to the arrangement with Mr McMahon; 520,455 Company shares relate to the arrangement with Kingsreef and 560,000 Company shares relate to the arrangement with Warrior.
- 3.4 Mr McMahon and Mr Dixon's understanding of the key terms of the financing arrangements were that of a standard margin loan facility so that, in the absence of a default by the Parties, an equitable interest was retained at all times in the Catalyst shares subject to the financing arrangements. Mr McMahon, Kingsreef and Warrior have never been in default of the financing arrangements and have not received a margin call.
- 3.5 Mr McMahon and Mr Dixon's understanding was that the Parties had an equitable interest in the Catalyst shares at all times which would not change provided they complied with the terms of the financing arrangements. Mr McMahon, Kingsreef and Warrior have never been in default of the financing arrangements and have not received a margin call.

Yours faithfully

Lisa Wynne
Company Secretary

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FAXED
 14 April 2008

Ms Lisa Wynne
 Company Secretary
 Catalyst Metals Limited
 Level 2
 22 Oxford Close
 WEST LEEDERVILLE WA 6007

By fax: 9381 5911

Dear Ms Wynne

Director's Margin Loan

ASX Ltd ("ASX") refers to the Announcement by Catalyst Metals Ltd ("Company") dated 2 April 2008 titled "Release from Trading Halt" ("Announcement").

The Announcement confirms that two of the Company's directors, Mr Nathan McMahon and Mr Bryan Dixon, had margin lending arrangements with "Opes Prime" under which approximately 710,455 and 560,000 shares respectively of the Company were pledged as collateral ("Opes Margin Loan"). As the Company currently has 18,558,137 ordinary shares quoted on the official list of ASX, this equates to 6.84% of the Company's shares.

Disclosure of Margin Loans

ASX listing rule 3.1 requires an entity to disclose immediately to the ASX any information that it is aware of concerning itself that a reasonable person would expect to have a material effect on the price or value of its securities.

On 29 February 2008, ASX issued *Companies Update 02/08* reminding listed entities of their obligations under listing rule 3.1 and in particular stated that where a director has entered into a margin loan or similar funding arrangements for a material number of securities this may be required to be disclosed under listing rule 3.1. *Companies Update 02/08* also stated that listing rule 3.1 may require the entity to disclose the key terms of the arrangements, including the number of securities involved, the trigger points, the rights of the lender to sell unilaterally and any other material details.

We wish to draw your attention to the definition of "aware" in Chapter 19 of the listing rules which states that:

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity".

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Furthermore, paragraph 18 of *Guidance Note 8 - "Continuous Disclosure"* states:

"Once a director or executive becomes aware of information, he or she must immediately consider whether that information should be given to the ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

The exceptions to this requirement are set out in listing rule 3.1A provided each of the following are satisfied:

3.1A.1 A reasonable person would not expect the information to be disclosed.

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.

3.1A.3 One or more of the following applies:

- It would be a breach of the law to disclose the information.*
- The information concerns an incomplete proposal or negotiation.*
- The information comprises matters of supposition or insufficiently definite to warrant disclosure.*
- The information is generated for internal management purposes of the entity.*
- The information is a trade secret."*

Queries to be responded to

Having regard to listing rule 3.1, *Guidance Note 8 - "Continuous Disclosure"* and *Companies Update 02/08*, ASX requires the Company to respond to the following questions.

1. At the time the *Companies Update 02/08* was released to the market:
 - 1.1. Was the Company aware of margin lending arrangements of any, or all, of the Directors (the "Information")?
 - 1.2. If the Company was aware of the Information in respect of any, or all, of the Directors' margin lending arrangements, did the Company consider that the Information was material to the Company?
 - 1.3. If the answer to question 1.2, is the Company did not consider that the Information was material, please provide the basis on which the Company did not consider it material.
 - 1.4. If the answer to question 1.2 was that the Company did consider that Information was material, please advise why the Information was not released to the market at that time?
2. If the answer to question 1.1 is "no", please advise whether subsequent to the release of *Companies Update 02/08*:
 - 2.1. The Company became aware of the Information in relation to margin lending arrangements of any, or all of the Directors?
 - 2.2. If the Company became aware of the Information in relation to margin lending arrangements of any, or all of the Directors:
 - 2.2.1. Please advise when it became aware of the Information?
 - 2.2.2. In light of the guidance contained in the *Companies Update*, please advise what steps were taken by the Company in order to ascertain whether the Information in relation to the margin lending arrangements of the Directors, whether considered individually or collectively, was material to the Company?
 - 2.2.3. Please advise whether the Company considered the Information to be material to the Company?

- 2.2.4. If the answer to question 2.2.3 is the Company did not consider that the Information was material, please provide the basis on which the Company did not consider it material.
- 2.2.5. If the answer to question 2.2.3 was that the Company did consider that Information was material, please advise why the Information was not released to the market at that time?
3. In relation to the Opes Margin Loans to each of Messrs McMahon and Dixon:
- 3.1. When were the loans entered into by Messrs McMahon and Dixon?
 - 3.2. Who are the parties to the loan?
 - 3.3. How many of the Company's securities are provided as security for the loan?
 - 3.4. What are the key terms of the loan?
 - 3.5. Does the loan set out the rights of the lender to sell unilaterally the securities involved?

Unless the information is required to be immediately released under listing rule 3.1, the response to this letter is required by no later than **5.00pm W. S.T on Wednesday 16 April 2008**.

Please note the ASX reserves its right under listing rule 18.7 to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

Please also note the Company's response should be sent to me either by email to elizabeth.harris@asx.com.au or by facsimile to (08) 9221 2020. It should not be sent to Company Announcement Office.

The ASX reserves all its rights and remedies in relation to this matter.

If you have any concerns regarding the contents of this letter, please contact me on (08) 9224 0011 or James Rowe on (08) 9224 0001.

Yours sincerely



Elizabeth Harris
Senior Adviser, Issuers (Perth)