



ASX: CYL

Quarterly Activities Report

Quarter ended 31 December 2011

SUMMARY

- **Aircore Drilling intersects new gold zone near Whitelaw Fault at Four Eagles Gold Project**
- **Memorandum of Understanding signed between Catalyst Metals Limited and Unity Mining Limited to acquire the Kangaroo Flat gold plant and Bendigo assets**
- **Option exercised on 20 January, 2012 to proceed to Phase 2 of the Four Eagles Gold Project earn-in agreement with Providence Gold and Minerals Pty Ltd**

Four Eagles Gold Project (Victoria)

Aircore drilling resumed during the quarter and was completed in November 2011 with 49 holes drilled for a total of 4,275 metres. The programme was mostly reconnaissance with the objective of gaining initial information from the northern Exploration Licence 5295 (“EL5295”) and on other roadways where access could be obtained, without entering mature grain crops.

This drilling programme intersected a new zone of gold mineralisation (“**Eagle 5 Target**”) east of the previously defined zone of gold mineralisation at the Four Eagles Gold Project (Figure 2). Although low grade (**3 metres @ 0.7 g/t Au from 84 metres in FE509**), it confirms gold mineralisation almost on the projected position of the Whitelaw Fault and may correlate with a low grade zone in FE489, about 1.5kms to the north. This position has not been tested elsewhere on either licence.

On the northern EL5295, visible gold was observed in the first drillhole FE473 in quartz rich gravels just above the basement contact. This zone assayed **3 metres @ 0.41 g/t Au** from a depth of 93 metres. Other low grade alluvial zones of gold mineralisation in this area (FE476 and FE477) suggest another source of basement gold could exist in EL5295 and anomalous arsenic values (which often accompany gold zones), were also recorded in some drillholes.

On EL4525, several aircore holes were completed in the Eagle 3 Zone and intersected gold mineralisation in FE492 (**3 metres @ 1.1 g/t Au from 75 metres and 3 metres @ 0.6 g/t Au from 78 metres**). This result is significant in that it appears to indicate continuous mineralisation over a 1.3 km strike length between **FE471 (3 metres @ 5.18 g/t Au from 75 metres) and FE402 (3 metres @ 0.9 g/t Au from 90 metres)**.

Reverse circulation (RC) drilling commenced on 12 December 2011 but was terminated on 19 December when the contracted drill rig suffered technical problems and had insufficient air pressure to penetrate hard quartz veins and water inflows. The objective of the drilling was to test the area around aircore hole **FE415** which intersected **3 metres @ 31.3 g/t Au from 57 metres depth and 6 metres @ 2.4 g/t Au from 45 metres depth**. Some samples were obtained from the one hole that penetrated the basement but are very poor quality because of down-hole transfer of material.

A higher capacity RC rig has been commissioned for an early February 2012 drilling campaign to test the shallow basement around FE415 and the obvious presence of multiple quartz veins and gold.

The Four Eagles Gold Project is located about 60 km north along strike of the Bendigo Goldfield in a similar structural position west of the regional Whitelaw Fault (Figure 3).

Exercise of Four Eagles Gold Project Earn-in Phase 2

Subsequent to the end of the December 2011 quarter, the Company announced that it had advised Providence Gold & Minerals Pty Ltd (“Providence”) of its intention to proceed to Phase 2 of the Heads of Agreement (“HoA”) signed on 24 December 2010 for the Four Eagles Gold Project. Catalyst and its wholly owned subsidiary, Kite Gold Pty Ltd, satisfied Phase 1 of the HoA by spending \$450,000 on exploration within the first 12 months from completion.

To assist with its review of the Four Eagles Gold Project, Catalyst contracted Xstract Mining Consultants Pty Ltd (“Xstract”) to provide an independent opinion on whether the Company should proceed to Phase 2. After reviewing the drilling data to date and the exploration strategy of the Company, Xstract recommended Catalyst should pursue Phase 2 of the earn-in agreement. This recommendation was supported by the internal review of the Four Eagles Gold Project conducted by Mr Bruce Kay, Catalyst’s technical director.

Phase 2 of the HoA with Providence involves issuing 750,000 ordinary fully paid shares in Catalyst to Providence and paying \$100,000 in cash within 60 days after 20 January 2012. These payments will entitle Catalyst to earn a 50% interest in the tenements by spending a total of \$2.1 million on the Four Eagles Gold Project before 20 January 2014. To date, Catalyst has spent approximately \$800,000 on the Four Eagles Gold Project, requiring another \$1.3 million to be expended over the next 2 years.

Unity Mining Limited MOU signed on Bendigo Assets

On 22 December, 2011, the Company and Unity Mining Limited (ASX:UML) (“Unity”) announced that they had signed a Memorandum of Understanding (“MOU”) for Catalyst to be provided with a twelve month option to acquire the Kangaroo Flat Gold Plant, equipment and facilities, including mining and exploration tenements buildings and freehold land in the Bendigo Area (“Bendigo Assets”).

It is intended to finalise and execute a binding Option to Purchase Agreement before 31 January, 2012, by which time Catalyst will have completed due diligence inspections in relation to Unity’s Bendigo assets. As stated above, Catalyst has already decided to proceed to Phase 2 of an agreement it has with Providence Gold & Minerals Pty Ltd to earn a 50% share of the Four Eagles Gold Project.



Figure 1 – Unity Gold Plant at Kangaroo Flat looking north towards Bendigo

The Option to Purchase Agreement will provide Catalyst with the right to acquire the 600,000 tonne per annum Kangaroo Flat gold plant which was built by Unity in 2006 at a cost of approximately \$65 million. This is envisaged to provide an accelerated production route for any resources defined at Catalyst's Four Eagles Gold Project north of Bendigo, where high grade gold mineralisation has been identified in shallow drilling conducted by Catalyst during 2011. Catalyst will pay \$400,000 cash to Unity during the Option period.

For Unity, it provides the opportunity to realise value from the Bendigo assets whilst still retaining significant upside exposure to the field as well as participating in a potential new gold mine utilising its currently idle infrastructure. On settlement of the Option Agreement, Unity will receive equity in Catalyst such that it will own between 15% and 25% of the Company – dependent upon Catalyst's share price - and a capped deferred royalty based on any tonnes processed through the Kangaroo Flat plant.

During the 12 month Option Period, both parties will work together to reduce holding costs of the Bendigo leases. There is no intention by Catalyst to continue the deep underground operations at Bendigo, however, Catalyst will review the acquired data to determine if there is potential for shallow gold mineralisation on the tenements.

Catalyst's Technical Director, Mr Bruce Kay, said "Initially it was considered that a resource of 500,000 ounces would be necessary to justify a stand-alone plant at the Four Eagles Gold Project, but the Unity transaction will mean that even a small resource of 100,000 ounces may well be quite economic and accessible in a much shorter time frame."

Agreement Terms:

Under the terms of the MOU and Option to Purchase Agreement (yet to be signed), the following terms have been agreed:

- On signing of the MOU – Catalyst will pay Unity **\$50,000** (non-refundable) in cash for the exclusive right to formalise an Option Agreement before 31 January, 2012.
- On signing the Option Agreement, Catalyst will pay Unity **\$100,000** (non-refundable) in cash and issue **1,000,000** ordinary fully paid shares in Catalyst to procure a twelve month option to purchase all the Bendigo Assets from Unity. During the 12 month option period, Catalyst are required to make a further three quarterly non-refundable cash payments of **\$100,000** with the right to withdraw from the option at any time.
- Upon exercise of the Option, a binding agreement for the sale and purchase of the Bendigo Assets will arise (subject to necessary approvals) under which Catalyst will make the following commitments:
 - Issue Unity with a further **2,000,000** shares in Catalyst;
 - Issue Unity with Catalyst shares valued at a minimum of **\$4,000,000** and a maximum of **\$10,000,000**; and
 - Grant Unity a deferred royalty on future production with an initial payment of **\$2,000,000** after processing of 50,000 tonnes, plus a production royalty of \$5 per tonne of ore processed up to a maximum of **\$4,000,000**.
- During the option period Unity will keep the tenements in good standing and maintain the plant, equipment and infrastructure in good condition.

Four Eagles Gold Project Future Programme

Catalyst has been encouraged by the drilling results received at Four Eagles during 2011 and intends to recommence its drilling programme in early February 2012. Aircore drilling has confirmed the existence of a large footprint of anomalous gold mineralisation in basement rocks covering an area of 5kms long by 2 kms wide, totally concealed by younger Murray Basin sediments (Figure 2).

The objective in 2012 will be to test the continuity of the ore zones both along strike and down dip into the primary zone. Further scoping of the prospective corridor parallel and west of the Whitelaw fault with aircore drilling will also be a priority to see if further shallow ore positions are present.

The definition of economic primary ore resources is the Company's major objective in 2012.

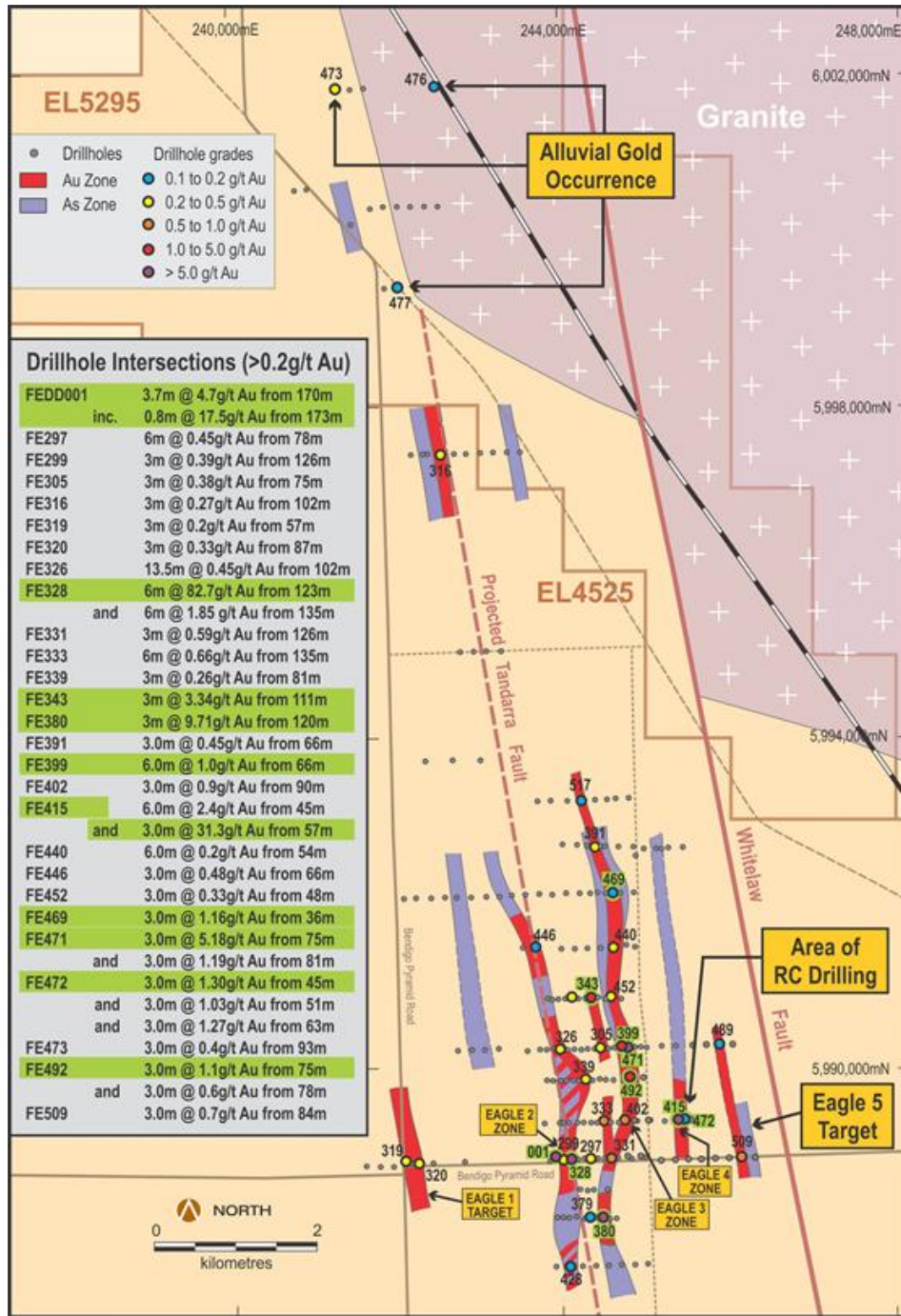


Figure 2 – Gold Zones at Four Eagles Gold Project

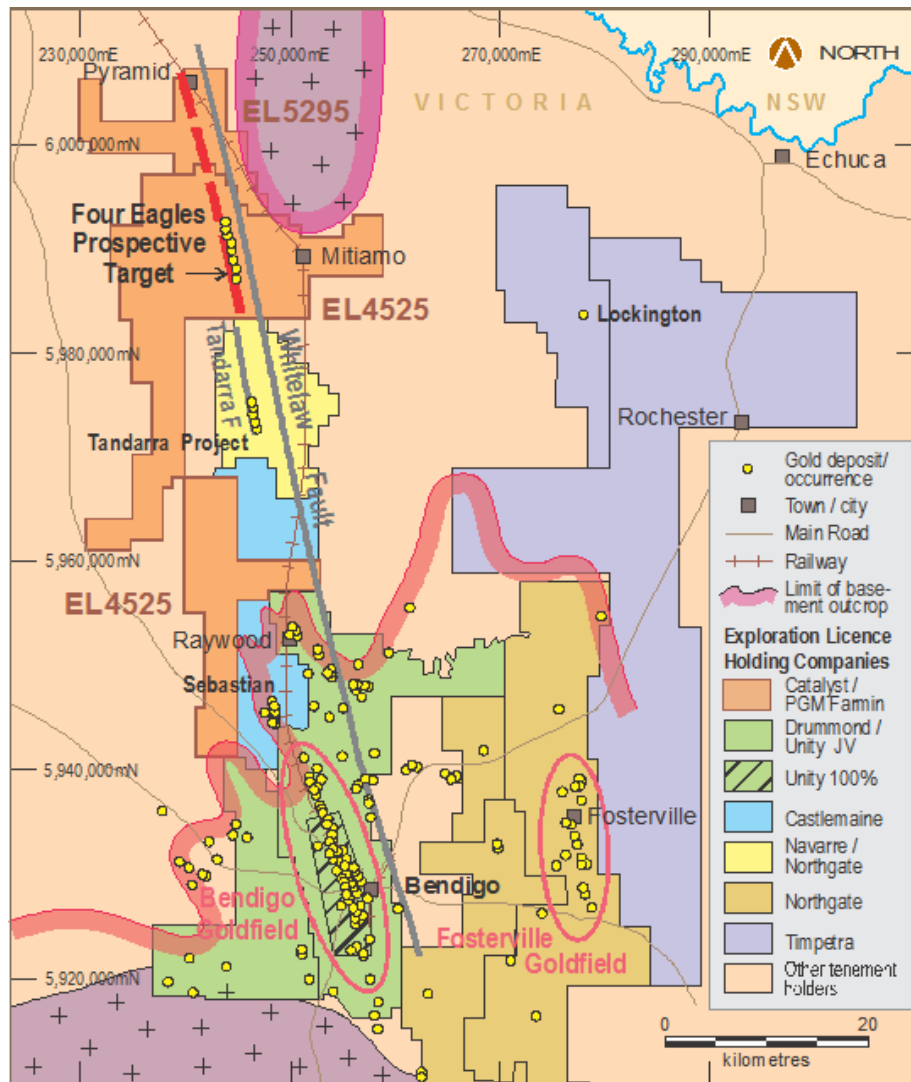


Figure 3 – Four Eagles Gold Project location

Everton Project (Victoria)

No activity was undertaken at Everton during the quarter.

Minnie Creek Project (Western Australia)

The Minnie Creek Project area is located within the Gascoyne Mineral Field of Western Australia and lies approximately 240 km northeast of Carnarvon (Figure 3).

There was no field activity on the project during the December 2011 quarter but the technical data has been transferred to a new geological consulting group in order for them to design an RC drilling programme to test the Nina tungsten prospect (Eudamullah E09/1174) where high grade tungsten in rock chips had been obtained.

Drilling is also recommended at Bluebush Well (E09/1303) to test an area where anomalous uranium values are present in association with calcrete. These programmes have been delayed in 2011 because of weather events and availability of geological staff and drill rigs.

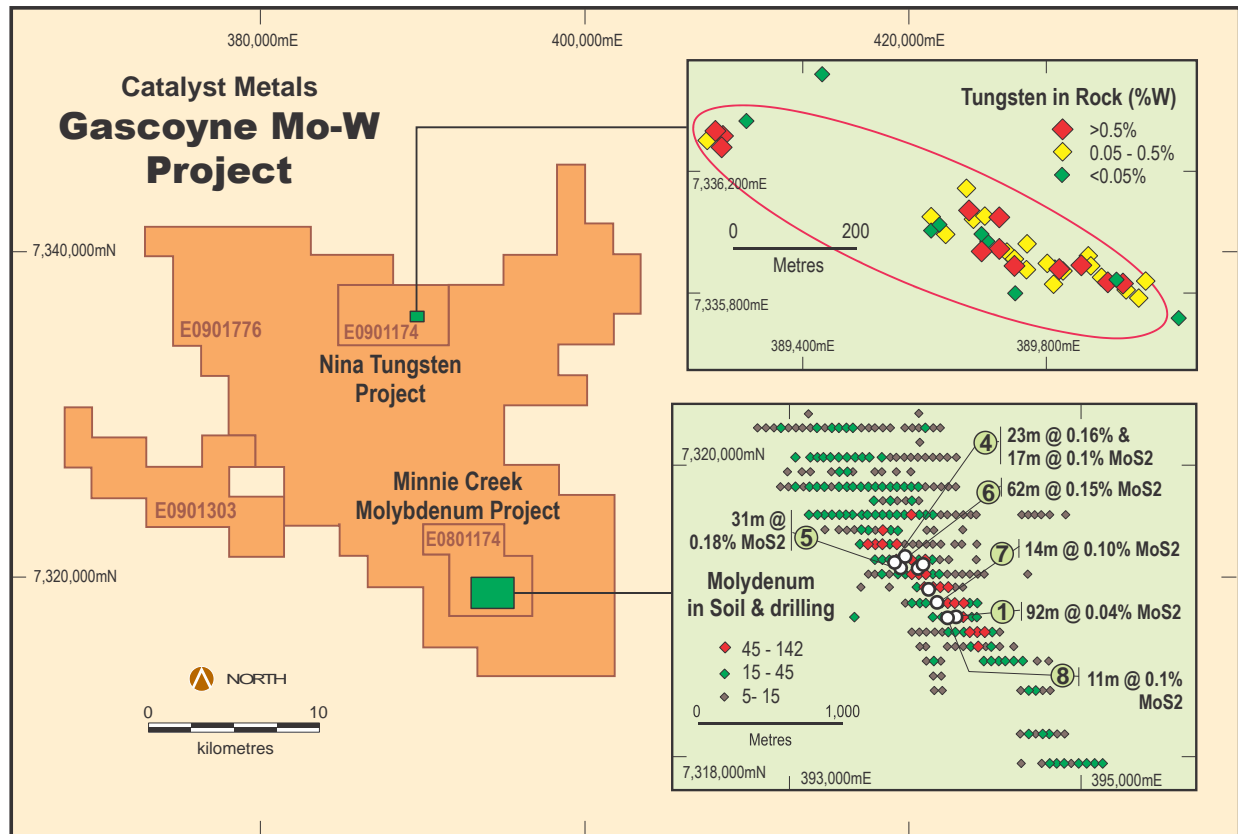


Figure 4 – Minnie Creek Project Tenements

CORPORATE

On the 6 October 2011 the Company announced that it had completed a share placement of 1,256,143 ordinary fully paid shares at a subscription price of 35 cents per share to raise \$439,650 before costs. The placement capital funded the Company's next phase of drilling at the Four Eagles Gold Project in Victoria during November and December 2011.

Catalyst conducted its Annual General Meeting on 17 November 2011, where all resolutions were passed unanimously by a show of hands.

During the December 2011 quarter the Company continued to focus its resources on the Four Eagles Gold Project whilst controlling costs and negotiating the Unity HOA opportunity. Cash on hand at the end of the December 2011 quarter was \$1.8 million.

Enquiries to:

Mr Steve Boston - Chairman
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Corporate summary

ASX trading code	CYL
Quoted shares:	40,344,369
Unlisted options:	2,000,000
Unlisted performance rights:	1,000,000
Cash balance at end of quarter:	\$1.8 million
Postal address:	PO Box 778 Claremont, Western Australia 6910
Telephone:	(+61 8) 9383 2825
Facsimile:	(+61 8) 9284 5426
E-mail:	admin@catalystmetals.com.au
Web-site:	www.catalystmetals.com.au

Competent person's statement

The information in this report that relates to exploration results is based on and accurately reflects, information compiled by Mr Bruce Kay, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Kay is a consultant to the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Kay consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 01/06/10, 17/12/10.

CATALYST METALS LIMITED

ABN

54 118 912 495

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(192)	(288)
(b) development	-	-
(c) production	-	-
(d) administration	(142)	(274)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	26	56
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(308)	(506)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(1)
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(1)	(1)
1.13 Total operating and investing cash flows (carried forward)	(309)	(507)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(309)	(507)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	50	440
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	(8)	(8)
	Net financing cash flows	42	432
	Net increase (decrease) in cash held	(267)	(75)
1.20	Cash at beginning of quarter/year to date	2,111	1,919
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,844	1,844

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	49
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Payments to directors and employees for services to the economic entity.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not Applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	-
4.3 Production	-
4.4 Administration	100
Total	400

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	148	438
5.2 Deposits at call	1,696	1,673
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,844	2,111

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A	N/A	N/A	N/A
6.2 Interests in mining tenements acquired or increased	N/A	N/A	N/A	N/A

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security	Amount paid up per security
7.1 Partly paid +securities				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	40,344,369	40,344,369		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,256,143 -	1,256,143 -	35 cents	35 cents
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options - Unlisted - Unlisted	1,000,000 1,000,000	- -	<i>Exercise Price</i> \$0.20 \$0.30	<i>Expiry Date</i> 30 June 2014 30 June 2015
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Performance Rights Performance Rights Issued during quarter Vested during quarter Expired during quarter	300,000 700,000 300,000 700,000	- - - -	<i>Vest Condition</i> (1) (2) (1) (2)	<i>Expiry Date</i> 3 October 2018 3 October 2018 3 October 2018 3 October 2018
7.12 Unsecured notes <i>(totals only)</i>				

Notes

- (1) These Performance Rights will vest on the date that the Company, through its wholly owned subsidiary, Kite Gold Pty Ltd, elects to continue after Phase 1 of the Four Eagles Heads of Agreement, as evidenced by satisfaction of the relevant conditions precedents to Phase 2, being the issue and allotment of a further 750,000 ordinary fully paid Catalyst Metals Ltd shares and payment of a further \$100,000 in cash, to Providence Gold & Minerals Pty Ltd.
- (2) These Performance Rights will vest on the date that the Company, through Kite Gold Pty Ltd, becomes entitled to the transfer of a 50% interest in each of exploration licences EL4525 and EL5295 under the Four Eagles Heads of Agreement.

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Print name: Frank Campagna
Company Secretary

Date: 31 January 2012

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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