

8 December 2009

**Caledon Resources plc (AIM: CDN, ASX: CCD)
(‘Caledon’ or ‘the Company’)**

**Focus on Growing Cook Production and Developing the Minyango Project and
Discontinuation of Sale Process**

The Board of Caledon announces that following an extended strategic review and solicitation of interest in the Company it has decided that it will no longer actively pursue the sale of the Company. Given the positive outlook for coal and the opportunities at hand, Caledon will remain one of the few independent coal producers in the Bowen Basin and focus on growing the production at its Cook mine and developing the Minyango Project.

Consequently the Company is no longer in an Offer Period pursuant to the City Code on Takeovers and Mergers.

Corporate Strategic Review

As announced on 27 February 2009, Caledon engaged RBC Capital Markets (“RBC”) to conduct a strategic review following receipt of a non-binding, conditional written indication of interest from a party interested in acquiring the Company.

As part of that review, RBC solicited interest from other parties and had ongoing discussions with potential acquirers for offers in excess of the then and current share price. However, despite the high level of interest and recognition of both the quality of Caledon’s assets and the scarcity of high quality coking coal assets in general, no party has yet provided a final and binding offer.

The Directors have given thoughtful consideration to the interest from potential acquirers in the process and to the Company’s business prospects and opportunities as an independent company.

In the judgment of the Directors, the prospects for maximising shareholder value through a sale have been fully explored and remaining in a formal Offer Period would be detrimental to the ongoing business of the Company. This is particularly so given the positive outlook for coking coal going forward.

Consequently, the Board has concluded that management should concentrate on the development of Caledon, and the sale process be discontinued.

Cook Update

Saleable production in 2009 is forecast to be approximately 485,000t of which 405,000t (83%) will be coking coal and the balance thermal coal. Sales for the year will be broadly in line with these figures. The Company is currently planning on a base production of 700,000t of saleable coal for 2010 and investigating options for further expansion.

The continued strengthening of the A\$ against the US\$ during the second half of the year is the major contributor to a forecast after tax loss for the July to December period of A\$3.5-5.0m which compares to a first half after tax loss of A\$7.7m. The A\$

averaged 0.71 against the US\$ in the first half of the year and 0.87 in the second half to date which resulted in a 22% decrease in A\$ revenue per tonne.

Continuing strong demand for coking coal from China and India combined with recommissioning of blast furnace capacity in traditional Asian markets is resulting in industry analysts forecasting a significant increase in 2010 coking coal contract prices. These will become operative for Caledon and most of the industry from April and are expected to more than compensate for the exchange rate movement from that time.

Minyango Project Update

The first stage of field work for the base line ecological study required as part of the environmental permitting process has been completed and the consultants are now preparing their report. A second field program will be undertaken in the second quarter of 2010.

The timing of Minyango is linked to the development of the proposed new coal loading terminal at Wiggins Island (in the port of Gladstone) which is currently forecast for 2013. Caledon is a foundation shareholder in Wiggins Island Coal Export Terminal Pty Ltd which is the industry owned proponent of this project.

For further information about Caledon, please visit our website at www.caledon.com or contact:

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About Caledon

Caledon is a coking coal producer and explorer in the Bowen Basin of Queensland, Australia. It acquired the mothballed Cook Mine in late 2006 and has since recommissioned the operation and introduced an innovative new underground mining methodology. The Company also purchased the nearby Minyango exploration concessions in 2006 and has conducted a number of drilling programs in preparation for a feasibility study.