27 February 2009

Caledon Resources plc
("Caledon" or the "Company")

Preliminary Results for the year ended 31 December 2008

Caledon Resources plc announces its preliminary results for the year ended 31 December 2008.

Highlights

- First ever profit from operations – A$26.8m in 2H08, with full year net profit A$8.2m
- Basic earnings per share of 4.3 cents (2007: loss per share 23 cents)
- Strong financial footing: year-end cash on hand A$44.2m
- Outstanding convertible notes down from £27.5m to £18m
- Final payment made on Minyango

Summary of results

	Year ended 31.12.08 A$ million	Year ended 31.12.07 A$ million
Revenue	**121.9**	15.2
Cost of coal sales	**(82.5)**	(37.8)
Gross profit\(loss) (see note 1)	**39.4**	(22.6)
Net profit\(loss) for the year	**8.2**	(34.5)
Basic EPS - cents	**4.3**	(23.0)
Cash at bank	**44.2**	24.0

David Weill, Chairman, commented:
"Caledon enters 2009 with its first ever profit from operations, a strong funding position and consistent levels of mining output. Expectations for 2009 sales remain subdued, with our December 2008 guidance of a minimum of 400kt remaining unchanged. We continue to manage the business with a sharp focus on costs, to preserve our strong financial position"

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The published accounts will be sent to all shareholders in March 2009 and will be posted on the website (www.caledon.com) at that time. Copies of the published accounts will also be available from late March 2009 during normal business hours from the registered offices of Caledon Resources plc, Lacon House, 84 Theobald's Road, London, WC1X 8RW or from the Australian office at level 2, 87 Wickham Terrace, Brisbane 4000.

About Caledon Resources plc
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.

Caledon Resources plc
Appendix 4E
For the year ended 31 December 2008

1. This statement presents preliminary results for Caledon Resources plc for the year ended 31 December 2008 and where applicable, comparative results for the year ended 31 December 2007.

2. **Results for announcement to the market:**

	Year to 31 December 2008 A$ million	Year to 31 December 2007 A$ million	Change
Revenue from ordinary activities	121.9	15.2	Up 702%
Profit\(loss) before income tax	9.0	(44.9)	N/A
Net profit\(loss) after tax – ordinary activities	8.2	(34.5)	N/A
Net profit\(loss) after tax – attributable to members	8.2	(34.5)	N/A

3. **Dividends**
The directors do not recommend the payment of a dividend for the year (2007: NIL)

Year ended 31 December 2008	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

4. Net Tangible Assets (NTA) per security

	31.12.08	31.12.07
NTA per security	A$0.46	A$0.26

5. There has been no change in the entities over which Caledon Resources plc has control over during the year.

6. All other information can be obtained from the attached financial statements and accompanying notes.

Comments on the Results and Short Term Outlook
The second half of 2008 saw Caledon post its first ever profit from operations of A$26.8m which recouped the A$8.3m operating loss of the first half and resulted in a full year profit from operations of A$18.5m. Included in the profit from operations is A$9m of impairment charges. This improvement has also enabled the Company to build a healthy treasury balance of A$44.2m at year end.

Despite the stronger second half, by year end the global economic crisis in the financial markets had firmly taken hold in the wider economy. It became clear that the robust demand for raw materials experienced in 2008 would be dramatically reversed in 2009. Steel mills were quick to respond to this changing demand by cutting back production and consequently their intake of metallurgical coal. This rapid change required the company to reset its sales targets for 2009 from 900kt to a minimum of 400kt. This has, in turn, necessitated a planned reduction in the workforce of approximately 31% in the first quarter of 2009.

The Board is saddened at having to take this decision, particularly for those employees directly impacted. Our employees have demonstrated dedication and stamina in overcoming significant technical challenges at the Cook mine and contributed to a very positive working culture.

Further to the Press Release of 19 January 2009 regarding a possible offer, the Company has engaged RBC Capital Markets to conduct a strategic review which will include soliciting further interest in the Company and its assets (the “Process”). Prior to commencement of the Process the Company had discussions with several parties, one of which provided the Company with a non-binding, conditional written indication of interest at a level significantly in excess of the current market price. The Process is in its early stages and RBC has recently made formal contact with several potentially interested parties. There is no certainty as to the terms and structure of any such transaction nor that an offer will be made for the company as a result of the Process. Shareholders are advised to take no action at this time. Any further announcement will be made as appropriate.

Financial Review

Results from operations

The Group made a profit for the year of A$8.2m compared to a loss of A$34.5m for the previous financial year. The basic earnings per share for the year was 4.3 cents compared with a loss per share of 23.0 cents for the same period in 2007.

The Group generated a profit from operations of A$18.5m on revenue of A$122m, compared to an operating loss of A$39.5m and revenue of A$15.2m for the previous financial year.

The revenue recognised for the year was generated from the sale of 397kt (2007: 149kt) of coking and 66kt (2007: 19kt) of thermal product, representing revenue generated from the Cook Mine, based in Queensland, Australia. The average price achieved during the year was US$183/tonne (2007: US$75/tonne).

Costs of sales were A$82.5m (2007: A$37.8m) and were significantly higher than last year due the increase in coal production at the Cook mine. Cost of sales on a unit basis was A$178/tonne, down 21% over the unit cost achieved in 2007 of A$224/tonne. The decrease in unit costs has been achieved despite significant increases in costs of inputs and in royalty costs, which were driven higher by the high selling prices enjoyed in 2008. The decrease has been realised through increased productivity and initiatives to reduce mining costs. The group continues to seek opportunities to improve operating efficiencies and production effectiveness to further drive unit costs down to sustainable levels

Costs of sales in US dollar terms fell 37% from US$195/tonne in 2007 to US$123/tonne in 2008, partly as a result of reduced A$ unit cost and partly as a result of the weakening A$:US$ exchange rate.

Administrative expenses were A$21m compared with A$17m for 2007 and included an amount of A$9m for impairment charges. For more information see note 4 to the financial statements.

Fundraising activities

In June 2008 the Company successfully completed a secondary listing of its shares on the Australian Securities Exchange (‘ASX’) issuing a total of 20m shares at a price of A$1.10 (£0.52) per share and raising a total of A$20.2m net of costs from Australian institutional and retail investors.

In March 2008 the Group sourced a A$9m asset finance facility in respect of the ABM25 continuous miner and Prairie haulage system. A$3.5m of the sum advanced was required to be held in an interest bearing security deposit with Westpac Banking Corp and the balance of A$5.5m was released.

The funds raised during the year were primarily used to fund the Group’s operations at the Cook mine and the final consideration payment for the Minyango project.

Financing costs
The interest charged on borrowing for the year was A$11.5m (2007: A$6.4m) and comprised interest charged on the 2010 convertible loan and asset finance loan.

The interest charged on the 2010 convertible loan has been calculated in accordance with IAS 39 ('Financial Instruments: recognition and measurement') and results in a higher amount being charged to the income statement of A$8.4m compared to A$4.2m being the actual amount paid during the year. See note 9 for further details.

During the year A$15.6m (£7.5m) loan notes were converted into ordinary shares and A$4.1m (£2m) loan notes were repurchased and cancelled at a 25% discount to face value. A$37m (£18m) loan notes were outstanding at the year end.

The reduction in the number of loan notes outstanding will result in a saving of A$1.6m per annum on interest payable.

Financial Position
The Group's balance sheet at 31 December 2008 and comparatives at 31 December 2007 are summarised below:

	2008 A$'000	2007 A$'000
Non-current assets	**142,810**	143,066
Current assets	**62,212**	31,402
Total assets	**205,022**	174,468
Current liabilities	**(23,575)**	(28,390)
Non-current liabilities	**(41,045)**	(51,806)
Total liabilities	**(64,620)**	(80,196)
Net assets	**140,402**	94,272

Non current assets did not move significantly during the year as increases in property plant and equipment and deferred tax totalling A$7.7m were offset by an almost equivalent decrease in intangible assets and financial assets – available for sale. The decrease in both intangible assets and financial assets – available for sale resulted from impairments made to the Group's wholly owned subsidiary Mining Technology Partnerships Pty Limited and to its investment in Dynasty Gold Corporation.

Total borrowings have decreased from A$46.7m to A$37.3m. The movement is attributable to the repurchase and conversions of loan notes (decrease of A$16.6m), foreign exchange gains (decrease of A$4.7m), unwinding expense (increase of A$4.9m) and the asset finance loan (increase of $A7m). Refer to note 9 for details...

Inventories
Included within inventories were coal stocks valued at A$4.8m (2007: A$2.7m), representing 17.1kt of run of mine coal stocks and 19.8kt of product stocks held at year end.

Cash Flows
The net cash inflow from operating activities for the year was A$17.7m (2007: A$34.9m net cash outflow), resulting mainly from the higher 2008 contract prices.

Net cash used in investing activities was A$26m (2007: A$29m), including amounts of A$11m paid for property, plant and equipment; A$15.8m of consideration paid to the vendors of the Minyango project; A$0.7m of exploration expenditure incurred on the Minyango project and A$1.6m from interest received.

The Group generated A$29.5m from financing activities in the year, which comprised net cash proceeds of A$20.1m from the issue of ordinary shares to Australian institutional and retail investors, A$7m from an asset finance loan and A$2.3m from the exercise of share options and warrants.

The resulting year end cash and cash equivalents held totalled A$44.2m

Manish Kotecha
Chief Financial Officer

CONSOLIDATED CONDENSED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**Unaudited 2008 A$'000**	2007 A$'000
Revenue		**121,949**	15,221
Cost of sales		**(82,488)**	(37,830)
Gross profit\(loss)		**39,461**	(22,609)
Impairment of assets	4	**(8,978)**	(1,977)
Other administrative expenses	4	**(11,979)**	(14,882)
Administrative expenses	4	**(20,957)**	(16,859)
Profit\(loss) from operations		**18,504**	(39,468)
Finance income	5	**1,989**	941
Finance expense	5	**(11,483)**	(6,377)
Profit\(loss) for the year before taxation		**9,010**	(44,904)
Tax expense		**(770)**	11,955
Profit\(loss) for the year from continuing operations		**8,240**	(32,949)
Loss from discontinued activities for the year		**-**	(1,553)
Profit\(loss) for the year		**8,240**	(34,502)
Earnings\(loss) per share expressed in cents per share	12		
– Basic		**4.3**	(23.0)
– Diluted		**4.1**	-

CONSOLIDATED CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	Unaudited 2008 A$'000	2007 A$'000
Assets			
Non-current assets			
Intangible assets		**43,202**	50,682
Property, plant and equipment	6	**80,791**	74,416
Financial asset – available for sale investment		**154**	581
Deferred tax asset		**18,663**	17,387
		142,810	143,066
Current assets			
Inventory	7	**6,843**	3,397
Trade and other receivables	8	**11,204**	4,051
Cash and cash equivalents		**44,165**	23,954
		62,212	31,402
Total assets		**205,022**	174,468
Liabilities			
Current liabilities			
Current tax payable		**1,099**	1,622
Borrowings	9	**2,342**	-
Provisions		**898**	527
Trade and other payables	10	**19,236**	26,241
		23,575	28,390
Non-current liabilities			
Borrowings	9	**34,949**	46,688
Provisions		**1,691**	1,566
Deferred tax liability		**4,405**	3,552
		41,045	51,806
Total liabilities		**64,620**	80,196
Capital and reserves attributable to shareholders			
Share capital	11	**2,338**	1,930
Share premium		**145,266**	108,611
Other reserves		**(206)**	(206)
Option premium on convertible loan		**10,229**	14,101
Foreign currency translation reserve		**11,414**	11,414
Retained earnings		**(28,639)**	(41,578)
		140,402	94,272
Total equity and liabilities		**205,022**	174,468

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital A$'000	Share premium A$'000	Capital Reserve A$'000	Foreign currency translation reserve A$'000	Options premium on convertible loan A$'000	Revaluation reserve A$'000	Retained earnings A$'000	Unaudited Total A$'000
At 1 January 2007	7,154	83,258	(206)	95	1,204	(426)	(15,732)	75,347
Changes in Equity								
Revaluation of available for sale investment	–	–	–	–	–	(405)	–	(405)
Transfer to income statement on impairment of available for sale investment	–	–	–	–	–	1,014	–	1,014
Deferred tax on revaluation of investment	–	–	–	–	–	(183)	–	(183)
Foreign exchange on translation of foreign operations	–	–	–	8,295	–	–	–	8,295
Foreign exchange on change in presentation currency	–	–	–	3,024	–	–	–	3,024
Net income recognised directly in equity	**–**	**–**	**–**	**11,319**	**–**	**426**	–	**11,745**
Loss for the year	–	–	–	–	–	–	(34,502)	(34,502)
Total recognised income and expense for the year	**–**	**–**	**–**	**11,319**	**–**	**426**	**(34,502)**	**(22,757)**
Cancellation of Deferred Shares	(5,580)	–	–	–	–	–	5,580	–
Issue of shares	356	25,353	–	–	–	–	–	25,709
Exercise of convertible loan note	–	–	–	–	(1,204)	–	1,204	–
Issue of convertible loan notes	–	–	–	–	14,799	–	–	14,799
Issue costs of convertible loan notes	–	–	–	–	(698)	–	–	(698)
Equity settled share based payments	–	–	–	–	–	–	1,872	1,872
At 1 January 2008	**1,930**	**108,611**	**(206)**	**11,414**	**14,101**	**–**	**(41,578)**	**94,272**
Profit for the year	–	–	–	–	–	–	8,240	8,240
Total recognised income and expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**8,240**	**8,240**
Issue of shares	408	38,510	–	–	–	–	–	38,918
Cost of share issue	–	(1,855)	–	–	–	–	–	(1,855)
Foreign exchange on change in presentation currency	–	–	–	–	–	–	–	–
Exercise of convertible loan notes	–	–	–	–	(3,846)	–	3,846	–
Repurchase of convertible loan notes	–	–	–	–	(26)	–	–	(26)
Equity settled share based payments	–	–	–	–	–	–	853	853
At 31 December 2008	**2,338**	**145,266**	**(206)**	**11,414**	**10,229**	–	**(28,639)**	**140,402**

CONSOLIDATED CONDENSED CASHFLOW STATMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Unaudited 2008 A$'000	2007 A$'000
Cash flow from operating activities		
Profit\(loss) before taxation	**9,010**	(44,904)
Adjustments for:		
Finance income	**(1,989)**	(941)
Finance expense	**11,483**	6,377
Depreciation	**4,600**	1,923
Loss on disposal of subsidiary undertaking	**-**	(934)
Loss on disposal of property plant and equipment	**3**	-
Impairment of intangible asset	**8,551**	-
Impairment of available for sale investment	**427**	1,977
Equity settled share-based payment expense	**853**	1,872
Foreign exchange differences	**(3,618)**	2,062
Net cash flow from operating activities before changes in working capital	**29,320**	(32,568)
Increase in inventories	**(3,445)**	(2,957)
Increase in payables	**6,311**	2,192
(Increase)\decrease in receivables	**(7,176)**	1,622
Net cash flow from operating activities before interest and taxation paid	**25,010**	(31,711)
Interest paid	**(5,596)**	(3,217)
Taxation paid	**(1,709)**	-
Net cash flow from operating activities	**17,705**	(34,928)
Investing activities		
Payments for property, plant and equipment	**(10,979)**	(23,774)
Payments for patents and trademarks	**(5)**	-
Interest received	**1,566**	894
Proceeds from the disposal of subsidiary undertaking	**-**	174
Exploration costs capitalised	**(660)**	(1,054)
Acquisition of subsidiary	**(15,809)**	(4,862)
Net cash flow from investing activities	**(25,887)**	(28,622)
Financing activities		
Issue of ordinary shares	**24,271**	310
Cost of share issue	**(1,855)**	-
Asset finance loan	**7,048**	-
Issue of convertible loan notes	**-**	62,219
Cost of issue of convertible loan notes	**-**	(2,923)
Net cash flow from financing activities	**29,464**	59,606
Net increase\(decrease) in cash and cash equivalents in the year	**21,282**	(3,944)
Cash and cash equivalents at the beginning of the year	**23,954**	27,820
Effect of foreign exchange rate changes on cash and cash equivalents	**(1,071)**	78
Cash and cash equivalents at the end of the year	**44,165**	23,954

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial information set out above is based on the consolidated financial statements of Caledon Resources plc and its subsidiary companies (together referred to as the "Group"). The accounts of the Group for the year ended 31 December 2008, which are unaudited and have not been reviewed, were approved by the Board on 26th February 2009. The financial information contained in this announcement does not constitute statutory accounts as defined by section 240 of Companies act 1985. These accounts have been prepared in accordance with the accounting policies set out in the Report and Accounts of Caledon Resources plc for the year ended 31 December 2007 and no changes to those policies are envisaged. While the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in March 2009. The statutory accounts for the year ended 31 December 2007 have been filed with the registrar of Companies and those for 31 December 2008 will be delivered following the Company's annual general meeting. The auditors' report on the 31 December 2007 accounts was unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

The consolidated financial statements incorporate the results of Caledon Resources plc and its subsidiary undertakings as at 31 December 2008 using the acquisition and merger method of accounting as appropriate. The corresponding amounts are for the year ended 31 December 2007.

Effective 1 January 2008, the Company's functional currency changed from Pounds sterling ('£') to the Australian dollar ('A$'). This change was made as, due to significant balances being denominated in A$, the directors considered the A$ to most faithfully represent the economic effects of the underlying transactions, events and conditions in the Company. Concurrent with this change in functional currency, the Group adopted the A$ as its presentation currency and consequently the financial information for the year ended 31 December 2007 has been re-presented in A$.

In accordance with International Accounting Standards, this change in functional currency has been accounted for prospectively by translating all items using the A$:£ exchange spot rate on that date, being A$2.2625:£1. In the parent company accounts the resulting translated amounts for non monetary items at this date have been treated as their historic cost. Additionally the comparatives for the period ended 31 December 2007 have been translated at this rate.

For the purposes of changing the Group's presentation currency, the comparatives for the year ended 31 December 2007 were translated for the balance sheet using A$:£ exchange spot rate on that date, being A$2.2625:£1, for the income statement using the average A$:£ exchange rate during the year being A$2.382:£1, and for the opening balances as at 1 January 2007 using the A$:£ spot rate on that date being A$2.4835:£1. Resulting exchange differences have been taken to the Foreign currency translation reserve.

The Group financial information is presented in Australian dollars ('A$') and values are rounded to the nearest thousand dollars (A$'000).

Reclassification

In the prior year, certain costs such as rail, port, state royalties, depreciation of mining assets and staff costs relating directly to the mining operations were included in administrative expenses. However, the Directors have decided to now include these costs in cost of sales as they feel that this provides a more accurate presentation. The reclassification has resulted in A$8 million being reclassified from the administrative expenses line item to the cost of sales line item for the year ended 31 December 2007. There has been no change in the loss from operations, net loss before and after tax or net assets in the prior year as a result of the reclassification.

Going concern
Having considered the relevant budgets and operational forecasts the Directors are of the opinion that the Group has sufficient working capital to meet its liabilities for the next twelve months. In July 2010 convertible loan notes amounting to £18m (A$37m) potentially fall due if the holders elect not to exercise the conversion rights. The Directors continue to consider a number of options for financing this liability should it fall due.

2. Dividends
The directors do not recommend the payment of a dividend for the period.

3. Segmental analysis
Caledon Resources plc is engaged in one business segment only, namely mining. Therefore only an analysis by geographic segment has been presented.

Following the disposal of the Group's Chinese assets in October 2007 there is now only one main geographic segment. The Group operates a UK-based head office operation and one other operation of a holding company nature.

The segment results for the year ended 31 December 2008 are as follows:

Year ended 31 December 2008	**China A$'000**	**Australia A$'000**	**Head Office operations A$'000**	**Unaudited Group A$'000**
Revenue	**-**	**121,949**	**-**	**121,949**
Segment result before allocation of central costs	**-**	**21,163**	**(2,659)**	**18,504**
Segment result after allocation of central costs	**-**	**21,163**	**(2,659)**	**18,504**
Interest expense	**-**	**(2,373)**	**(9,110)**	**(11,483)**
Interest income				**1,989**
Loss before taxation				**9,010**
Taxation				**(770)**
Loss for the year from continuing operations				**8,240**
Loss from discontinued operations				**-**
Loss for the year				**8,240**

The segment results for the year ended 31 December 2007 are as follows:

Year ended 31 December 2007	China A$'000	Australia A$'000	Head Office operations A$'000	Unaudited Group A$'000
Revenue	–	15,221	–	15,221
Segment result before allocation of central costs	–	(29,727)	(9,741)	(39,468)
Segment result after allocation of central costs	–	(29,727)	(9,741)	(39,468)
Interest expense	–	(608)	(5,769)	(6,377)
Interest income				941
Loss before taxation				(44,904)
Taxation				11,955
Loss for the year from continuing operations				(32,949)
Loss from discontinued operations				(1,553)
Loss for the year				(34,502)

Other segment items included in the income statement are as follows:

Year ended 31 December 2008	**China A$'000**	**Australia A$'000**	**Head Office operations A$'000**	**Unaudited Group A$'000**
Depreciation	**–**	**(4,588)**	**(12)**	**(4,600)**
Impairments of assets	**–**	**(8,551)**	**(427)**	**(8,978)**
Share based compensation charges	**–**	**–**	**(853)**	**(853)**
	–	**(13,139)**	**(1,292)**	**(14,431)**

Year ended 31 December 2007	China A$'000	Australia A$'000	Head Office operations A$'000	Group A$'000
Depreciation	(14)	(1,894)	(15)	(1,923)
Impairment of assets	–	–	(1,977)	(1,977)
Share based compensation charges	–	–	(1,872)	(1,872)
	(14)	(1,894)	(3,864)	(5,772)

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

Year ended 31 December 2008	**China A$'000**	**Australia A$'000**	**Head Office operations A$'000**	**Unaudited Group A$'000**
Segment assets	–	**201,739**	**3,283**	**205,022**
Segment liabilities	–	**(29,822)**	**(34,798)**	**(64,620)**
Segment net assets	–	**171,917**	**(31,515)**	**140,402**
Capital expenditure	–	**10,979**	–	**10,979**

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

Year ended 31 December 2007	China A$'000	Australia A$'000	Head Office operations A$'000	Group A$'000
Segment assets	–	154,411	20,057	174,468
Segment liabilities	–	(31,575)	(48,621)	(80,196)
Segment net assets	–	122,836	(28,564)	94,272
Capital expenditure	–	23,774	-	23,774

4. Administrative expenses:

	Unaudited 2008 A$'000	2007 A$'000
Auditors' remuneration	**429**	283
Depreciation of property, plant and equipment*	**102**	72
Operating lease rentals	**234**	126
Staff costs	**3,358**	4,240
Share based payments	**853**	1,872
Professional and consultancy	**1,085**	1,246
Marketing and promotion	**150**	161
Third party selling costs	**3,820**	531
Loss on disposal of property, plant and equipment	**3**	-
Insurance	**1,752**	1,980
Environment and safety	**431**	195
Training and development	**149**	65
Travel and accommodation	**437**	690
Communication and IT	**245**	378
Property costs	**449**	505
Withholding taxes	**1,430**	-
Foreign exchange (gains)/losses	**(4,339)**	2,227
Other expenses	**1,391**	311
Other administrative expenses	**11,979**	14,882
Impairment of investment – available for sale	**427**	1,977
Impairment of intangible asset[1]	**8,551**	-
Impairment of assets	**8,978**	1,977
Total administrative expenses	**20,957**	16,859

* A$4.5m (2007: A$1.8m) of depreciation on property, plant and equipment was charged to cost of sales.
[1] Reflects a writedown in the carrying value of MTP in recognition of a much lower likelihood of achieving royalty income from the Magatar agency agreement in the current economic environment.

5. Finance income and expense

	Unaudited 2008 A$'000	2007 A$'000
Interest expense on borrowings	**(9,887)**	(5,826)
Unwinding of discount on deferred consideration and related interest expense	**(1,460)**	(424)
Unwinding of discount on provision	**(136)**	(127)
Total finance expense	**(11,483)**	(6,377)
Interest income receivable on bank deposits	**1,567**	941
Gain on the repurchase of loan notes	**422**	-
Total finance income	**1,989**	941
Net finance costs	**(9,494)**	(5,436)

6. Property, plant and equipment

Group	Land and buildings A$'000	Proven mining properties A$'000	Plant and equipment A$'000	Office and computer equipment A$'000	Furniture and fixtures A$'000	Motor vehicles A$'000	Construction in progress A$'000	Unaudited Total A$'000
Cost								
At 1 January 2007	1,155	39,425	7,214	232	76	88	38	48,228
Additions	-	6,464	-	36	-	-	17,274	23,774
Transferred from construction in progress	316	319	8,060	106	4	-	(8,805)	-
Disposals	-	-	-	-	-	-	-	-
Disposal on sale of subsidiary undertaking	-	-	-	(52)	-	(52)	-	(104)
Net exchange adjustment	113	3,878	704	(1)	-	(5)	4	4,693
At 1 January 2008	1,584	50,086	15,978	321	80	31	8,511	76,591
Additions	-	-	-	17	-	-	10,962	10,979
Transferred from construction in progress	3	1,658	16,380	174	-	31	(18,246)	-
Disposals	-	-	(6)	-	-	-	-	(6)
At 31 December 2008	**1,587**	**51,744**	**32,352**	**512**	**80**	**62**	**1,227**	**87,564**
Depreciation								
At 1 January 2007	-	-	-	120	75	29	-	224
Depreciation charge	95	310	1,435	62	1	20	-	1,923
Disposals	-	-	-	-	-	-	-	-
Disposal on sale of subsidiary undertaking	-	-	-	(26)	-	(37)	-	(63)
Net exchange adjustment	4	16	76	(5)	-	-	-	91
At 1 January 2008	99	326	1,511	151	76	12	-	2,175
Depreciation charge	143	714	3,649	77	-	17	-	4,600
Disposals	-	-	(2)	-	-	-	-	(2)
At 31 December 2008	**242**	**1,040**	**5,158**	**228**	**76**	**29**	**-**	**6,773**
Net Book value 2008	**1,345**	**50,704**	**27,194**	**284**	**4**	**33**	**1,227**	**80,791**
Net book value 2007	1,485	49,760	14,467	170	4	19	8,511	74,416
Net book value 2006	1,155	39,425	7,214	112	1	59	38	48,004

7. Inventory

	Unaudited 2008 A$'000	2007 A$'000
At cost:		
Raw materials and stores	**2,080**	656
	2,080	656
At net realisable value:		
Work in progress	**2,484**	29
Finished goods	**2,279**	2,712
	4,763	2,741
	6,843	3,397

The amount of inventories that were recognised in cost of sales in the year was A$2m (2007: A$2.3m)

8. Trade and other receivables

	Unaudited 2008 A$'000	2007 A$'000
Current assets:		
Trade receivables	**10,087**	2,975
Other receivables	**534**	700
Other tax recoverable	**-**	-
Prepayments	**583**	376
	11,204	4,051

The fair value of receivables is not significantly different from the carrying value.

9. Loans and borrowings

	Unaudited 2008 A$'000	2007 A$'000
Current loans and borrowings		
Convertible loan	**-**	-
Asset finance loan	**2,342**	-
	2,342	-
Non-current loans and borrowings		
Convertible loan	**30,243**	46,688
Asset finance loan	**4,706**	-
Total loans and borrowings	**37,291**	46,688

Asset finance loan

In March 2008 the Group sourced an A$9m asset finance facility in respect to the ABM25 continuous miner and Prairie haulage system from Australian Structured Finance. A$3.5m of the sum advanced was required to be held in an interest bearing security deposit with Westpac Banking Corp and the balance of A$5.5m was released. The loan is secured against the underlying asset for a total value of A$11.04m.The principal terms are as follows:

- Interest is payable at 9.95% per annum
- 24 month term
- A$4.5m residual

£27.5 million 2010 8.5% unsecured convertible loan notes

Conversion of loan notes
During the year A$15.6m (£7.5m) loan notes were converted into 15 million ordinary shares at a conversion price of 50 pence.

Repurchase of loan notes
On 31 December 2008 the Company repurchased and cancelled A$4.1m (£2m) loan notes. The total consideration paid was A$3.1m (£1.51m) including a commission of A$15,250 (£7,500).

The convertible loan recognised in the balance sheet is calculated as follows:

	A$'000
Face value of convertible loan issued during the year	62,218
Equity component	(14,799)
Liability component on initial recognition	47,419
Interest expense	2,842
Interest paid	(1,597)
Issue costs	(2,226)
Amortisation of issue costs	251
Liability component at 31 December 2007	**46,689**
Interest expense	**8,351**
Interest paid	**(4,221)**
Amortisation of issue costs	**759**
Loan note conversion	**(13,147)**
Loan notes repurchased	**(3,462)**
Foreign exchange movements	**(4,726)**
Liability component at 31 December 2008	**30,243**

The fair value of the liability component of A$47,419,000, was calculated using a market interest rate for an equivalent non-convertible bond. The estimated rate used was 20%.

10. Trade and other payables

	Unaudited 2008 A$'000	2007 A$'000
Trade payables	**2,649**	3,030
Other payables	**4,226**	15,390
Other taxation and social security	**781**	552
Accruals and deferred income	**11,580**	7,269
	19,236	26,241

The fair value of payables is not significantly different from the carrying value. The deferred consideration of A$15.4m included in 'Other payables' as at 31 December 2007 for the acquisition of Hazelhurst Holdings Limited was settled during the year.

Included in 'Other payables' as at 31 December 2008 is the A$3.1m consideration payable for the repurchase of £2m of loan notes. This amount was settled on 6th January 2009.

11. Share capital

	2008 No.	**2007 No.**
Authorised:		
Ordinary Shares of 0.5 pence each	**306,745,231**	306,745,231
Issued and fully paid:		
Ordinary Shares of 0.5 pence each	**209,323,849**	170,558,461

	Unaudited 2008		2007	
	£'000	**A$000**	£'000	A$000
Authorised:				
Ordinary Shares of 0.5 pence each	**1,534**	**-**	1,534	-
Issued and fully paid:				
Ordinary Shares of 0.5 pence each	**1,047**	**2,338**	853	1,930

Broker warrants

The Broker Warrants issued to Canaccord Adams Limited in 2006 were exercised in full during the year.

Share issues during the year
Ordinary shares

	No.	Exercise/share issue price A$	A$'000
At 1 January 2007	**139,236,578**		**1,576**
Options exercised	166,667	0.34	2
Options exercised	350,000	0.45	4
Options exercised	66,667	0.42	1
Acquisition of subsidiary	12,546,175	0.71	141
Acquisition of subsidiary	1,763,046	0.80	20
Options exercised	166,667	0.23	2
Options exercised	66,666	0.42	1
Conversion of loan	16,195,995	0.93	183
At 1 January 2008	170,558,461		1,930
Options exercised	66,667	0.42	1
Private placing	6,360,000	1.10	69
Warrants exercised	1,649,540	0.84	17
Convertible note exercised	2,600,000	1.05	28
Placing and offer	13,640,000	1.10	144
Placing and offer to employees	102,000	0.10	1
Acquisition of subsidiary	913,848	1.64	9
Warrants exercised	1,000,000	0.83	10
Convertible note exercised	10,000,000	1.04	104
Options exercised	33,333	0.39	-
Convertible note exercised	2,400,000	1.04	25
At 31 December 2008	**209,323,849**		**2,338**

12. Earnings per Ordinary Share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the year.

In order to calculate diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares according to IAS 33. Dilutive potential Ordinary Shares include the convertible loan notes and share options granted to employees and Directors where the exercise price (adjusted according to IAS 33) is less than the average market price of the Company's Ordinary Shares during the year. In 2007 the potential Ordinary Shares are anti-dilutive and therefore diluted earnings per share has not been calculated. At the balance sheet date there were 9,579,482 (2007: 2,817,089) potentially dilutive Ordinary Shares.

		2008 Unaudited			2007	
	Earnings A$'000	**Weighted Average number of shares (thousands)**	**Per share amount (cents)**	Earnings A$'000	Weighted average number of shares (thousands)	Per share amount (cents)
Basic EPS						
Profit\(loss) attributable to ordinary shareholders	**8,240**	**193,421**	**4.3**	(34,502)	153,072	(23.0)
Convertible loan		**4,966**			–	
Options		**4,614**			–	
Diluted EPS	**8,240**	**203,001**	**4.1**	(34,502)	153,072	(23.0)

13. Related party transactions

IAS 24, 'Related Party Transactions', requires the disclosure of the details of material transactions between the reporting entity and related parties.

The only related party transaction during the year was in connection with the acquisition of MTP. One of the sellers of MTP was Peter Seear, a Director of the Company. The total consideration payable to the sellers of MTP was A$8.5m and had been fully paid as at 31 December 2008 (2007: A$1.5m outstanding).

14. Post balance sheet events

On 10 February 2009, the Company issued 410,000 new Ordinary Shares of 0.5 pence each following the exercise of 410,000 options over Ordinary Shares under the Company's share option scheme.

15. Annual report

The published accounts will be sent to all shareholders in March 2009 and will be posted on the website (www.caledon.com) at that time. Copies of the published accounts will also be available from late March 2009 during normal business hours from the registered offices of Caledon Resources plc, Lacon House, 84 Theobald's Road, London, WC1X 8RW or from the Australian office at level 2, 87 Wickham Terrace, Brisbane 4000.