28 February 2011

Caledon Resources plc
("Caledon" or the "Company")
(AIM:CDN, ASX:CCD)

Unaudited preliminary results for the year ended 31 December 2010

Highlights

- Revenues increased 37% to A$93.0m (2009: A$67.8m) due to increased production and higher coal price
- Return to gross profit in 2H2010
- Net loss of A$11.8m compounded by A$3.5m accounting charge due to convertible notes carrying value
- Basic LPS (5.4c) (FY2009: (5.4c))
- Granting of 4 million tonnes per annum (Mtpa) allocation capacity at the new Wiggins Island Coal Terminal to be built at Gladstone
- £46 million (net of expenses) raised in January 2011, via private placement (approximately A$72 million)
- Strong cash position post-fundraising ensures development funding obligations can be met for Wiggins Island Coal Terminal
- Cook mine well positioned to benefit from expected higher coal prices going forward
- Mining Lease Application for Minyango lodged

Summary of results

		Year ended 31.12.10	**Year ended 31.12.09**
Revenue	A$m	93.0	67.8
Cost of coal sales	A$m	(90.9)	(71.8)
Gross profit/(loss)	A$m	2.1	(4.0)
Net loss for the year after tax	A$m	(11.8)	(11.4)
Cash	A$m	3.9	4.7
Restricted use cash	A$m	10.4	8.9
Basic LPS	cents	(5.4)	(5.4)
Sales	Kt	535.2	479.0
Revenue	A$/t	173.7	141.0
Cost of coal sales	A$/t	(169.9)	(150.0)

Mark Trevan, Managing Director, commented:

"We are pleased to report that Caledon returned to a gross profit in the second half of the year as a result of increased production at the Cook mine and rising coal prices; however, this was not sufficient to offset the loss in the first half resulting in the Company recording a full year loss. The total loss for the Group was compounded by an accounting charge associated with the carrying value of convertible notes of A$3.5m which has neither a cash nor corporate tax impact.

Caledon has a strong cash position following the recent £46m financing in January (net of expenses), which ensures the Company can meet its development funding obligations for the Wiggins Island Coal Terminal. The Cook mine returned to normal operations in mid January following the recent floods in Queensland and is well positioned to benefit from the expected higher coal prices going forward. Feasibility work at our neighbouring Minyango project continues and the granting of 4Mtpa allocation capacity at the new Wiggins Island Coal Terminal provides a clear development timeframe towards production in 2014."

For more information contact -

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The published accounts will be sent to all shareholders in April 2011 and will be posted on the website (caledon.com) at that time. Copies of the published accounts will also be available in April 2011 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 Resources plc is a dual listed public Company listed on the AIM of The London Stock Exchange and The Australian Securities Exchange (trading symbols: AIM:CDN & ASX: CCD).

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 and a pre-feasibility study for a potential underground mine producing up to 4.5Mt per annum of raw coal.

Caledon Resources plc
Appendix 4E
For the year ended 31 December 2010

1. This statement presents unaudited preliminary results for Caledon Resources plc for the year ended 31 December 2010 and where applicable, comparative results for the year ended 31 December 2009.

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

	Year to 31 December 2010 A$ million	Year to 31 December 2009 A$ million	Change
Revenue from ordinary activities	93.0	67.8	37.2%
Loss before income tax	(17.1)	(23.8)	(28.2)%
Net loss after tax – ordinary activities	(11.8)	(11.4)	3.5%
Net loss after tax – attributable to members	(11.8)	(11.4)	3.5%

3. **Dividends**
The directors do not recommend the payment of a dividend for the year (2009: NIL).

Year ended 31 December 2010	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

4. Net Tangible Assets (NTA) per security

	31.12.10	31.12.09
NTA per security	A$0.37	A$0.41

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 information and accompanying notes.

Comments on the Results and Short Term Outlook

Cook

The recovery in coal prices and demand that became apparent in the latter part of 2009 continued throughout 2010 and appears to be accelerating in 2011, particularly since the impact of extended periods of rain and occurrences of flooding have significantly impacted Australian coking and thermal coal supply capacity.

This strengthening in US$ prices has to some extent been offset by the simultaneous rise in value of the A$. The average US$ price received during the year was 46% higher at US$160/tonne (2009: US$109/tonne), but revenue received per tonne in A$ was only 23% higher at A$174/t (2009 A$141/t) due the average exchange rate for the year rising to US$:A$0.92 (2009 US$:A$0.77).

The progression of price and exchange rate is detailed in the following table.

		Average Price and Exchange Rate					
		H1 09	H2 09	2009	H1 10	H2 10	2010
Coking	US$/t	125.67	107.35	116.88	151.73	196.71	175.57
Thermal	US$/t	70.30	69.93	70.03	102.22	92.40	96.31
Average	US$/t	120.91	98.92	109.45	143.33	174.28	160.17
A$:US$		0.70	0.88	0.77	0.89	0.95	0.92
Coking	A$/t	179.42	121.25	151.52	170.16	207.67	190.04
Thermal	A$/t	102.40	83.19	88.17	118.84	97.60	106.06
Average	A$/t	172.81	112.67	141.48	161.46	183.99	173.72

Caledon moved to quarterly coking coal pricing in 2010. Based on agreed contract pricing and relevant shipment timing the average coking coal price for Q1 2011 period is forecast to be approximately US$200/tonne.

In response to the recovery in demand, plans were adopted to expand production to meet the market opportunity. Late in 2009 the number of production crews employed increased from 6 to 8 in order to fully crew 2 mining sections and during the first half of 2010 the number of production crews was increased to 12 to fully man 3 mining sections.

Production in the last quarter of 2010 was impacted by flood related closures to access roads to the site and by a decision to cease operations between Christmas and the New Year to perform major maintenance work.

Quarterly Production Performance									
		2009				2010			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Coal Mined	t x 1000	174.9	129.2	138.7	161.2	150.9	174.4	186.0	169.8
Coal Produced									
Coking	t x 1000	118.5	90.7	87.6	109.1	98.2	96.5	120.5	115.6
Thermal	t x 1000	22.1	18.6	22.8	15.2	13.5	26.6	28.5	27.3
Recovery	%	78%	79%	82%	76%	75%	70%	80%	83%
Coking Split	%	84%	83%	79%	88%	88%	78%	81%	81%

Production of raw coal in January 2011 was limited to 54kt by flood related road closures preventing employees from attending the site. The ability to haul to the CHPP and to rail was also affected. Nevertheless, barring further weather events, the Company is still targeting 700kt of saleable production in 2011.

Coal processing performance improved as the proportion of feed sourced from secondary extraction, which delivers higher recovery than does development coal, increased. Performance in the first half was also affected by the need to take a thickening band of shale in the roof in the down dip area of the South Argo development panels. Future development panels are being planned to avoid the need to take as much of this shale.

Costs of sales were A$90.9 million (2009: A$71.8 million) for 535kt of coal sold (2009: 479kt). Cost of sales on a unit basis was A$170/tonne (2009: A$150/tonne) up 13%.

As illustrated in the table below the percentage of coal extracted in sumping, rather than in development, has a significant impact on unit costs. The lower availability of sumping coal in 2010 contributed to higher unit costs for the year. The proportion of coal to be mined by sumping in 2011 is expected to approach 40%.

		H1 09	H2 09	H1 10	H2 10	2009	2010
Cost of Sales	A$m	39.1	32.7	43.1	47.8	71.8	90.9
Coal Sold	t x 1000	229.4	249.5	244.0	291.2	478.9	535.2
Cost/tonne	A$/t	170.57	131.11	176.67	164.20	150.01	169.88
% Sumped		21%	52%	13%	31%	37%	22%

Other increases in unit costs arose from:

- higher state royalties as a consequence of higher realised prices;
- higher rail charges resulting from increased haulage rates and reduced ability to avoid take or pay charges;
- a small increase in labour rates;
- a substantial increase in maintenance expenditure to conduct major overhauls;
- excavating the wash plant tailings dam to provide room for future production;
- increased cost of working in challenging strata conditions in the Magatar panel; and
- lower product recovery from run of mine coal feed.

These influences were partially offset by better absorption of fixed costs on increased throughput which would have been greater if it were not for the impact of the flooding.

The Group continues to seek opportunities to improve operating efficiencies and production effectiveness to further drive unit costs down to sustainable levels.

Minyango

Activity on the project increased in the second half of the year when it became clear that Caledon was included in Stage 1 of the proposed new Wiggins Island Coal Export Terminal project. This included lodgment of a Mining Lease Application with the Queensland government and the initial work associated with a voluntary Environmental Impact Statement to support this application. Tenders have since been called for this work which is expected to start in March. A seismic exploration program is scheduled to be carried out in the second quarter of 2011.

Wiggins Island Coal Terminal

During September 2010 the Company was advised that it had been allocated 4Mt of the 27Mt Stage 1 capacity of the proposed new Wiggins Island Coal Terminal to be built at Gladstone. The port is forecast to be operational in 2014, subject to a decision to proceed which is expected in Q2 2011. Caledon's tonnage allocation is subject to signing a 10 year Take or Pay contract and meeting certain funding obligations. These include funding the Company's share of the Stage 1 operating costs incurred prior to financial close. Caledon had contributed A$3m to these costs as at 31 December 2010 and this is forecast to increase to A$8.3m at financial close. The potential liability at 31 December 2010 if the Company withdraws from the project or if the project does not proceed would be A$9.0 million (2009:A$2.5 million).

Corporate

£48 million private placing

On 13 January 2011, Caledon announced a conditional placing ("Placing") with institutional investors of 54,000,000 new ordinary shares of 0.5p ("Ordinary Shares") or CHESS Depositary Interests at a price of £0.90 or A$1.42. On 19 January 2011, 16,847,577 Ordinary Shares were allotted in accordance with the authority granted by shareholders at the Company's Annual General Meeting held on 30 June 2010, and these shares were admitted to trading on AIM on that day. Allotment of the balance of the Placing, amounting to 37,152,423 Ordinary Shares, was approved by shareholders at a General Meeting held on 3 February 2011, and 37,152,423 Ordinary Shares were allotted and admitted to trading on AIM on 4 February 2011.

The Placing raised a total of £48.6 million, with net proceeds, after the expenses of issue, amounting to approximately £46.0 million.

Following repayment on 4 February 2011 of approximately £18.3 million of loans due to Polo Resources Limited ("Polo"), including accrued interest and associated fees and expenses (see next paragraph), Caledon expects to use the remaining proceeds to provide working capital to cater for business interruptions caused by flooding in the Queensland region and meet the Company's funding obligations for the Wiggins Island Coal Export Terminal prior to the project's financial close scheduled for April 2011.

Repayment of Polo loan facilities
Following the subscription by Polo Resources Limited for 21,226,324 shares in the Placing, the amount due from Polo to Caledon in respect of this subscription was set off against the amount due by Caledon to Polo under the Loan facilities of £14.5 million and AU$4 million due 28 February 2011 (and described further in Notes 9 and 13), which totalled A$29.3 million (£18.3 million) including the associated fees and interest.

Financial Review

Results from operations

The Group made a loss after tax for the year of A$11.8m compared to a loss of A$11.4m for the previous financial year. The basic loss per share for the year was 5.4 cents compared with loss per share of 5.4 cents in 2009.

The Group generated a loss from operations of A$11.4m on revenue of A$93.0m, compared to a loss from operations of A$19.8m and revenue of A$67.8m for the previous financial year.

Sales volume for 2010 was 431kt (2009: 403kt) of coking and 104kt (2009: 76kt) of thermal product and the average price (coking and thermal coal combined) increased to A$173.72/t (2009: A$141.48/t).

Costs of sales were A$90.9m (2009: A$71.8m), 26.6% higher than in 2009.

Details of prices realised, exchange rates and unit costs are included in the commentary on Cook mine above.

Administrative expenses were A$13.4m (2009: A$15.7m) down 14.6%. The principal contributors to the decrease in administrative expense were: FX losses being substantially lower at A$0.5m compared with A$2.3m incurred in 2009 and there being no redundancy costs in the year compared to the cost incurred in 2009 of A$1.3 million. Net of FX losses and redundancy costs, administrative expenses amounted to A$12.9m (2009: A$12.1 million), up 6.6%. Administrative expenses are detailed in note 4.

Fundraising activities

£4.2m 8.5% unsecured loan notes due 2013
In February 2010 the Company completed a private placement of £4.2 million nominal 8.5 per cent. unsecured convertible loan notes due 2013, each with a par value of £50,000 to certain existing shareholders and other investors.

The funds were raised to provide additional working capital for the Company including the potential lodgement of a bid bond associated with the Wiggins Island tonnage allocation process.

Asset finance loan
Westpac Banking Corporation ('Westpac')
The outstanding portion of the A$9 million asset finance facility provided by Westpac was repaid in full in March 2010.

Commonwealth Bank of Australia ('Commonwealth Bank')

The assets financed by Westpac were refinanced by the Commonwealth Bank for A$4.5m for a two year term at an interest rate of 9.48% p.a. commencing June 2010. The Company's ABM25 miner and Prairie haulage system were sold to the bank and leased back from the bank under a hire purchase agreement as security for the loan.

Private placement
In July 2010 the Company completed a private placement of 7.1m ordinary shares at 30 pence per share raising gross proceeds of £2.1m (A$3.8m).

£27.5 million 2010 8.5% unsecured loan notes
On 5 July 2010 the remaining £14.5m loan notes were repaid in full (2009: £18m). See note 9 for further details

Polo loan facilities
On 27 April 2010 Caledon entered into facility agreements relating to a £18m secured term loan facility and a A$4m secured term loan facility. £14.9 million of the £18m loan facility was drawn down on 2 July 2010 and the A$4m loan facility was drawn down in full on 23 July 2010.

Both loan facilities were repaid in full together with the associated fees and interest on 4 February 2011 (see notes 13 and 14 for more details).

Financing costs
The interest charged on borrowing for the year was A$7.3m (2009: A$7.7m) and comprised interest charged on the 2010 and 2013 loan notes, asset finance loan, and the Polo loan facilities.

The interest charged on the 2010 and 2013 loans notes 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$4.4m (2009: A$6.4m) compared to A$1.6m (2009: A$3m), being the actual amount paid during the year. See note 9 for further details.

A finance charge of A$3.5m was incurred in respect of the 2013 loan notes as the conversion price of these loan notes is in sterling whilst the functional currency of the Company is Australian dollars. The conversion element of these loan notes is recognised separately in the balance sheet as a derivative financial liability and is valued at fair value with changes to fair value recognised in the income statement as they arise. This is an accounting charge and therefore has had no impact on cash or corporate tax.

Financial Position
The Group's balance sheet at 31 December 2010 and comparatives at 31 December 2009 are summarised below:

	2010 A$'000	2009 A$'000
Non-current assets	**166,539**	159,411
Current assets	**23,769**	22,832
Total assets	**190,308**	182,243
Current liabilities	**(48,709)**	(45,424)
Non-current liabilities	**(13,364)**	(6,839)
Total liabilities	**(62,073)**	(52,263)
Net assets	**128,235**	129,980

The increase in non-current assets was primarily due to a rise in the deferred tax asset and related mainly to the tax losses arising from the Australian operations.

Total borrowings have decreased from A$35.2 million at 31 December 2009 to A$34.1m (see note 9 to the financial information) at 31 December 2010. The movement is attributable to the issue of new loan notes (increase of A$3.5m), the draw down of short term loan facilities provided by Polo Resources Limited (increase of A$30.7m), the conversion of loan notes (decrease of A$6.0m), the 2010 loan note redemption (decrease of A$25.6m), foreign exchange gains (decrease of A$4.9m), unwinding expense (increase of A$2.6m) and the asset finance loan (decrease of A$1.4m).

Inventories
Included within inventories were coal stocks valued at A$2.2m (2009: A$2.3m), representing 2.9kt of run of mine coal stocks (2009: 4.2kt) and 17.1kt of product stocks (2009: 25.5kt) held at year end.

Cash Flows
The net cash outflow from operating activities for the year was A$8.9m (2009: A$17.7m net cash outflow).

Net cash used in investing activities was A$4.8m (2009: A$6.7m), including amounts of A$4.8m paid for property, plant and equipment (2009: A$6.1m); A$0.6m of exploration expenditure incurred on the Minyango project (2009: A$1.4m), less A$0.6m from interest received (2009: A$0.9m).

A total of A$46.2m (2009: A$0.2m) of debt and equity was issued during the year comprising A$3.9m received from the issue of ordinary shares (2009: A$0.2m), A$7.6 million (£4.2 million) from the issue of the 2013 loan notes, A$30.3m from the drawdown of the Polo loan facilities and a A$4.5m asset finance loan from Commonwealth Bank. A$25.6m of this was used to redeem the 2010 loan notes and a further A$5.9m (2009: A$2.3m) was used to repay the asset finance loan from Westpac Bank. Net cash generated from financing activities was A$14.8m (2009: A$5.2m used).

The resulting year end cash and cash equivalents held totalled A$14.3m (2009: A$13.6m) of which A$10.4m (2009: A$8.9m) was restricted use cash.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**2010 A$'000 Unaudited**	2009 A$'000 Audited
Revenue		92,968	67,750
Cost of sales		(90,916)	(71,837)
Gross profit/(loss)		2,052	(4,087)
Administrative expenses	4	(13,440)	(15,705)
Loss from operations		(11,388)	(19,792)
Finance income	5	5,282	3,844
Loss on revaluation of derivative financial liability		(3,532)	-
Other finance expense		(7,483)	(7,802)
Total finance expense	5	(11,015)	(7,802)
Loss for the year before taxation		(17,121)	(23,750)
Tax credit		5,298	12,388
Loss for the year attributable to equity holders of parent company		(11,823)	(11,362)
Basic and diluted loss per share expressed in cents per share	12	(5.4)	(5.4)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 A$'000 Unaudited	2009 A$'000 Audited
Loss after taxation	**(11,823)**	(11,362)
Other comprehensive income:		
Upward revaluation of available for sale investment	**453**	381
Total comprehensive income for the year	**(11,370)**	(10,981)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	**2010 A$'000 Unaudited**	2009 A$'000 Audited
Assets			
Non-current assets			
Intangible assets		**45,278**	44,660
Property, plant and equipment	6	**81,569**	81,935
Financial asset – available for sale investment		**988**	535
Deferred tax asset		**38,704**	32,281
		166,539	159,411
Current assets			
Inventory	7	**5,326**	4,399
Trade and other receivables	8	**4,181**	4,830
Cash		**3,816**	4,662
Restricted use cash		**10,446**	8,941
		23,769	22,832
Total assets		**190,308**	182,243
Liabilities			
Current liabilities			
Borrowings	9	**28,516**	35,163
Derivative financial liability	9	**7,653**	-
Provisions		**1,896**	1,421
Trade and other payables	10	**10,644**	8,840
		48,709	45,424
Non-current liabilities			
Borrowings	9	**5,579**	-
Provisions		**1,972**	1,826
Deferred tax liability		**5,813**	5,013
		13,364	6,839
Total liabilities		**62,073**	52,263
Capital and reserves attributable to shareholders			
Share capital	11	**2,470**	2,345
Share premium		**154,925**	145,458
Other reserves		**(206)**	(206)
Revaluation reserve		**834**	381
Option premium on convertible loan		**-**	10,229
Foreign currency translation reserve		**11,414**	11,414
Retained earnings		**(41,202)**	(39,641)
		128,235	129,980
Total equity and liabilities		**190,308**	182,243

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital A$'000	Share premium A$'000	Capital reserve A$'000	Revaluation reserve A$'000	Foreign currency translation reserve A$'000	Options premium on convertible loan A$'000	Retained earnings A$'000	Total A$'000
At 1 January 2009	**2,338**	**145,266**	**(206)**	**–**	**11,414**	**10,229**	**(28,639)**	**140,402**
Total comprehensive income for the year	–	–	–	381	–	–	(11,362)	(10,981)
Issue of shares	7	192	–	–	–	–	–	199
Equity settled share based payments	–	–	–	–	–	–	360	360
At 1 January 2010	**2,345**	**145,458**	**(206)**	**381**	**11,414**	**10,229**	**(39,641)**	**129,980**
Total comprehensive income for the year	**–**	**–**	**–**	**453**	**–**	**–**	**(11,823)**	**(11,370)**
Issue of shares	**125**	**9,467**	**–**	**–**	**–**	**–**	**–**	**9,592**
Conversion and redemption of loan notes	**–**	**–**	**–**	**–**	**–**	**(10,229)**	**10,229**	**–**
Equity settled share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**33**	**33**
At 31 December 2010	**2,470**	**154,925**	**(206)**	**834**	**11,414**	**–**	**(41,202)**	**128,235**

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 A$'000 Unaudited	2009 A$'000 Audited
Cash flow from operating activities		
Loss before taxation	**(17,121)**	(23,750)
Adjustments for:		
Finance income	**(5,282)**	(3,844)
Finance expense	**11,015**	7,802
Depreciation	**5,154**	4,964
Disposal of property plant and equipment	**4**	-
Equity settled share-based payment expense	**33**	360
Foreign exchange differences	**(17)**	61
Net cash flow from operating activities before changes in working capital	**(6,214)**	(14,407)
(Increase)/decrease in inventories	**(927)**	2,444
Increase/(decrease) in payables	**2,299**	(6,915)
Decrease in receivables	**635**	6,370
Net cash flow from operating activities before interest and taxation paid	**(4,207)**	(12,508)
Interest paid	**(4,348)**	(3,509)
Taxation paid	**(326)**	(1,682)
Net cash flow from operating activities	**(8,881)**	(17,699)
Investing activities		
Payments for property, plant and equipment	**(4,792)**	(6,108)
Payments for patents and trademarks	**-**	(16)
Interest received	**638**	912
Exploration costs capitalised	**(620)**	(1,443)
Net cash flow from investing activities	**(4,774)**	(6,655)
Financing activities		
Issue of ordinary shares	**3,865**	199
Issue of convertible loans	**7,599**	-
Short term loan facilities	**30,284**	-
Issue of asset finance loan	**4,500**	-
Repayment of asset finance loan	**(5,857)**	(2,341)
Repurchase of convertible loan notes	**(25,575)**	(3,066)
Net cash flow from financing activities	**14,816**	(5,208)
Net increase/(decrease) in cash and cash equivalents in the year	**1,161**	(29,562)
Cash and cash equivalents at the beginning of the year	**13,603**	44,165
Effect of foreign exchange rate changes on cash and cash equivalents	**(502)**	(1,000)
Cash and cash equivalents at the end of the year	**14,262**	13,603

NOTES TO THE FINANCIAL INFORMATION

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") which are unaudited and have not been reviewed. This preliminary announcement was approved by the Board on 27th February 2011. The financial information contained in this announcement does not constitute statutory accounts for the year ended 31 December 2010 or for the year ended 31 December 2009. 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 2011. The statutory accounts for the year ended 31 December 2009 have been filed with the registrar of Companies and those for 31 December 2010 will be delivered following the Company's annual general meeting. The auditors' report on the 31 December 2009 accounts was unqualified and did not contain a statement under section 498 (2)-(3) of the Companies Act 2006, it did however, contain an emphasis of matter in respect of going concern.

The consolidated financial statements incorporate the results of Caledon Resources plc and its subsidiary undertakings as at 31 December 2010. The corresponding amounts are for the year ended 31 December 2009.

Going concern
These financial statements have been prepared on a going concern basis.

Concerns expressed in previous periods as to the directors' ability to raise sufficient funds to discharge short term debt obligations have been eliminated by the successful raising in February 2011 of £46.0 million net of expenses by way of a placement of ordinary shares.

2. Dividends

The directors do not recommend the payment of a dividend for the year.

3. Segmental analysis

The Group has three reportable segments:

- Cook - this segment is involved in the production and sale of coal from the Cook Mine In Australia
- Minyango - this segment is involved in the exploration of coal within the Minyango licence area in Australia
- Head Office Operations - this segment is the head office of the Group

The operating results of each of these segments are regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and assess their performance.

The segment results for the year ended 31 December 2010 are as follows:

Year ended 31 December 2010	**Cook A$'000**	**Minyango A$'000**	**Head Office operations A$'000**	**Group A$'000**
Revenue	**92,968**	**-**	**-**	**92,968**
Operating (loss)/profit	**(8,458)**	**(148)**	**(2,782)**	**(11,388)**
Finance expense	**(454)**	**-**	**(10,561)**	**(11,015)**
Finance income	**569**	**66**	**4,647**	**5,282**
Loss before taxation	**(8,343)**	**(82)**	**(8,696)**	**(17,121)**
Taxation	**5,829**	**(206)**	**(325)**	**5,298**
Loss for the year	**(2,514)**	**(288)**	**(9,021)**	**(11,823)**

All revenues in the current and previous year are attributable to three external customers based in Australia.

The segment results for the year ended 31 December 2009 are as follows:

Year ended 31 December 2009	Cook A$'000	Minyango A$'000	Head Office operations A$'000	Group A$'000
Revenue	67,750	-	-	67,750
Operating loss	(15,878)	(85)	(3,829)	(19,792)
Interest expense	(724)	-	(7,078)	(7,802)
Interest income	856	18	2,970	3,844
Loss before taxation	(15,746)	(67)	(7,937)	(23,750)
Taxation	12,282	728	(622)	12,388
Loss for the year	(3,464)	661	(8,559)	(11,362)

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

Year ended 31 December 2010	**Cook A$'000**	**Minyango A$'000**	**Head Office operations A$'000**	**Group A$'000**
Depreciation	**(5,153)**	**-**	**(1)**	**(5,154)**
Impairments of assets	**-**	**-**	**-**	**-**
Share based compensation charges	**-**	**-**	**(33)**	**(33)**
	(5,153)	**-**	**(34)**	**(5,187)**

Year ended 31 December 2009	Cook A$'000	Minyango A$'000	Head Office operations A$'000	Group A$'000
Depreciation	(4,957)	-	(7)	(4,964)
Impairment of assets	-	-	-	-
Share based compensation charges	-	-	(360)	(360)
	(4,957)	-	(367)	(5,324)

The segment assets and liabilities at 31 December 2010 and capital expenditure for the year then ended are as follows:

Year ended 31 December 2010	**Cook A$'000**	**Minyango A$'000**	**Head Office operations A$'000**	**Group A$'000**
Segment assets	**140,150**	**48,761**	**1,397**	**190,308**
Segment liabilities	**(21,868)**	**(1,596)**	**(38,609)**	**(62,073)**
Segment net assets/(liabilities)	**118,282**	**47,165**	**(37,212)**	**128,235**
Capital expenditure	**4,792**	**-**	**-**	**4,792**

All material non-current assets other than deferred tax and financial instruments are owned by Australian subsidiaries and located in Australia.

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

Year ended 31 December 2009	Cook A$'000	Minyango A$'000	Head Office operations A$'000	Group A$'000
Segment assets	132,442	48,281	1,520	182,243
Segment liabilities	(20,229)	(1,329)	(30,705)	(52,263)
Segment net assets/(liabilities)	112,213	46,952	(29,185)	129,980
Capital expenditure	2,636	3,472	-	6,108

4. Administrative expenses:

	2010 A$'000	2009 A$'000
Auditors' remuneration	**333**	344
Depreciation of property, plant and equipment[1]	**124**	126
Staff costs (excluding redundancy costs)	**2,505**	2,464
Redundancy costs	**-**	1,292
Share based payments	**33**	360
Professional and consultancy	**1,964**	1,622
Marketing and promotion	**94**	127
Third party selling costs	**2,696**	2,031
Loss/(profit) on disposal of property, plant and equipment	**1**	(1)
Insurance	**1,760**	1,898
Environment and safety	**401**	289
Training and development	**240**	112
Travel and accommodation	**484**	378
Communication and IT	**217**	268
Property costs	**569**	566
Foreign exchange losses	**548**	2,320
Other expenses	**1,471**	1,509
Total administrative expenses	**13,440**	15,705

1. A$5.0m (2009: A$4.8m) of depreciation on property, plant and equipment was charged to cost of sales.

5. Finance income and expense

	2010 A$'000	2009 A$'000
Interest expense on borrowings	**(7,324)**	(7,655)
Unwinding of discount on provision	**(159)**	(147)
Loss on revaluation of derivative financial liability	**(3,532)**	-
Total finance expense	**(11,015)**	(7,802)
Foreign exchange gain on borrowing and cash	**4,643**	2,932
Interest income receivable on bank deposits	**639**	912
Total finance income	**5,282**	3,844
Net finance costs	**(5,733)**	(3,958)

The loss on the revaluation of the derivative financial liability has arisen as a result of the accounting treatment applied to the £4.2 million 2013 8.5% unsecured loan notes. As the conversion price of these loan notes is in sterling whilst the functional currency of the Company is Australian dollars the conversion element of these loan notes is recognised separately in the balance sheet as a derivative financial liability and is valued at fair value with changes to fair value recognised in the income statement as they arise. This is an accounting charge and therefore has had no impact on cash.

The foreign exchange gains relate primarily to borrowings held in currencies different to the functional currency of the Company. These were previously classified within administrative expenses.

6. Property, plant and equipment

	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$'000	Total A$'000
Cost								
At 1 January 2009	1,587	51,744	32,352	512	80	62	1,227	87,564
Additions	3,472	-	-		-	-	2,636	6,108
Transferred from construction in progress	-	511	2,987	58	11	29	(3,596)	-
Disposals	-	-	-	-	-	(10)	-	(10)
At 1 January 2010	5,059	52,255	35,339	570	91	81	267	93,662
Additions	-	-	-	5	-	-	4,787	4,792
Transferred from construction in progress	-	-	2,758	38	9	-	(2,805)	-
Disposals	(2)	-	(1)	(5)	-	-		(8)
At 31 December 2010	**5,057**	**52,255**	**38,096**	**608**	**100**	**81**	**2,249**	**98,446**
Depreciation								
At 1 January 2009	242	1,040	5,158	228	76	29	-	6,773
Depreciation charge	143	811	3,904	97	1	8	-	4,964
Disposals	-	-	-	-	-	(10)	-	(10)
At 1 January 2010	385	1,851	9,062	325	77	27	-	11,727
Depreciation charge	143	922	3,987	92	2	8	-	5,154
Disposals	-	-	(1)	(3)	-	-	-	(4)
At 31 December 2010	**528**	**2,773**	**13,048**	**414**	**79**	**35**	**-**	**16,877**
Net Book value 2010	**4,529**	**49,482**	**25,048**	**194**	**21**	**46**	**2,249**	**81,569**
Net Book value 2009	4,674	50,404	26,277	245	14	54	267	81,935
Net book value 2008	1,345	50,704	27,194	284	4	33	1,227	80,791

7. Inventory

	2010 A$'000	2009 A$'000
At cost:		
spare parts and consumables	**3,095**	2,120
	3,095	2,120
At net realisable value:		
Work in progress	**278**	243
Finished goods	**1,953**	2,036
	2,231	2,279
	5,326	4,399

The amount of inventories that were recognised in cost of sales in the year was A$48,000 (2009: A$2.5 million).

8. Trade and other receivables

	2010 A$'000	2009 A$'000
Current assets:		
Trade receivables	**3,080**	3,690
Other receivables	**266**	400
Prepayments	**835**	740
	4,181	4,830
Total debtors	**4,181**	4,830

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

9. Loans and borrowings

	2010 A$'000	2009 A$'000
Current loans and borrowings		
Convertible loan	**-**	30,457
Polo loan facility	**27,143**	
Asset finance loan	**1,373**	4,706
	28,516	35,163
Non-current loans and borrowings		
Convertible loan	**3,604**	-
Asset finance loan	**1,975**	-
	5,579	-
Total loans and borrowings	**34,095**	35,163

£27.5 million 2010 8.5% unsecured loan notes
On 5 July 2010 the remaining £14.5 million loan notes were repaid in full (2009: £18 million). The principal terms were as follows:

- Interest is payable at 8.5% per annum, payable semi annually
- The principal is to be repaid on 5 July 2010
- The loan notes can be converted at any time during the period at a conversion price of 50 pence.

During the year £3.5m loan notes were converted into 7m ordinary shares at a conversion price of 50 pence.

£4.2 million 2013 8.5% unsecured loan notes
On 5 February 2010 the Company issued £4.2m convertible loan notes. Due to the currency of this loan (GBP) being different to the functional currency of the Company (A$) the convertible element of this loan is recognised as a derivative liability as required under International Financial Reporting Standards. This derivative liability has been revalued, using a valuation model, from A$4.2m in February 2010 to A$7.7m at the year end with an A$3.5m expense being taken to the income statement. This movement in the valuation is primarily due to the rise in the Caledon share price since the issue of the convertible loan. The valuation of the convertible element is judgemental as it is based upon various assumptions which are input into the valuation model.

The principal terms are as follows:

- Interest is payable at 8.5% per annum, payable semi annually
- The principal is to be repaid on 5 February 2013
- The loan notes can be converted at any time during the period at a conversion price of 47.5 pence

Asset finance loan
Westpac Banking Corporation ('Westpac')
The outstanding portion of the A$9 million asset finance facility provided by Westpac was repaid in full in March 2010.

Commonwealth Bank of Australia ('Commonwealth Bank')
The assets financed by Westpac were refinanced by the Commonwealth Bank for A$4.5m for a two year term at an interest rate of 9.48% p.a. commencing June 2010. The company's ABM25 miner and Prairie haulage system are sold to the bank and leased back from the bank under a hire purchase agreement as security for the loan.

£18 million loan facility from Polo Resources Limited
On 27 April 2010 Caledon entered into a facility agreement relating to a £18 million secured term loan facility. The principal terms were as follows:

- Full repayment of loan to be on or before 31 October 2010. This was later extended to 28 February 2011.
- The loan was secured against the share capital of Hazelhurst Holdings Limited.
- Interest was payable monthly at a rate of 10% per annum.
- Facility fee of £409,000.

£14.9 million of this loan was drawn down on 2 July 2010 and was repaid in full on 4 February 2011 (see notes 13 and 14 for more details).

A$4 million loan facility from Polo Resources Limited

On 27 April 2010 Caledon entered into a facility agreement relating to a A$4 million secured term loan facility. A$3.1 million of these funds were used to lodge a bid bond in respect of the Wiggins Island Commitment Deed. The balance was used to contribute to the Group's share of Wiggins Island project design and implementation costs. The principal terms were as follows:

- Full repayment of loan to be on or before 31 October 2010. This was later extended to 28 February 2011.
- The loan was secured against the share capital of Hazelhurst Holdings Limited.
- Interest was payable monthly at a rate of 10% per annum.
- Arrangement fee of 8%.

This loan was drawn down in full on 23 July 2010 and was repaid in full on 4 February 2011 (see notes 13 and 14 for more details).

10. Trade and other payables

	2010 A$'000	2009 A$'000
Trade payables	**1,285**	1,884
Other payables	**774**	461
Other taxation and social security	**190**	122
Accruals and deferred income	**8,395**	6,373
	10,644	8,840

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

11. Share capital

	2010 No.	2009 No.
Authorised:		
Ordinary Shares of 0.5 pence each	**446,745,231**	446,745,231
Issued and fully paid:		
Ordinary Shares of 0.5 pence each	**224,633,849**	209,983,849

	2010		2009	
	£'000	A$'000	**£'000**	A$'000
Authorised:				
Ordinary Shares of 0.5 pence each	**2,234**	**-**	2,234	-
Issued and fully paid:				
Ordinary Shares of 0.5 pence each	**1,123**	**2,470**	1,050	2,345

Share issues during the year
Ordinary shares

	No.	Exercise/share issue price A$	A$'000
At 1 January 2009	209,323,849		2,338
Options exercised	410,000	0.36	4
Options exercised	250,000	0.21	3
At 1 January 2010	**209,983,849**		**2,345**
Options exercised	250,000	0.18	2
Options exercised	300,000	0.33	3
Conversion of loan notes	6,800,000	0.82	56
Conversion of loan notes	200,000	0.88	2
Share placement – Polo Resources Limited	7,100,000	0.53	62
At 31 December 2010	**224,633,849**		**2,470**

12. Loss per ordinary share

Basic loss per share ('LPS') 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 LPS, 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 2010 the potential Ordinary Shares are anti-dilutive and therefore diluted LPS has not been calculated. At the balance sheet date there were 16,641,666 (2009: 44,542,823) potentially dilutive Ordinary Shares.

		2010			2009	
	Loss A$'000	**Weighted Average number of shares (thousands)**	**Per share amount (cents)**	Loss A$'000	Weighted average number of shares (thousands)	Per share amount (cents)
Basic LPS						
Loss attributable to ordinary shareholders	(11,823)	218,948	(5.4)	(11,362)	209,884	(5.4)
Diluted LPS	(11,823)	218,948	(5.4)	(11,362)	209,884	(5.4)

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. Details of transactions with Polo are disclosed below. Details of key management remuneration will be included in the financial statements.

Polo Resources Limited ('Polo')

Relationship agreement
Caledon entered into a relationship agreement on 22 July 2008 ('Agreement') with Polo. This Agreement deals with certain aspects of the relationship between the Company and Polo, so as to ensure that the Company and its subsidiaries are operated independently from Polo and companies associated with it ('Polo Companies'). The Agreement also imposes share dealing restrictions on the Polo Companies at times when any director of the Company, who has a business relationship with any Polo Company or who is nominated or proposed to the Board by any such party ('Non-Independent Director'), is in possession of unpublished price sensitive information or inside information in relation to the Company.

This agreement was terminated on 24 June 2010.

Purchase of loan notes
On 11 February 2010 Polo acquired £2.5 million 2013 8.5% unsecured loan notes of the Company. For further information see note 9.

On 4 March 2009 Polo acquired £4.7 million, 2010 8.5% unsecured convertible loan notes of the Company. These notes were repaid in full on 5 July 2010

Caledon – Polo Merger

On 27 April 2010 the Company entered into discussions with Polo for the potential combination of the two companies. Under the terms of the possible offer and subject to a number of pre-conditions, Polo would be prepared to make an all share offer for the entire issued and to be issued share capital of Caledon.

Additionally, Caledon and Polo entered into two loan facility agreements ("Loan Facilities"). Under the first agreement, Polo provided a short term credit facility for up to £18 million to Caledon to be used, if required, to aid funding of the repayment of Caledon's 8.5 per cent convertible loan notes due 5 July 2010. Under the second agreement, Polo provided a credit facility for up to A$4 million to Caledon to be used, if required, in the potential lodgement of a bid bond associated with the Wiggins Island tonnage allocation process. See notes 9 and 14 for further details.

On 24 June 2010 the Company and Polo jointly agreed to terminate the merger discussions. This was primarily due to market volatility which prevented the parties from reaching mutually agreeable terms for any such merger.

14. Events after the reporting date

£48 million private placing
On 13 January 2011, Caledon announced a conditional placing (“Placing”) with institutional investors of 54,000,000 new ordinary shares of 0.5p (“Ordinary Shares”) or CHESS Depositary Interests at a price of £0.90 or A$1.42. On 19 January 2011, 16,847,577 Ordinary Shares were allotted in accordance with the authority granted by shareholders at the Company’s Annual General Meeting held on 30 June 2010, and these shares were admitted to trading on AIM on that day. Allotment of the balance of the Placing, amounting to 37,152,423 Ordinary Shares, was approved by shareholders at a General Meeting held on 3 February 2011, and 37,152,423 Ordinary Shares were allotted and admitted to trading on AIM on 4 February 2011.

The Placing raised a total of £48.6 million, with net proceeds after the expenses of issue amounting to approximately £46.0 million.

Following repayment on 4 February 2011 of approximately £18.3 million of loans due to Polo Resources Limited (“Polo”), including accrued interest and associated fees and expenses, (details below), Caledon expects to use the remaining proceeds to provide working capital to cater for business interruptions caused by flooding in the Queensland region and meet the Company’s funding obligations for the Wiggins Island Coal Export Terminal prior to the project’s financial close scheduled for April 2011.

Repayment of Polo loan facilities
Following the subscription by Polo Resources Limited for 21,226,324 shares in the Placing, the amount due from Polo to Caledon in respect of this subscription was set off against the amount due by Caledon to Polo under the Loan facilities of £14.5 million and A$4 million due 28 February 2011 (and described further in notes 9 and 13 to these accounts), together with the associated fees and interest, totaling A$29.3 million (£18.3 million).

15. Annual report
The published accounts will be sent to all shareholders in April 2011 and will be posted on the website (caledon.com) at that time. Copies of the published accounts will also be available in April 2011 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.