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

**Placing to raise £48.6 million / A\$76.7 million**

**Highlights**

- Conditional Placing to raise a total of £48.6 million (approximately A\$76.7 million) before expenses;
- The Placing Price of 90p represents a discount of 5.6 per cent. to the average closing price of the Ordinary Shares on AIM for the five business days up to and including 12 January 2011 and a discount of 3.2 per cent. to the closing price of the Ordinary Shares on AIM on 12 January 2011, the latest date prior to the date of this announcement;
- Funds to be utilised for repayment of debt due to Polo Resources Limited ("Polo"), working capital issues caused by flooding in the Queensland region and potential development funding obligations;
- Subject to completion of the Placing, Polo debt due 28 February 2011 to be repaid in full and Polo to hold 29.9 per cent. of the enlarged issued share capital;
- Consent to undertake placing received from Guangdong Rising Assets Management Co. Limited ("GRAM"); and
- RBC Capital Markets ("RBC") acted as sole bookrunner for the Placing.

Commenting on the Placing, Mark Trevan, Managing Director of Caledon, said:

*"The proceeds from this placement enable the Company to discharge the loan obligations to Polo Resources and associated security over Minyango and significantly strengthen our balance sheet at a time when resumption of railings from the Cook mine, and therefore sales, remains uncertain. While the flooding continues to impact the railroad, it is pleasing to report that many of our employees are now able to return to work, and operations at the mine itself are starting to return to normal. We have been fortunate that the Cook mine has not been structurally or geologically affected by the floods and anticipate a reasonably quick recovery to normal capacity once Queensland Rail is fully back in operation."*

Mr Li Jinming, Chairman of GRAM said:

*"GRAM remains committed to working with Caledon to complete the Potential Acquisition and continues to be actively engaged with Chinese regulators in the approval process."*

**Introduction**

The directors of Caledon ("Directors") are pleased to announce that it has received commitments from institutional investors to subscribe for 54,000,000 new ordinary shares of 0.5 pence each in the capital of the Company ("Ordinary Shares") and where CHESS Depository Interests ("CDIs") are issued, CDIs in respect of such Ordinary Shares quoted on the Australian Stock Exchange ("ASX"), at a price of £0.90 or A\$1.42 per new Ordinary Share ("Placing Price") (together, the "Placing Shares") (all together, the "Placing").

The net proceeds of the Placing after allowing for the expenses of the issue are expected to be £46.0 million (approximately A\$72.6 million). It is anticipated that the net proceeds will be used to:

- repay approximately £17.9 million of loans (including accrued interest and associated fees and expenses) due to Polo;
- 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.

It is intended that completion of the placing of approximately £15.2 million (approximately A\$23.9 million) (16,847,577 new Ordinary Shares ("First Tranche Placing Shares")) will take place next week with admission of the new Ordinary Shares to trading on AIM ("Admission") on or around 19 January 2011 and of CDIs on ASX on 20 January 2011.

Completion of the placing of the remaining £33.4 million (approximately A\$52.8 million) (37,152,423 new Ordinary Shares ("Second Tranche Placing Shares")) is subject to, inter alia, shareholder approval of certain resolutions to be proposed at the general meeting to be held on 3 February 2011 ("GM"). Admission of the new Ordinary Shares to trading on AIM and of CDIs on ASX is anticipated to be on 4 February 2011 and 7 February 2011 respectively.

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#### **Background to and reasons for the Placing**

On 8 November 2010 the directors of Guangdong Rising (Australia) Pty Ltd ("Bidco"), GRAM and Caledon announced that agreement in principle had been reached with GRAM on the terms of a possible acquisition of Caledon by Bidco, a wholly owned indirect subsidiary of GRAM (the "Possible Acquisition"). The announcement went on to state that any announcement by GRAM or Bidco of a firm intention to make an offer for Caledon pursuant to Rule 2.5 of the City Code on Takeovers and Mergers ("City Code"), was subject to satisfaction or waiver of the following pre-conditions:

- a) the unanimous recommendation of the board of Caledon of the terms of any such offer, having been advised by RBC that the terms of such an offer are fair and reasonable;
- b) the receipt of all necessary approvals from regulatory authorities in China relating to the Possible Acquisition, including the following:
  - i) project approval for outbound investment from the National Development and Reform Commission of China on behalf of the State Council;
  - ii) project approval for outbound investment from the State-owned Assets Supervision and Administration Commission on behalf of the Guangdong Province;
  - iii) approval for outbound investment from Ministry of Commerce of China; and
  - iv) approval for the remittance of foreign exchange out of China from the State Administration of Foreign Exchange of China; and
- c) finalisation by GRAM of the terms of its financing for the Possible Acquisition.

On 31 December 2010 the Company announced that while GRAM had expected to be in a position to satisfy or waive these pre-conditions no later than 31 December 2010, this had not been the case, with the Chinese approval process taking longer than originally foreseen.

In addition, the Company's announcement on 31 December 2010 stated that GRAM was seeking funding solutions in order to assist Caledon to meet the repayment obligations of loans (and associated fees and expenses) totalling £15.4 million and A\$4 million from Polo which mature on 28 February 2011. GRAM has subsequently informed Caledon that, in the absence of the Chinese regulatory approvals it has sought in connection with the Possible Acquisition, it is also prohibited from providing any funding to Caledon to assist with these debt repayments.

Furthermore, as the Company reported on 31 December 2010, the Queensland region and, in particular, the Bowen Basin have experienced heavy rains and severe flooding which has impacted production and prevented the Company from raiiling any coal to port.

The Cook mine has not suffered any damage from flooding and is currently returning to normal production, however the suspension of railings by Queensland Rail for an indefinite period and consequent lack of operating revenue receipts for the Company means that there is a risk that the Company's cash resources could be severely depleted in the event of an extended closure of the rail link. At present the rail line is covered by flood water in certain areas and the operator is unable to assess whether there has been any damage to the rail infrastructure until the water subsides. A further consideration is that the traditional 'wet season' for the region extends to March and there is an expectation of more heavy rain during that period.

The Board views the Placing as the most suitable method to provide the Company with the financial resources with which to discharge its impending debt maturity obligations and to strengthen the capital structure of the Company, both for the potential extended period during which cash revenues may be suspended and for the Company's development plans.

### **Details of the Placing**

The Company is proposing to raise £48.6 million (approximately A\$76.7 million) before expenses in a conditional placing of 54,000,000 new Ordinary Shares at a price of £0.90 or A\$1.42 per Placing Share. The Placing Shares in full will, on issue, represent approximately 19.4 per cent. of the Company's issued share capital inclusive of the Placing Shares ("Enlarged Share Capital").

The Placing Price represents a discount of 5.6 per cent. to the average closing price of the Ordinary Shares on AIM for the five business days up to and including 12 January 2011 and a discount of 3.2 per cent. to the closing price of the Ordinary Shares on AIM on 12 January 2011, the latest date prior to the date of this announcement.

The Placing will be completed in two tranches:

- (a) **First Tranche Placing Shares:** comprising 16,847,577 new Ordinary Shares, being the number of Ordinary Shares which the Company has existing authority to issue under the Companies Act 2006 ("Companies Act") and which it can issue without shareholder approval for the purposes of ASX Listing Rule 7.1 (under its available 15 per cent. placement capacity), for total proceeds of approximately £15.2 million (approximately A\$23.9 million) before expenses (the "First Tranche Placing"); and
- (b) **Second Tranche Placing Shares:** comprising 37,152,423 new Ordinary Shares, being the balance of the new Ordinary Shares to be offered under the Placing for total proceeds of £33.4 million (approximately A\$52.8 million) before expenses (the "Second Tranche Placing"). The issue of the Second Tranche Placing Shares is subject to, among other things, shareholder approval pursuant to ASX Listing Rules 7.1 and 10.11.2, and the disapplication of pre-emption rights under the Companies Act.

The Placing is to be effected on behalf of the Company by RBC on the terms of the placing agreement entered into between the Company and RBC on today's date ("Placing Agreement"). The Placing Agreement provides for RBC to use its reasonable endeavours to procure subscribers for the Placing Shares.

The First Tranche Placing is conditional, among other things, on Admission and the Placing Agreement not having been terminated in accordance with its terms prior to Admission of the First Tranche Placing Shares. The Second Tranche Placing is conditional, among other things, on Admission, the passing of certain shareholder resolutions to be proposed at the GM authorising the Second Tranche Placing (the "Resolutions") and the Placing Agreement not having been terminated in accordance with its terms prior to Admission of the Second Tranche Placing Shares. The First Tranche Placing is not conditional on the Second Tranche Placing being completed.

Under the terms of the Placing Agreement, the Company will give customary warranties, undertakings and indemnities to RBC. The Placing Agreement may be terminated prior to Admission of the First Tranche Placing Shares or the Second Tranche Placing Shares in certain circumstances, including amongst other matters, circumstances where any of the warranties are found to be untrue, inaccurate or misleading in a material manner.

Application will be made to London Stock Exchange plc for the First Tranche Placing Shares and the Second Tranche Placing Shares to be admitted to trading on AIM. It is expected that dealings in the First Tranche Placing Shares on AIM will commence on 19 January 2011 with dealings of CDIs on ASX on 20 January 2011. Conditional upon the passing of the Resolutions and on the Placing Agreement otherwise becoming wholly unconditional and not being terminated in accordance with its terms, dealings in the Second Tranche Placing Shares on AIM will commence on 4 February 2011 with dealings of CDIs on ASX on 7 February 2011. The new Ordinary Shares will, when issued, rank *pari passu* with the existing Ordinary Shares in issue at the date of this announcement ("Existing Ordinary Shares") and will rank in full for dividends and other distributions declared, made or paid on or after Admission. Immediately upon Admission of the Second Tranche Placing Shares, the Company will have 278,633,849 Ordinary Shares in issue. In the event that the conditions relating to the Second Tranche placing are not fulfilled, the First Tranche Placing Shares will nevertheless have been issued and upon Admission of the First Tranche Placing Shares, the Company will have 241,481,426 Ordinary Shares in issue.

To the extent that the Placing Shares are to be settled by CDIs, application will also be made for the admission to the official list of ASX and for official quotation of the CDIs issued. The Ordinary Shares in respect of the CDIs offered under this document will rank equally with the Existing Ordinary Shares. Each CDI represents the full beneficial interest in one underlying Ordinary Share. The main difference between holding CDIs and holding Ordinary Shares is that the holder of CDIs has beneficial ownership of the Ordinary Shares instead of legal title.

The Ordinary Shares will be registered in the name of "CHESS Depository Nominees Pty Ltd", a wholly owned subsidiary of ASX, and will be held on behalf and for the benefit of the CDI holder.

### **GRAM consent and waiver of Rule 21.1 of the City Code**

In accordance with the City Code, GRAM has provided its consent to Caledon for the Placing to proceed and has confirmed that it is still proceeding with the necessary approvals stated above with an intention to proceed with the Possible Acquisition of Caledon by Bidco as soon as possible.

In addition, the Panel on Takeovers and Mergers ("Takeover Panel") has waived Rule 21.1 of the City Code which would otherwise require shareholder approval of the Placing.

### **Polo's participation in the Placing**

In order to support the Placing, Polo has undertaken to subscribe in the Second Tranche Placing for 21,226,324 Placing Shares (the "Polo Placing Commitment"), which will result in it holding 29.9 per cent. of the Enlarged Share Capital. In no circumstances shall the amount allocated, and subscribed for, when added to Polo's existing holding exceed 29.9 per cent. In accordance with ASX Listing Rule 10.11.2, resolution 1 below will be proposed at the GM specifically to approve the issue of the Placing Shares to Polo. The placing of the Second Tranche shares will be conditional on this resolution being passed.

### **Related party transaction**

Due to the size of its shareholding in Caledon, Polo is deemed to be a related party of Caledon under the AIM Rules. Polo's participation in the Placing is therefore a related party transaction for the purposes of the AIM Rules. Accordingly, the Directors, having consulted with RBC (in its capacity as the Company's nominated adviser pursuant to the AIM Rules), consider that they are satisfied that the terms of Polo's participation in the Placing are fair and reasonable insofar as the Company's shareholders are concerned.

Polo is also deemed to be a related party of Caledon under ASX Listing Rule 10.11. In consequence Polo's participation in the Placing is subject to approval by the Company's shareholders other than Polo itself at the GM.

### **Undertakings**

The Company has received irrevocable undertakings to vote in favour of the Resolutions from the directors who hold (directly or indirectly) a total of 6,358,862 Ordinary Shares representing 2.8 per cent. of the Existing Ordinary Shares.

### **General Meeting**

The Company intends to post a circular to shareholders containing a notice of GM expected to be held at the offices of Nabarro LLP, Lacon House, 84 Theobald's Road, London WC1X 8RW on 3 February 2011. A form of proxy (or CDI voting instruction form, as applicable) to be used by shareholders in connection with the GM will also be enclosed.

At the GM the following resolutions are intended to be proposed:

- (1) approval of the issue of 21,226,324 Placing Shares to Polo in accordance with ASX Listing Rule 10.11;
- (2) subject to the passing of resolution (1), authority to allot the Second Tranche Placing Shares for cash on a non pre-emptive basis pursuant to section 570 of the Companies Act;
- (3) subject to the passing of resolution (1), approval under ASX Listing Rule 7.1 in respect of the issue of the Second Tranche Placing Shares such that those securities will not be

counted towards the 15 per cent. limit on the issue of the securities without shareholder approval;

- (4) ratification of the issue of all securities by the Company of up to 15 per cent. of the number of Ordinary Shares in issue on the date 12 months preceding the GM in accordance with ASX Listing Rule 7.4; and
- (5) approval to allot new Ordinary Shares for cash on a non pre-emptive basis pursuant to section 570 of the Companies Act:
  - in connection with a rights issue or other pro-rata offer to existing shareholders; and
  - up to a maximum nominal value equivalent to approximately five per cent of the Enlarged Share Capital.

Should any of proposed resolutions (1) to (3) above fail to be passed, the placing of the Second Tranche Shares will not proceed.

### **About Caledon**

Caledon Resources plc is a public company listed on the AIM Market of the London Stock Exchange and the Australian Securities Exchange (trading symbol: AIM:CDN and 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 completed a prefeasibility study on a potential underground coking and thermal coal mine.

Royal Bank of Canada Europe Limited, trading as RBC Capital Markets, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Caledon and no-one else in connection with the Placing and accordingly will not be responsible to anyone other than Caledon for providing the protections afforded to clients of Royal Bank of Canada Europe Limited or for providing any financial advice in relation to the Placing or any matter referred to herein.

### **Rule 2.10**

The following information is given in accordance with Rule 2.10 of the Takeover Code.

Caledon has in issue a total of 224,633,849 Caledon Shares, the ISIN for which is GB00B1GJZT14, incorporating CDIs, the ISIN for which is AU000000CCD9. Each CDI represents the full beneficial interest in one underlying Caledon Share. The Caledon Shares are admitted to trading on AIM and the CDIs of Caledon are listed on the Australian Stock Exchange.

Caledon also has in issue GBP4.2 million 8.5 per cent unsecured convertible loan notes due 2013, the ISIN for which is GB00B61JLC69 and which are traded on the Channel Islands Stock Exchange.

### **Disclosure requirements of the City Code**

Under Rule 8.3(a) of the City Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any paper offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and

short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4). Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [thetakeoverpanel.org.uk](http://thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

### **Disclosure requirements of the Corporations Act**

The Placing is being made without disclosure to investors under Part 6D.2 of the Corporations Act 2001 (Cth) ("Corporations Act"). The Company will issue a notice in accordance with Section 708A(5)(e) of the Corporations Act following completion of the Placing.

Any decision to acquire new Ordinary Shares should only be made after making independent enquiries and consulting relevant professional advisers. Shareholders should have regard to publicly available information about Caledon before deciding whether or not to acquire new shares.