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**31 December 2010**

## **Update on Possible Acquisition**

### **Introduction**

On 8 November 2010 the directors of 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.

### **Current status of pre-conditions**

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, was subject to satisfaction or waiver of the following pre-conditions:

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

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

As a result of this delay it is unlikely that the Possible Acquisition will be completed prior to 28 February 2011 which is the maturity date for repayment of the £15.4m and A\$4m loans due to Polo Resources Limited. GRAM is committed to completing the acquisition. GRAM has advised Caledon that it is seeking funding solutions to help Caledon meet its requirements. It is Caledon's intention to extend the Non-Solicitation Agreement in early January 2011.

Mr Li Jinming, Chairman of GRAM said: "GRAM remains committed to completing the acquisition and is actively engaged with Chinese regulators in the approval process."

## **Update on Flooding in Queensland**

Queensland, in particular the Bowen Basin, has experienced heavy rain and severe flooding over the last month resulting in widespread disruption to the coal mining industry and the declaration of 'force majeure' at a growing number of mines. Whilst force majeure has not been declared at the Cook mine and no significant damage has been sustained, both road and rail access to the Blackwater township and the mine site has been repeatedly closed and this remains the case at the date of this release. As a result of these disruptions, 2010 sales will now be 543,000 tonnes versus a previously advised range of 550,000 to 570,000 tonnes.

## **General**

All defined terms in this announcement shall have the same meaning as those contained in Caledon's announcement of 8 November 2010 falling under Rule 2.4 of the City Code.

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*This announcement, including information included or incorporated by reference in it, contains "forward-looking statements" concerning Caledon, Bidco, GRAM and its and their respective subsidiaries. Generally, the words "will", "may", "should", "could", "continue", "believes", "expects", "intends", "anticipates" or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the abilities of GRAM and Caledon to control or estimate precisely, such as future market conditions and behaviours of other market participants, and therefore undue reliance should not be placed on such statements. GRAM and Caledon assume no obligation, and do not intend, to update these forward-looking statements, except as required pursuant to applicable law.*

*This announcement is not intended to and does not constitute or form any part of an offer to sell or an invitation to purchase or the solicitation of an offer to subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Possible Acquisition, any subsequent Acquisition or otherwise. If it proceeds, any Acquisition will be made solely on the terms set out in the Scheme Document.*

*The Bidco Directors and the GRAM Directors accept responsibility for the information contained in this announcement other than information relating to Caledon, the Caledon Directors and members of their immediate families, related trusts and persons connected with them (within the meaning of section 252 of the Act).*

*To the best of the knowledge and belief of each of the Bidco Directors and the GRAM Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The Caledon Directors accept responsibility for the information contained in this announcement relating to Caledon, the Caledon Group, the Caledon Directors and members of their immediate families and persons connected with them (within the meaning of section 252 of the Act).*

*To the best of the knowledge and belief of the Caledon Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.*

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

*Under Rule 8.3(a) of the City Code, any person who is interested in one per cent. 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 p.m. (London time) on the 10<sup>th</sup> business day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10<sup>th</sup> 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 City Code, any person who is, or becomes, interested in one per cent. 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 p.m. (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 Panel's website at [www.thetakeoverpanel.org.uk](http://www.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.*