

Caledon Resources plc

**Termination of Merger Discussions with Polo Resources and
Placing of Ordinary Shares to Polo Resources**

Termination of Merger Discussions

Caledon Resources plc ("Caledon" or the "Company") announces that it has jointly agreed with Polo Resources Limited ("Polo") to terminate the merger discussions previously announced on 27 April 2010. Due primarily to recent market volatility, the parties have been unable to reach mutually agreeable terms for any such merger. Caledon confirms that it is no longer deemed to be in an 'Offer Period' for the purposes of the City Code on Takeovers and Mergers (the "Takeover Code").

Placing

Caledon is pleased to announce a private placement (the "Placing") of up to 11 million new ordinary shares of 0.5p each ("New Ordinary Shares") to be subscribed by Polo at an issue price of 30p per ordinary share, a discount of 8.0 per cent to the volume weighted average price of Caledon ordinary shares on AIM for the 10-trading day period ending on 23 June 2010, raising gross proceeds of up to £3.3 million. Polo's commitment to subscribe for the New Ordinary Shares will be reduced to the extent that the subscription would require Polo to make a mandatory offer in accordance with Rule 9 of the Takeover Code or is precluded by Rule 5 of the Takeover Code. The proceeds of the Placing will be used to provide additional working capital for the Company. As a term of the Placing, Caledon and Polo have agreed to the termination of the Shareholder Relationship Agreement between the two companies dated 22 July 2008 and amended on 26 February 2009 (the "Shareholder Relationship Agreement"). Closing of the Placing is conditional upon the passing without amendment of the resolution numbered 7 set out in the notice of the Annual General Meeting ("AGM") dated 7 June 2010 granting authority for the Directors to allot and issue new ordinary shares pro rata to holders of ordinary shares or otherwise up to an aggregate nominal value of £271,915. It is expected that the Placing will close on or about 1 July 2010 and a further announcement will be made in due course.

Related Party Transaction

Polo is an existing substantial shareholder of the Company and a related party for the purposes of the AIM Rules for Companies. As a result of Polo's participation in the Placing, the Placing will be classed as a related party transaction under AIM Rule 13. Accordingly, the Directors (excluding David Weill and Stephen Dattels who were appointed to the Board under the Shareholder Relationship Agreement between the Company and Polo), having consulted the Company's Nominated Adviser, RBC Capital Markets, consider that the terms of the Placing to be fair and reasonable insofar as shareholders of the Company are concerned.

Loan Facilities

On 27 April 2010, Caledon and Polo announced the execution of two loan facility agreements ("Loan Facilities"). The first agreement, 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, has been amended so as to reduce the maximum principal sum available to the aggregate of 1) the lesser of £14.5 million or such lesser amount as is equal to the outstanding principal amount of the Loan Notes due to be repaid on 5 July 2010 from time to time and 2) the facility fee payable under the agreement. The remaining principal terms of this loan are unchanged.

Caledon announces an amendment to the second agreement, which is 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. The second facility has been amended such that it will be available for drawdown immediately and up to and including 30 September 2010, as opposed to 1 June 2010, and will mature on 31 October 2010, as opposed to 30 September 2010.

The Company has agreed with Polo that the proceeds from the issue of any Caledon ordinary shares issued on or prior to 31 December 2010, other than those issued under the Placing, will be first applied to repay any or all amounts owed by the Company to Polo under the Loan Facilities. Caledon will work with its financial adviser to review the Company's options as they relate to the repayment of the Loan Facilities.

Board and Operational Update

Caledon is also pleased to announce the proposed appointment of Stephen Bywater as an additional Director. Mr Bywater is the Chief Executive Officer of AIM quoted GCM Resources Plc ("GCM"), an exploration and development coal company primarily focused on the development of the Phulbari coal project in Bangladesh. Mr Bywater has a distinguished career in the resources industry as evidenced by his former role as Chief Operating Officer of Rio Tinto Coal Australia where he oversaw seven mining operations, producing 60 million tonnes of coal per year. It is intended that Mr Bywater will be appointed by the Board on 30 June 2010 immediately after the AGM. Polo owns approximately 29.8 per cent of the outstanding shares of GCM.

Caledon plans to appoint one further independent director to the Company's Board of Directors in due course.

During the months of April and May 2010, Caledon achieved saleable coal production from the Cook Mine of 88,000 tonnes in aggregate, compared to 71,000 tonnes for the same two-month period in 2009. Whilst aggregate production in April and May 2010 exceeded the same period in the previous year, production over the period was below management's targets. Caledon has put in place operational changes to address this shortfall to assist in achieving its 2010 annual production target of 700,000 tonnes of saleable coal.

Commenting on the merger discussions and the proposed Placing, Mark Trevan, Managing Director of Caledon, said:

"The termination of merger discussions with Polo is a reflection of the difficulties presented by the current market environment. As a result, Caledon will remain one of the few independent coking coal producers in Australia and we are pleased to have the continued support of Polo demonstrated by the Placing and extension of the Loan Facilities. Stronger coking coal prices since April 2010 endorse our belief in the strength of the underlying operating business. Caledon and its shareholders are well placed to benefit from robust coking and thermal coal markets through the Company's 100 per cent ownership of the Cook mine and the Minyango project. The letter received from Wiggins Island Coal Terminal Pty Ltd, as announced 26 May 2010, is further support for Caledon's long term investment case."

Neil Herbert, Co-Chairman of Polo, commented:

"Polo remains a fully supportive shareholder of Caledon and we look forward to assisting the Caledon Board in realising value for all shareholders."

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About Caledon Resources plc

Caledon Resources plc is a dual listed public Company listed on the Alternative Investment Market of The London Stock Exchange and The Australian Securities Exchange (trading symbol: 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 completed a prefeasibility study on a potential underground coking and thermal coal mine.

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