



Caledon
Resources plc

Interim report

for the period ended 30 June 2009

Highlights

- Cook productive capacity reduced to preserve cash
- Global outlook improving due to China and India demand
- Plans to increase production from quarter four, with sales expected at upper end of 450-500kt range in 2009
- Minyango concept study confirms next evaluation stage appropriate
- Strategic review ongoing

Summary of results

| | 6 months to 30.6.09 A\$ million | 6 months to 30.6.08 A\$ million |
|---------------------|--|---------------------------------------|
| Revenue | 39.6 | 30.4 |
| Cost of coal sales | (39.1) | (35.3) |
| Gross profit/(loss) | 0.5 | (5.0) |
| Loss for the period | (7.7) | (9.5) |
| EPS - cents | (3.7) | (5.3) |
| Cash at bank | 28.8 | 15.6 |

Cook Mine Operations Review

Due to the dramatic downturn in the coking coal market early in the year the decision was taken to wind back productive capacity and reduce the workforce by almost a quarter to preserve cash. This not only increased planned unit costs (due to the absorption of fixed costs on lower output), but also resulted in additional costs such as redundancy payments and take or pay penalties for under utilised rail and port capacity. Notwithstanding the inevitable unsettling effect on morale, production for the first six months was in line with expectations for the period.

The outlook is now much more encouraging as China has unexpectedly increased its imports to a level that has effectively replaced the demand lost from more traditional Asian and European markets. Indian demand is also proving to be resilient. Given this change in outlook, Caledon is currently implementing plans to increase production whilst maintaining current manning and equipment levels. A key component of this plan is the move to a more balanced mix of primary development and lower cost extraction from developed resources. The impact of this will start to be seen in the fourth quarter and will result in current year production and sales at the upper end of the previously advised range of 450-500kt, with further growth in 2010.

Minyango Concept Study

In April this year the Company announced that an advanced concept level study prepared by SMG Consultants Pty Ltd had confirmed the property was sufficiently economically attractive to move to the next stage of evaluation. Further drilling was carried out in the second quarter, which focused on coal quality and gas drainage characteristics with results expected in September.

Strategic Review Process

As previously advised, Caledon has engaged RBC Capital Markets to conduct a strategic review including soliciting further interest in the Company and its assets (the "Process"). This Process is actively ongoing and the Company is currently involved in discussions with a number of parties. Shareholders are advised to take no action at this time. Any further announcement will be made as soon as appropriate.

Mark Trevan, Managing Director, commented:

“With very limited higher-priced tonnage carried into the period and significantly reduced sales opportunities, the first six months of 2009 have been challenging. We therefore reduced our planned production, manning and hired equipment commitments in order to preserve cash. We now appear to have come through the worst of the demand slump and the outlook going forward is more encouraging.”

Financial Review

The Group made a loss for the period of A\$7.7 million compared to a loss of A\$9.5 million in the first half of 2008, an improvement of 18.9%. The loss per share for the period was 3.66 cents compared with a loss per share of 5.34 cents for the same period in 2008.

The Group generated a loss from operations of A\$9.4 million on revenue of A\$39.6 million, compared to a first half 2008 loss from operations of A\$8.3 million and revenue of A\$30.4 million.

Revenue recognised for the period was generated from the sale of 210kt (1H08:170kt) of coking and 20kt (1H08: 30kt) of thermal product, representing revenue generated from the Cook Mine, based in Queensland, Australia. The average price achieved during the period was US\$121/tonne (1H08: US\$143/tonne) reflecting a substantial fall in prices following the global financial crisis. Conversely revenue received per tonne in A\$ was substantially better at A\$173/t (1H08 A\$152/t) due to the average exchange rate for the period falling to US\$1:A\$0.70 (1H08 US\$1:A\$0.94).

Costs of sales were A\$39.1 million (1H08: A\$35.3 million). Cost of sales on a unit basis was A\$171/tonne (1H08: A\$177/tonne) down 3.4%. 250kt of coal was produced in the period (1H08: 176kt) at a significantly lower unit cost but the effect of stock valuations at net realisable value and significant differences in opening and closing effective selling prices arising from the combined effect of US\$/tonne prices and exchange rates obscured the consequent improvement in unit costs.

Administrative expenses were A\$9.9 million (1H08: A\$3.4 million) up 196%. The principal contributor to the increase in administrative expense was an FX loss on sales revenue and sterling denominated debt of \$2.2million (1H08: gain of \$3.0 million). Redundancy costs of A\$1.3 million (1H08: nil) and an increase in professional and consultancy costs to A\$0.9 million (1H08: A\$0.4 million) associated with the strategic review process were the other main contributors to the increase. Net of FX gain/loss, redundancy and professional and consultancy costs, administrative expenses amounted to A\$5.5 million (1H08: 6.0 million), down 8%. Administrative expenses are detailed in note 4 to the financial statements.

Financing costs

The interest charged on borrowing for the period was A\$4 million (1H08: A\$5.9 million) 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\$3.7 million (1H08: A\$4.9 million) compared to A\$1.6 million (1H08: A\$2.2 million) being the actual amount paid during the period.

Financial Position

The Group's balance sheet at 30 June 2009 and comparatives at 30 June 2008 are summarised below:

| | 30.6.09 | 30.6.08 |
|-------------------------|----------------|---------|
| | A\$'000 | A\$'000 |
| Non-current assets | 151,719 | 153,416 |
| Current assets | 39,166 | 32,618 |
| Total assets | 190,885 | 186,034 |
| Current liabilities | 18,642 | 19,754 |
| Non-current liabilities | 39,109 | 43,779 |
| Total liabilities | 57,751 | 63,533 |
| Net assets | 133,134 | 122,501 |

Non-current assets decreased due to the write down of intangibles booked in the second half of 2008 and amortisation charges. These reductions were offset by relatively constrained capital expenditure, the most significant item being the purchase of "Tantallon", a rural property required for the construction of surface facilities for the Minyango prospect.

Total borrowings have decreased from A\$40.5 million at 30 June 2008 to A\$38.3 million. The movement is attributable to the repurchase and conversion of loan notes (decrease of A\$3.5 million), foreign exchange gains (decrease of A\$0.9 million), unwinding expense (increase of A\$4.4 million) and the asset finance loan (decrease of A\$2.2 million).

Inventories

Included within inventories were coal stocks valued at A\$3.1 million (1H08: A\$2.2 million), representing 1.1kt (1H08: 4.1kt) of run of mine coal stocks and 40.2kt (1H08: 15.1kt) of product stocks held at period end.

Cash Flows

The net cash outflow from operating activities for the period was A\$6.4 million (1H08: A\$17.6 million).

Net cash used in investing activities was A\$4.5 million (1H08: A\$20.8 million), including amounts of A\$4.1 million paid for property, plant and equipment (this includes the purchase cost of Tantallon); A\$1 million of exploration expenditure incurred on the Minyango project, less A\$0.6 million from interest received.

Net cash used from financing activities was A\$4 million comprising A\$0.2 million received from the exercise of share options, A\$1.1 million used to repay part of the asset finance lease and A\$3.1 million used to settle the December 2008 repurchase of £2 million loan notes.

The resulting period end cash and cash equivalents held totalled A\$28.8 million.

INDEPENDENT REVIEW REPORT TO CALEDON RESOURCES PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the Consolidated Condensed Income Statement, the Consolidated Condensed Statement of Comprehensive Income, the Consolidated Condensed Balance Sheet, the Consolidated Condensed Statement of Changes in Equity, the Consolidated Condensed Cash Flow Statement and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with IAS 34 "Interim Financial Reporting", and the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly financial report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" and the rules of the London Stock Exchange for companies trading securities on AIM.

Emphasis of matter – going concern

In forming our conclusion on the condensed set of financial statements, we have considered the adequacy of the disclosures made in note 1 to the interim financial statements concerning the Group's need to raise further funds should the convertible loan note holders elect not to exercise the conversion rights by July 2010. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
London
27 August 2009

CONSOLIDATED CONDENSED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Note | Unaudited 6 months to 30 June 2009 A\$'000 | Unaudited 6 months to 30 June 2008 A\$'000 | Audited year ended 31 December 2008 A\$'000 |
|--|------|--|--|---|
| Revenue | 3 | 39,638 | 30,366 | 121,949 |
| Cost of coal sold | | (39,125) | (35,322) | (82,488) |
| Gross profit/(loss) | | 513 | (4,956) | 39,461 |
| Impairment of assets | | - | - | (8,978) |
| Other administrative expenses | | (9,912) | (3,352) | (10,549) |
| Administrative expenses | 4 | (9,912) | (3,352) | (19,527) |
| (Loss)/profit from operations | | (9,399) | (8,308) | 19,934 |
| Finance income | 5 | 616 | 506 | 1,989 |
| Finance expense | 5 | (4,082) | (6,816) | (11,483) |
| (Loss)/profit for the period before taxation | | (12,865) | (14,618) | 10,440 |
| Tax credit/(expense) | | 5,182 | 5,138 | (2,200) |
| (Loss)/profit for the period | | (7,683) | (9,480) | 8,240 |
| (Loss)/earnings per share expressed in cents per share | 13 | | | |
| – Basic | | (3.66) | (5.34) | 4.3 |
| – Diluted | | (3.66) | (5.34) | 4.1 |

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Unaudited 6 months to 30 June 2009 A\$'000 | Unaudited 6 months to 30 June 2008 A\$'000 | Audited year ended 31 December 2008 A\$'000 |
|---|--|--|---|
| (Loss)/profit after taxation | (7,683) | (9,480) | 8,240 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | (7,683) | (9,480) | 8,240 |

CONSOLIDATED CONDENSED BALANCE SHEET AS AT 30 JUNE 2009

| | | Unaudited 6 months as at 30 June 2009 A\$'000 | Unaudited and restated 6 months as at 30 June 2008 A\$'000 | Audited as at 31 December 2008 A\$'000 |
|--|----|---|---|--|
| Assets | | | | |
| Non-current assets | | | | |
| Intangible assets | | 44,291 | 51,536 | 43,202 |
| Property, plant and equipment | 6 | 82,357 | 77,353 | 80,791 |
| Financial asset – available for sale investment | | 154 | 581 | 154 |
| Deferred tax asset | | 24,917 | 23,946 | 18,663 |
| | | 151,719 | 153,416 | 142,810 |
| Current assets | | | | |
| Inventory | 7 | 4,804 | 2,873 | 6,843 |
| Trade and other receivables | 8 | 5,601 | 14,169 | 11,204 |
| Cash and cash equivalents | | 28,761 | 15,576 | 44,165 |
| | | 39,166 | 32,618 | 62,212 |
| Total assets | | 190,885 | 186,034 | 205,022 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Current tax payable | | - | 2,599 | 1,099 |
| Borrowings | 9 | 5,906 | 2,229 | 2,342 |
| Provisions | | 1,220 | 828 | 898 |
| Trade and other payables | 10 | 11,516 | 14,098 | 19,236 |
| | | 18,642 | 19,754 | 23,575 |
| Non-current liabilities | | | | |
| Borrowings | 9 | 32,383 | 38,284 | 34,949 |
| Provisions | | 1,764 | 1,628 | 1,691 |
| Deferred tax liability | | 4,962 | 3,867 | 4,405 |
| | | 39,109 | 43,779 | 41,045 |
| Total liabilities | | 57,751 | 63,533 | 64,620 |
| Capital and reserves attributable to shareholders | | | | |
| Share capital | 11 | 2,345 | 2,313 | 2,338 |
| Share premium | 12 | 145,458 | 145,333 | 145,266 |
| Other reserves | 12 | (206) | (206) | (206) |
| Option premium on convertible loan | 12 | 10,229 | 10,871 | 10,229 |
| Foreign currency translation reserve | 12 | 11,414 | 11,414 | 11,414 |
| Retained earnings | 12 | (36,106) | (47,224) | (28,639) |
| | | 133,134 | 122,501 | 140,402 |
| Total equity and liabilities | | 190,885 | 186,034 | 205,022 |

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2009

| Unaudited | 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 | 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 period | – | – | – | – | – | (7,683) | (7,683) |
| Issue of shares | 7 | 192 | – | – | – | – | 199 |
| Equity settled share based payments | – | – | – | – | – | 216 | 216 |
| At 30 June 2009 | 2,345 | 145,458 | (206) | 11,414 | 10,229 | (36,106) | 133,134 |

| Unaudited and restated | 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 | Retained earnings A\$'000 | Total A\$'000 |
|--|----------------------------------|----------------------------------|------------------------------------|---|--|--------------------------------------|--------------------------|
| At 1 January 2008 | 1,930 | 108,611 | (206) | 11,414 | 14,101 | (41,578) | 94,272 |
| Total comprehensive income for the period | – | – | – | – | – | (9,480) | (9,480) |
| Issue of shares | 383 | 38,488 | – | – | – | – | 38,871 |
| Cost of share issue | – | (1,766) | – | – | – | – | (1,766) |
| Exercise of convertible loan notes | – | – | – | – | (3,230) | 3,230 | – |
| Equity settled share based payments | – | – | – | – | – | 604 | 604 |
| At 30 June 2008 | 2,313 | 145,333 | (206) | 11,414 | 10,871 | (47,224) | 122,501 |

| Audited | 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 | Retained earnings A\$'000 | Total A\$'000 |
|--|----------------------------------|----------------------------------|------------------------------------|---|--|--------------------------------------|--------------------------|
| At 1 January 2008 | 1,930 | 108,611 | (206) | 11,414 | 14,101 | (41,578) | 94,272 |
| Total comprehensive income for the year | – | – | – | – | – | 8,240 | 8,240 |
| Issue of shares | 408 | 38,510 | – | – | – | – | 38,918 |
| Cost of share issue | – | (1,855) | – | – | – | – | (1,855) |
| 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 CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Unaudited 6 months to 30 June 2009 A\$'000 | Unaudited 6 months to 30 June 2008 A\$'000 | Audited year ended 31 December 2008 A\$'000 |
|--|--|--|---|
| Cash flow from operating activities | | | |
| (Loss)/profit before taxation | (12,865) | (14,618) | 10,440 |
| Adjustments for: | | | |
| Finance income | (616) | (506) | (1,989) |
| Finance expense | 4,082 | 6,816 | 11,483 |
| Depreciation | 2,491 | 2,115 | 4,600 |
| Disposal of property, plant and equipment | - | (48) | 3 |
| Impairment of intangible asset | - | - | 8,551 |
| Impairment of available-for-sale investment | - | - | 427 |
| Equity settled share-based payment expense | 216 | 604 | 853 |
| Foreign exchange differences | 515 | (3,307) | (3,618) |
| Net cash flow from operating activities before changes in working capital | (6,177) | (8,944) | 30,750 |
| Decrease/(increase) in inventories | 2,038 | 524 | (3,445) |
| (Decrease)/increase in payables | (4,855) | 4,199 | 6,311 |
| Decrease/(increase) in receivables | 5,620 | (10,136) | (7,176) |
| Net cash flow from operating activities before interest and taxation paid | (3,374) | (14,357) | 26,440 |
| Interest paid | (1,863) | (3,288) | (5,596) |
| Taxation paid | (1,166) | - | (3,139) |
| Net cash flow from operating activities | (6,403) | (17,645) | 17,705 |
| Investing activities | | | |
| Payments for property, plant and equipment | (4,057) | (5,055) | (10,979) |
| Payments for patents and trademarks | (16) | - | (5) |
| Interest received | 616 | 506 | 1,567 |
| Proceeds from the disposal of property, plant and equipment | - | 52 | - |
| Exploration costs capitalised | (1,073) | (446) | (660) |
| Deferred consideration on acquisition of subsidiary | - | (15,808) | (15,810) |
| Net cash flow from investing activities | (4,530) | (20,751) | (25,887) |
| Financing activities | | | |
| Issue of ordinary shares | 199 | 24,271 | 24,271 |
| Cost of share issue | - | (1,766) | (1,855) |
| (Repayment)/receipt of asset based finance | (1,142) | 8,135 | 7,048 |
| Repurchase of loan notes | (3,066) | - | - |
| Net cash flow from financing activities | (4,009) | 30,640 | 29,464 |
| Net increase/(decrease) in cash and cash equivalents in the period | (14,942) | (7,756) | 21,282 |
| Cash and cash equivalents at the beginning of the period | 44,165 | 23,954 | 23,954 |
| Effect of foreign exchange rate changes on cash and cash equivalents | (462) | (622) | (1,071) |
| Cash and cash equivalents at the end of the period | 28,761 | 15,576 | 44,165 |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM 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 six months ended 30 June 2009, which are unaudited, were approved by the Board on 27 August 2009. The financial information contained in this Interim report does not constitute statutory accounts as defined by section 435 of Companies Act 2006. These accounts have been prepared in accordance with the requirements of International Accounting Standard 34 (*Interim Financial Reporting*) and with the accounting policies set out in the Report and Accounts of Caledon Resources plc for the year ended 31 December 2008 and no changes to those policies are envisaged for the year end 31 December 2009 financial statements.

The presentation applied to the interim report is in line with the new IAS 1 (*Presentation of Financial Statements*) in respect of the primary statements presentation. IFRS 8, (*Operating Segments*) requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (“CODM”). By contrast IAS 14, (*Segmental Reporting*) required business and geographical segments to be identified on a risks and rewards approach. The business segmental reporting bases used by the Company in previous years are those which are reported to the CODM, so the changes to the segmental reporting for 2009 are in respect of the additional disclosure only. Comparatives have been restated.

The statutory accounts for the year ended 31 December 2008 have been filed with the registrar of Companies. The auditors’ report on those 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 30 June 2009 using the acquisition and merger method of accounting as appropriate. The corresponding amounts are for the year ended 31 December 2008 and the 6 month period ended 30 June 2008.

The Group financial information is presented in Australian dollars (‘A\$’) and values are rounded to the nearest thousand dollars (A\$000). This is also the Group’s functional currency.

Restatement

The Directors have restated comparatives on the consolidated condensed balance sheet as at 30 June 2008 to show the correct amount for reserves on the change in functional and presentational currency to A\$ in line with the presentation reported at 31 December 2008. The effect of the restatement is as follows:

- Foreign currency translation reserve is A\$3,038,000 higher; and
- Retained deficit is A\$3,038,000 lower.

There was no effect on net assets from the restatement.

Going Concern

In July 2010 convertible loan notes amounting to £18 million (A\$37 million) potentially fall due if the holders elect not to exercise the conversion rights. The Group currently has insufficient funds available to settle this liability should it fall due. The Directors continue to consider a number of options for financing this liability should it fall due including the raising of equity and debt, and as previously announced the Group is involved in discussions with a number of parties which may or may not lead to an offer for the Company.

These interim financial statements have been prepared on a going concern basis as the Directors are confident that sufficient funds for the Group will be forthcoming, but clearly there can be no certainty of this given current market conditions. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

2. Dividend

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

3. Segmental information

Caledon Resources plc is engaged in one operating segment, namely mining.

The segment results for the period ended 30 June 2009 are as follows:

| Unaudited Period ended 30 June 2009 | Mining A\$'000 | Head office operations A\$'000 | Group A\$'000 |
|---|-------------------|--------------------------------------|------------------|
| Revenue from external customers | 39,638 | - | 39,638 |
| Segment result before allocation of central costs | (6,495) | (2,904) | (9,399) |
| Segment result after allocation of central costs | (6,495) | (2,904) | (9,399) |
| Interest expense | (394) | (3,688) | (4,082) |
| Interest revenue | 586 | 30 | 616 |
| Loss before taxation | (6,303) | (6,562) | (12,865) |
| Taxation | 5,370 | (188) | 5,182 |
| Reportable segment loss | (933) | (6,750) | (7,683) |

Revenues from one customer of the mining segment represent ninety five percent of the Company's total revenues.

The segment results for the period ended 30 June 2008 are as follows:

| Unaudited Period ended 30 June 2008 | Mining A\$'000 | Head office operations A\$'000 | Group A\$'000 |
|---|-------------------|--------------------------------------|------------------|
| Revenue from external customers | 30,366 | - | 30,366 |
| Segment result before allocation of central costs | (9,415) | 1,107 | (8,308) |
| Segment result after allocation of central costs | (9,415) | 1,107 | (8,308) |
| Interest expense | (1,907) | (4,909) | (6,816) |
| Interest revenue | 198 | 308 | 506 |
| Loss before taxation | (10,455) | (4,163) | (14,618) |
| Taxation | 6,244 | (1,106) | 5,138 |
| Reportable segment loss | (4,211) | (5,269) | (9,480) |

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

| Audited Year ended 31 December 2008 | Mining A\$'000 | Head office operations A\$'000 | Group A\$'000 |
|---|-------------------|--------------------------------------|------------------|
| Revenue from external customers | 121,949 | - | 121,949 |
| Segment result before allocation of central costs | 21,163 | (1,229) | 19,934 |
| Segment result after allocation of central costs | 21,163 | (1,229) | 19,934 |
| Interest expense | (2,373) | (9,110) | (11,483) |
| Interest revenue | - | - | 1,989 |
| Loss before taxation | - | - | 10,440 |
| Taxation | - | - | (2,200) |
| Reportable segment profit | - | - | 8,240 |

Other segment items included in the income statement

| Unaudited Period ended 30 June 2009 | Mining A\$'000 | Head office operations A\$'000 | Group A\$'000 |
|--|-------------------|--------------------------------------|------------------|
| Depreciation | (2,484) | (6) | (2,490) |
| Impairment of assets | - | - | - |
| Share-based payment expense | - | (216) | (216) |
| | (2,484) | (222) | (2,706) |

| Unaudited Period ended 30 June 2008 | Mining A\$'000 | Head office operations A\$'000 | Group A\$'000 |
|--|-------------------|--------------------------------------|------------------|
| Depreciation | (2,110) | (5) | (2,115) |
| Impairment of assets | - | - | - |
| Share-based payment expense | - | (604) | (604) |
| | (2,110) | (609) | (2,719) |

| Year ended 31 December 2008 | Mining A\$'000 | Head office operations A\$'000 | Group A\$'000 |
|-----------------------------|-------------------|--------------------------------------|------------------|
| Depreciation | (4,588) | (12) | (4,600) |
| Impairment of assets | (8,551) | (427) | (8,978) |
| Share-based payment expense | - | (853) | (853) |
| | (13,139) | (1,292) | (14,431) |

The segment assets and liabilities at 30 June 2009 and capital expenditure for the period then ended are as follows:

| Unaudited Period ended 30 June 2009 | Mining A\$'000 | Head office operations A\$'000 | Group A\$'000 |
|--|-------------------|--------------------------------------|------------------|
| Segment assets | 186,659 | 4,226 | 190,885 |
| Segment liabilities | (25,254) | (32,497) | (57,751) |
| Segment net assets | 161,405 | (28,271) | 133,134 |
| Capital expenditure | 4,057 | - | - |

The segment assets and liabilities at 30 June 2008 and capital expenditure for the period then ended are as follows:

| Unaudited Period ended 30 June 2008 | Mining A\$'000 | Head office operations A\$'000 | Group A\$'000 |
|--|-------------------|--------------------------------------|------------------|
| Segment assets | 176,084 | 9,950 | 186,034 |
| Segment liabilities | (27,665) | (35,868) | (63,533) |
| Segment net assets | 148,419 | (25,918) | 122,501 |
| Capital expenditure | 5,505 | - | 5,505 |

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

| Audited Year ended 31 December 2008 | Mining A\$'000 | Head office operations A\$'000 | 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 |

4. Administrative expenses

| | Unaudited 6 months to 30 June 2009 A\$'000 | Unaudited 6 months to 30 June 2008 A\$'000 | Audited year ended 31 December 2008 A\$'000 |
|--|--|--|---|
| Auditors' remuneration | | | |
| - audit services | 45 | 65 | 207 |
| - other services | 46 | 191 | 222 |
| Depreciation of property plant and equipment ¹ | 62 | 45 | 102 |
| Operating lease rentals | - | - | 234 |
| Staff costs (excluding redundancy costs) | 1,309 | 1,129 | 3,358 |
| Redundancy costs | 1,292 | - | - |
| Share based payments | 216 | 604 | 853 |
| Professional and consultancy | 911 | 399 | 1,213 |
| Marketing and promotion | 63 | 75 | 150 |
| Third party selling costs | 1,175 | 929 | 3,820 |
| (Loss)/profit on disposal of property, plant and equipment | (1) | (48) | 3 |
| Insurance | 998 | 926 | 1,752 |
| Environment and safety | 166 | 155 | 431 |
| Training and development | 36 | 76 | 149 |
| Travel and accommodation | 188 | 267 | 437 |
| Communication and IT | 139 | 123 | 245 |
| Property costs | 281 | 336 | 449 |
| Foreign exchange (gains)/losses | 2,241 | (3,024) | (4,339) |
| Other expenses | 745 | 1,104 | 1,263 |
| Other administrative expenses | 9,912 | 3,352 | 10,549 |
| Impairment of investment – available-for-sale | - | - | 427 |
| Impairment of intangible asset ² | - | - | 8,551 |
| Impairment of assets | - | - | 8,978 |
| Total administrative expenses | 9,912 | 3,352 | 19,527 |

1. A\$2.4 million (1H08: A\$2.1 million, FY08: A\$4.5 million) of depreciation on property, plant and equipment was charged to cost of sales.

2. Reflects a write down 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 6 months to 30 June 2009 A\$'000 | Unaudited 6 months to 30 June 2008 A\$'000 | Audited year ended 31 December 2008 A\$'000 |
|---|--|--|---|
| Interest expense on borrowings | (4,003) | (5,886) | (9,887) |
| Unwinding of discount on deferred consideration | - | (862) | (1,460) |
| Unwinding of discount on provision | (79) | (68) | (136) |
| Total finance expense | (4,082) | (6,816) | (11,483) |
| Interest income receivable on bank deposits | 616 | 506 | 1,567 |
| Gain on the repurchase of loan notes | - | - | 422 |
| Total finance income | 616 | 506 | 1,989 |
| Net finance costs | (3,466) | (6,310) | (9,494) |

6. Property, plant and equipment

Property, plant and equipment has increased compared to the amount shown at 30 June 2008 mainly due to the acquisition of land known as Tantallon situated within Minyango EPC699.

7. Inventory

Inventory value as at 30 June 2009 was A\$4.8 million (1H08: A\$2.9 million, FY08: A\$6.8 million) comprising A\$3.1 million coal stocks (1H08: A\$2.2 million, FY08: A\$4.8 million) and A\$1.7 million stores inventory (1H08: A\$0.7 million, FY08: A\$2.0 million). Coal stocks, representing less than 20 days of sales, have been maintained at very low levels by industry standards and must be expected to vary significantly from period to period. Stores inventory levels were relatively tight at approximately 45 days usage, the fluctuation in level reflecting the timing of receipt of high volume, high value supplies deliveries. Sourcing and stores holding practices are designed to minimise procurement costs and ensure continuity of operations.

8. Trade and other receivables

Trade and other receivables have decreased to A\$5.6 million as at 30 June 2009 compared to A\$14.2 million at 30 June 2008 and A\$11.2 million at 31 December 2008. This is mainly attributable to trade receivables which vary due to a lumpy month to month sales profile. Sales in the month of June 2009 amounted to A\$4.2 million and sales in the months of June 2008 and December 2008 amounted to A\$12.6 million and A\$10.1 million respectively. In all three cases the value of trade receivables approximates the value of sales for the month.

9. Loans and borrowings

| | Unaudited 6 months to 30 June 2009 A\$'000 | Unaudited 6 months to 30 June 2008 A\$'000 | Audited year ended 31 December 2008 A\$'000 |
|---|--|--|---|
| Current loans and borrowings | | | |
| Asset finance loan | 5,906 | 2,229 | 2,342 |
| | 5,906 | 2,229 | 2,342 |
| Non-current loans and borrowings | | | |
| Convertible loan | 32,383 | 32,378 | 30,243 |
| Asset finance loan | - | 5,906 | 4,706 |
| | 32,383 | 38,284 | 34,949 |
| Total loans and borrowings | 38,289 | 40,513 | 37,291 |

£27.5 million 2010 8.5% unsecured loan notes

As at 30 June 2009, £18 million loan notes remained outstanding (30 June 2008: £21.3 million, 31 December 2008: £18 million). 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 July 2010
- The loan notes can be converted at any time during the period at a conversion price of 50 pence.

Asset finance loan

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

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

During the period ended 30 June 2009, a total of A\$1.1 million of the asset finance loan was repaid.

10. Trade and other payables

| | Unaudited 6 months to 30 June 2009 A\$'000 | Unaudited 6 months to 30 June 2008 A\$'000 | Audited year ended 31 December 2008 A\$'000 |
|---------------------------------------|--|--|---|
| Trade payables | 1,578 | 4,463 | 2,649 |
| Other payables | 919 | 923 | 4,226 |
| Other taxation and social security | 531 | 709 | 781 |
| Accruals and deferred income | 8,488 | 8,003 | 11,580 |
| Total trade and other payables | 11,516 | 14,098 | 19,236 |

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

11. Share capital

| | Authorised number of shares | | Issued and fully paid number of shares | |
|-----------------------------------|-----------------------------|--------------|--|--------------|
| | 30 June 2009 | 30 June 2008 | 30 June 2009 | 30 June 2008 |
| Ordinary Shares of 0.5 pence each | 406,745,231 | 406,745,231 | 209,983,849 | 206,923,849 |

| Issued and fully paid | No. | Exercise/ share issue price | A\$'000 |
|------------------------|-----|--------------------------------|--------------|
| | | A\$ | |
| At 1 January 2009 | | | 2,338 |
| Options exercised | | 0.36 | 4 |
| Options exercised | | 0.21 | 3 |
| At 30 June 2009 | | | 2,345 |

| Issued and fully paid | No. | Exercise/ share issue price | A\$'000 |
|--------------------------------|-------------|--------------------------------|---------|
| | | A\$ | |
| At 1 January 2008 | 170,558,461 | | 1,929 |
| 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 | 105 |
| Options exercised | 33,333 | 0.39 | - |
| At 30 June 2008 | 206,923,849 | | 2,313 |

On 23 July 2009 the authorised share capital of the company was increased to 446,745,231 an increase of 40,000,000 ordinary shares of 0.5 pence each ranking pari passu in all respects with the existing ordinary shares of 0.5 pence each in the capital of the Company.

12. Reserves

The following describes the nature and purpose of each reserve within owners' equity.

| | |
|--------------------------------------|--|
| Share premium | Amount subscribed for share capital in excess of nominal value. |
| Capital reserve | Amounts resulting from the merger of subsidiary investments. |
| Foreign currency translation reserve | Gains/losses arose on retranslating the net assets of overseas operations into presentational currency. |
| Option premium on convertible loan | Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital). |
| Retained earnings | Cumulative net gains and losses less distributions made. |

13. (Loss)/earnings per ordinary share

Basic (loss)/earnings per share ('LPS'/'EPS') is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

In order to calculate diluted LPS/EPS, 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 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 period. The potential Ordinary Shares are anti-dilutive and therefore diluted earnings per share has not been calculated. At the balance sheet date there were 1,229,078 (30 June 2008: 60,854,500) potentially dilutive ordinary shares.

| | Unaudited 30 June 2009 | | | Unaudited 30 June 2008 | | | Audited 31 December 2008 | | |
|---|--------------------------------|---|--------------------------------|--------------------------------|---|--------------------------------|--------------------------------|---|--------------------------------|
| | (Loss)/ earnings A\$'000 | Weighted average number of shares (thousands) | Per share amount (cents) | (Loss)/ earnings A\$'000 | Weighted average number of shares (thousands) | Per share amount (cents) | (Loss)/ earnings A\$'000 | Weighted average number of shares (thousands) | Per share amount (cents) |
| Basic and diluted (LPS)/EPS | | | | | | | | | |
| Profit/(loss) attributable to ordinary shareholders | (7,683) | 209,783 | (3.66) | (9,480) | 177,646 | (5.34) | 8,240 | 193,421 | 4.3 |
| Convertible loan | - | - | - | - | - | - | - | 4,966 | - |
| Options | - | - | - | - | - | - | - | 4,614 | - |
| Diluted (LPS)/EPS | (7,683) | 209,783 | (3.66) | (9,480) | 177,646 | (5.34) | 8,240 | 203,001 | 4.1 |

14. Related party transaction

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

There were no related party transactions during the period, apart from remuneration of key management and personnel. As at 30 June 2008 and 31 December 2008 the only related party transaction 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\$8.5 million and had been fully paid as at 31 December 2008.

15. Post balance sheet events

There were no significant post balance sheet events that took place after 30 June 2009.

16. Contingent liabilities

Payable under Service Arrangements

The Group has engaged a number of service providers under long term contracts. Except for rail freight detailed below, none of these agreements include “take or pay” provisions.

Rail Freight Agreement

The Group has a contract for railing of 500kt of coal each year from the mine site to the port. To the extent that the Group rails less than 85% of 500kt in any financial year the Group is liable to pay “take or pay” penalties at the rate of approximately A\$7.50/t on the shortfall below 85% of the contract quantity. It should be noted that the Group frequently rails coal using third party rail freight contractual entitlements and is therefore able to rail more than the Group contract tonnage in any year, but may be liable for take or pay charges even when Group railings exceed the Group rail contract tonnage.

Port Loading Agreement

The Group has an agreement for loading up to 500kt of coal at the port. To the extent that the Group loads less than 200kt in the 2009/10 year, the Group is liable to pay “take or pay” penalties at the rate of approximately A\$3.30/t on any shortfall. It should be noted that the Group frequently loads coal using third party port entitlements and is therefore able to load more than 500kt, but may be liable for take or pay charges even when Group loading quantities exceed this tonnage.

Wiggins Island Coal Terminal Project

The Group has engaged as a participant in the Wiggins Island Coal Terminal Project. The participation contract provides that the cost of the project will be borne by the ultimate participants in the project in the form of a fee for service, provided that the project proceeds. If the project does not proceed then the Group will be required to finance its share of the feasibility and design costs incurred. As at 30 July 2009 the potential liability amounted to A\$2.1 million (2008: NIL) being 2.5% of project costs of A\$85 million incurred to date.

Final cost of the feasibility and design project are estimated to be \$140 million. If the design study proceeds to completion at this cost then the economic entity will have incurred a potential liability of \$3,360,000.

17. Interim report

Copies of this interim report for the six months ended 30 June 2009 will be available from the offices of Caledon Resources plc, 64 Knightsbridge, London, SW1X 7JF, and on the Company’s website www.caledon.com