

## LETTER OF INTENT

(CFD Holder)

To: Guangdong Rising (Australia) Pty Ltd (the "**Offeror**")  
Suite 502, Level 5  
71 Macquarie Street  
Sydney  
New South Wales 2000  
Australia

23 June 2011

### Offer for Caledon Resources plc (the "**Company**")

We understand that the Offeror is considering the Acquisition (defined below) as referred to in a draft of the announcement to be made pursuant to Rule 2.5 of the City Code on Takeovers and Mergers (the "**Code**"), a copy of which is annexed hereto (the "**Announcement**") and/or on such other terms and conditions as may be agreed between the Company and the Offeror, required by the Code and/or the Financial Services Authority and/or London Stock Exchange plc and/or any other relevant securities exchange and/or as are customarily included in offers made under the Code.

When used in this letter, "**Acquisition**" shall:

- (i) mean the proposed acquisition by or on behalf of the Offeror of the entire issued and to be issued share capital of the Company, which acquisition may be by way of a scheme of arrangement (under Part 26 of the Companies Act 2006) (referred to in this deed as the "**Scheme**") or takeover offer (within the meaning of Section 974 of the Companies Act 2006) (referred to in this deed as the "**Offer**") on terms that (a) the price payable for each ordinary share in the capital of the Company is no less than £1.12 per share and (b) such price is payable in cash; and
- (ii) include any revision or variation in the terms of any acquisition as referred to in paragraph (i)(a), which represents no diminution in the value of the Scheme or the Offer (as the case may be) for any shareholder of the Company.

We are the holders of such number of contracts for differences in respect of the ordinary shares of 0.5p each in the capital of the Company ("**Shares**") as set out in the first column of the table below (the "**CFDs**").

We confirm that it is our current intention:

- (i) if the Acquisition is implemented by way of the Scheme, to use our reasonable endeavours to persuade the beneficial holder(s) of the Shares underlying the

CFDs to vote, or procure the vote, in favour of the Scheme and any resolution to be proposed at any general meeting of the Company in connection with the Acquisition or accept, or procure the acceptance of, the Scheme, as the case may be, in respect of the Shares; or

- (ii) if the Acquisition is implemented by way of the Offer, that upon the Offer being made, to use our reasonable endeavours to persuade the beneficial holder(s) of the Shares underlying the CFDs to accept or, where applicable, procure the acceptance of the Offer in respect of the Shares.

We understand that in accordance with the Code, particulars of this letter will need to be publicly disclosed by or on behalf of the Offeror and will also be contained in the Announcement and any formal Scheme or Offer documents, and that copies of this letter will be available for inspection during any period in which the Scheme or Offer is open for voting or acceptance (as applicable).

We reserve our rights to change our intention and we consider this letter of intent not to be legally binding.

Yours faithfully,



For and on behalf of TIG Advisors, LLC

TABLE

1. Number of CFDs	2. Registered *owner	3. Beneficial *owner
3,263,648	TIG Arbitrage Associates Master Fund L.P.	TIG Advisors, LLC
1,675,662	Arbitrage Associates II Master Fund, L.P.	TIG Advisors, LLC
10,584,221	Separately Managed Accounts	TIG Advisors, LLC

\* Where more than one, indicate number of shares attributable to each

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**FOR IMMEDIATE RELEASE**

**23 June 2011**

**Recommended Acquisition**  
**of**  
**Caledon Resources plc (“Caledon”)**  
**by**  
**Guangdong Rising (Australia) Pty Ltd (“Bidco”)**  
**a wholly-owned indirect subsidiary of**  
**Guangdong Rising Assets Management Co., Ltd (“GRAM”)**  
  
**to be effected by means of a scheme of arrangement under**  
**sections 895 to 899 of the Companies Act 2006**

**Summary**

- Further to the announcement on 8 November 2010 of the Possible Acquisition of Caledon by Bidco, the directors of Bidco, GRAM and Caledon are pleased to announce that all of the pre-conditions set out in that announcement have been satisfied. Accordingly, the directors of Bidco, GRAM and Caledon have reached agreement on the terms of a recommended cash acquisition of Caledon by Bidco, a wholly-owned indirect subsidiary of GRAM, to be effected by way of a scheme of arrangement under sections 895 to 899 of the Act.
- Under the terms of the Acquisition, Caledon Shareholders will receive £1.12 in cash for each Caledon Share. CDI Holders will receive the equivalent of £1.12 in cash in Australian Dollars as described in paragraph 17 of the full text of this announcement. On this basis, the terms of the Acquisition value the existing issued share capital of Caledon at approximately £313.1 million.
- This represents a premium of:
  - approximately 34 per cent. to the Closing Price of Caledon Shares of 83.75 pence on AIM on 5 November 2010 (being the last Business Day immediately prior to the date of the announcement of the Possible Acquisition);
  - approximately 53 per cent. to the volume weighted average price of Caledon Shares on AIM for the 20-trading day period ending on 5 November 2010 of 73.16 pence; and
  - 100 per cent. to the Closing Price of Caledon Shares of 56.00 pence on AIM on 16 September 2010 (being the last Business Day immediately prior to the start of the Offer Period).
- The Scheme Document will be posted to Caledon Shareholders and CDI Holders as soon as practicable and in any event within 28 days of this announcement. Unless otherwise agreed with the Panel and, subject to the satisfaction or, where relevant, waiver of all relevant conditions, it is expected that the Scheme will become effective and the Acquisition completed by the end of August 2011.
- The Acquisition is conditional on, among other things, certain approvals by Caledon

Shareholders and the sanction of the Scheme by the Court. In order to become effective, the Scheme must be approved by a majority in number of Scheme Shareholders voting, representing three-fourths in value of the Scheme Shares that are voted, at the Court Meeting. In addition, a special resolution approving the Scheme and sanctioning the Capital Reduction must be passed by Caledon Shareholders representing 75 per cent. of the votes cast at the Caledon General Meeting.

Bidco has received irrevocable undertakings to vote, letters of intent to vote, and letters of intent to use their reasonable endeavours to persuade or request the corresponding beneficial holder to vote, in favour of the Scheme at the Court Meeting and the resolution to be proposed at the Caledon General Meeting in respect of a total of 149,607,329 Caledon Shares representing, in aggregate, approximately 53.52 per cent. of the existing issued share capital of Caledon, comprised as follows:

- (a) irrevocable undertakings from those Caledon Directors who hold Caledon Shares in respect of, in aggregate 6,199,863 Caledon Shares, representing approximately 2.22 per cent. of the existing issued share capital of Caledon. These undertakings will continue to be binding even if a competing offer is made for Caledon which exceeds the value of the Acquisition and even if such higher offer is recommended for acceptance by the Caledon Board;
  - (b) irrevocable undertakings from certain other Caledon Shareholders in respect of, in aggregate 90,083,862 Caledon Shares, representing approximately 32.23 per cent. of the existing issued share capital of Caledon. These undertakings will continue to be binding even if a competing offer is made for Caledon which is recommended for acceptance by the Caledon Board, unless such competing offer represents an improvement of not less than 10 per cent. on the value of the Acquisition and is not subsequently exceeded by any revised wholly cash consideration announced by Bidco;
  - (c) letters of intent from certain other Caledon Shareholders to vote in favour of the Scheme at the Court Meeting and any resolution to be proposed at the Caledon General Meeting in respect of, in aggregate 5,422,347 Caledon Shares, representing approximately 1.94 per cent. of the existing issued share capital of Caledon; and
  - (d) letters of intent from certain holders of contracts for differences to use their reasonable endeavours to persuade or request the corresponding beneficial holder to vote in favour of the Scheme at the Court Meeting and any resolution to be proposed at the Caledon General Meeting in respect of, in aggregate 47,901,257 Caledon Shares, representing approximately 17.14 per cent. of the existing issued share capital of Caledon.
- Noteholders representing £4,000,000 or approximately 95.24 per cent., in nominal value of the Caledon Loan Notes have given irrevocable undertakings to sign a written resolution, the effect of which would be, *inter alia*, to require Caledon to redeem all the Caledon Loan Notes for an amount in cash representing their see-through value at the Acquisition Price, conditional on the Acquisition becoming effective, either by means of the Scheme or the Offer. These undertakings will continue to be binding even if a competing offer is made for the Caledon Loan Notes, unless such competing offer is for an amount in cash per Caledon Loan Note which represents an improvement of not less than 10 per cent. on the amount per Caledon Loan Note which would be due to Noteholders under the proposals outlined above and is not subsequently exceeded by any revised terms announced by Bidco.
  - The Caledon Directors, who have been so advised by RBC Capital Markets, consider the terms of the Acquisition to be fair and reasonable and intend to recommend unanimously that Caledon Shareholders vote in favour of the Scheme (or, in the event that the Acquisition is implemented by means of an Offer, to accept the Offer) as those Caledon Directors who hold Caledon Shares have undertaken to do in respect of their own

beneficial holdings of 6,199,863 Caledon Shares in aggregate, representing approximately 2.22 per cent. of the Caledon Shares currently in issue.

Commenting on the Acquisition, Mr Li Jinming, Chairman of GRAM said:

*“We are delighted to announce the acquisition of Caledon, which is a significant step forward in the implementation of GRAM’s strategy of expanding its resource-focused investment activities. We are looking forward to working with Caledon’s management in the future and to providing the necessary investment to substantially expand production in the years ahead.”*

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

*“The Caledon share price has been supported by the prospect of this transaction during a time when the equities markets have been under some pressure. The announcement by GRAM of this recommended cash offer allows shareholders and CDI Holders to now crystallise that support by way of cash. For our employees, GRAM’s commitment to growing the business will provide the financial resources for delivering our strategy as well as providing the opportunities that come with being part of a much larger organisation.”*

If the Scheme becomes Effective, Caledon Shares will be issued to Bidco, a wholly-owned indirect subsidiary of GRAM, pursuant to the Acquisition, fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and other third party rights or interests of any nature whatsoever.

#### **Enquiries:**

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##### **Caledon**

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##### **PricewaterhouseCoopers LLP, financial adviser to GRAM and Bidco**

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*This summary should be read in conjunction with the full text of the following announcement and Appendices. Appendix I of this announcement contains details of the conditions to the implementation, and further terms, of the Scheme. Appendix II of this announcement contains details of the bases of calculation and sources of information set out in this announcement. Appendix III of this announcement contains definitions of certain terms used in this summary and in the following announcement.*

*PricewaterhouseCoopers LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority is acting exclusively as financial adviser to GRAM and Bidco and no one else in connection with the Acquisition and will not be responsible to anyone other*

than GRAM and Bidco for providing the protections afforded to clients of PricewaterhouseCoopers LLP or for providing advice in relation to the Acquisition or any other matters referred to in this announcement.

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 Acquisition 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 Acquisition or any matter referred to herein.

The release, distribution or publication of this announcement in jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about and observe any applicable requirements. Copies of this announcement and any documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send such documents in or into or from a Restricted Jurisdiction. The Acquisition (unless otherwise determined by GRAM and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of the mails, or by any means of instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of any Restricted Jurisdiction, and the Acquisition will not be capable of acceptance from or within any Restricted Jurisdiction.

CDI Holders and persons in, or resident in, Australia should note that the Scheme is exempt from the requirement to issue a prospectus under sections 1012A, 1012B and 1012C of the Corporations Act 2001 (Cth) of Australia, pursuant to the provisions of the Australian Securities and Investments Commission (ASIC) Class Order 07/9 ("Prospectus relief for foreign schemes of arrangement and PDS relief for Pt 5.1 schemes and foreign schemes of arrangement").

The Acquisition relates to the shares of an English company and is being implemented by means of a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act of 1934. Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules. If, in the future, Bidco exercises its right to implement the Acquisition by way of the Offer, which is to be made into the United States, such Offer will be made in compliance with the applicable US laws and regulations, including the US tender offer rules, to the extent applicable.

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 Bidco, 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. Bidco, 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 Acquisition or otherwise. The 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 relating to GRAM, Bidco, the GRAM Group, the GRAM and Bidco Directors and members of their immediate families, related trusts and persons connected with them (within the meaning of section 252 of the Act) and Bidco's future plans for Caledon, the Caledon Group and its management and employees.*

*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 other than information relating to GRAM, Bidco, the GRAM Group, the GRAM and Bidco Directors and members of their immediate families, related trusts and persons connected with them (within the meaning of section 252 of the Act) (save for information on Bidco's future plans for Caledon, the Caledon Group and its management and employees).*

*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.*

*Bidco reserves the right to elect, in its absolute discretion (subject to the consent of the Panel), to implement the Acquisition by means of an Offer. In such event, the Offer will be implemented on substantially the same terms, subject to appropriate amendments, as those which would apply to the Scheme. If the Acquisition is implemented by means of an Offer, it will be made in accordance with the requirements of applicable laws, including US securities laws, to the extent applicable.*

#### **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. Caledon and Bidco previously disclosed their Opening Positions on 1 October 2010 and 16 November 2010 respectively.*

*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.*

In accordance with Rule 19.11 of the City Code, a copy of this announcement will be published on the following websites: [www.gdrising.com.cn/english](http://www.gdrising.com.cn/english) and [www.caledonresources.com](http://www.caledonresources.com)

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**FOR IMMEDIATE RELEASE**

**23 June 2011**

**Recommended Acquisition**  
**of**  
**Caledon Resources plc (“Caledon”)**  
**by**  
**Guangdong Rising (Australia) Pty Ltd (“Bidco”)**  
**a wholly-owned indirect subsidiary of**  
**Guangdong Rising Assets Management Co., Ltd (“GRAM”)**  
**to be effected by means of a scheme of arrangement under**  
**sections 895 to 899 of the Companies Act 2006**

**1. Introduction**

Further to the announcement on 8 November 2010 of the Possible Acquisition of Caledon by Bidco, the directors of Bidco, GRAM and Caledon are pleased to announce that all of the pre-conditions set out in that announcement have been satisfied. Accordingly, the directors of Bidco, GRAM and Caledon have reached agreement on the terms of a recommended cash acquisition of Caledon by Bidco, a wholly-owned indirect subsidiary of GRAM, to be effected by way of a scheme of arrangement under sections 895 to 899 of the Act (although Bidco reserves the right to effect the Acquisition by means of an Offer).

Details of the Scheme are set out below, and the bases and sources of information are set out in Appendix II of this announcement.

**2. The Acquisition**

Under the Scheme, and subject to the conditions and further terms set out in Appendix I and the conditions and further terms to be set out in the Scheme Document, Caledon Shareholders will receive:

<b>for each issued and to be issued Caledon Share</b>	<b>£1.12 in cash</b>
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CDI Holders will receive the equivalent of £1.12 in cash in Australian Dollars as described in paragraph 17 of this announcement.

The Acquisition values the existing issued share capital of Caledon at approximately £313.1 million and represents a premium of:

- approximately 34 per cent. to the Closing Price of Caledon Shares of 83.75 pence on AIM on 5 November 2010 (being the last Business Day immediately prior to the date of the announcement of the Possible

- Acquisition);
- approximately 53 per cent. to the volume weighted average price of Caledon Shares on AIM for the 20-trading day period ending on 5 November 2010 of 73.16 pence; and
- 100 per cent. to the Closing Price of Caledon Shares of 56.00 pence on AIM on 16 September 2010 (being the last Business Day immediately prior to the start of the Offer Period).

### **3. Information on GRAM, Bidco and Ord**

#### *GRAM*

GRAM is one of the largest state-owned enterprises in China, supervised by the State-owned Assets Supervision and Administration Commission of Guangdong Provincial People's Government. GRAM is a Chinese investment group, with investments in a range of listed and unlisted entities across a wide range of sectors, including non-ferrous metals, technology, hotels and construction. Within its portfolio of investments, GRAM is the second largest shareholder of China Telecom Co., Ltd, and the controlling shareholder of two Chinese listed companies, Zhongjin Lingnan Nonfemet Co., Ltd and Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. GRAM also has a controlling stake in Guangdong Rising Nonferrous Metal Co., Ltd which is also a Chinese listed company.

GRAM has recently been active in the mining sector having acquired a 19.9 per cent. interest in PanAust Limited, an ASX listed copper and gold mine operator for A\$215 million in 2009. In 2010 GRAM increased its holding to 20.5 per cent.

Zhongjin Lingnan Nonfemet Co., Ltd acquired a 50.1 per cent. interest in Perilya Limited, an ASX listed lead and zinc mine operator for A\$45 million in 2009. In 2010 Zhongjin Lingnan Nonfemet Co., Ltd financially supported Perilya Limited in acquiring 100 per cent. of GlobeStar Mining Corporation for C\$184 million.

As of 31 December 2010, GRAM had consolidated total assets of RMB¥61.9 billion (approximately £6.1 billion), and had a net profit for the year ended 31 December 2010 of RMB¥1.8 billion (approximately £171.9 million).

#### *Bidco*

Bidco is a newly incorporated company in Australia formed for the purpose of making the Acquisition. The sole shareholder of Bidco is Guangdong Rising (Australia) Holding Pty Ltd, ultimately a wholly-owned subsidiary of GRAM.

Bidco will fund the consideration payable under the Acquisition from funds made available to it from GRAM's existing cash resources and bank facilities provided by Bank of China and China Minsheng Banking Corporation.

PricewaterhouseCoopers LLP, financial adviser to GRAM and Bidco, is satisfied that sufficient resources are available to Bidco to satisfy in full the cash consideration payable to Caledon Shareholders under the terms of the Acquisition.

#### *Ord*

Ord is a public company listed on ASX (trading symbol ORD.AX). Ord is a minerals exploration and development company with projects in copper, bauxite and gold. Its strategy is to grow by acquiring prospective precious and base metals tenements; exploring, appraising, then developing and, in time, mining gold and base metals.

Ord's projects include the Copper Flats Project, Suplejack Project and the Laos Bolaven Plateau Bauxite Project. The Laos Bolaven Plateau Bauxite Project focuses on bauxite resources on the Bolaven plateau in southern Laos over an aggregate area of 487 square

kilometres. The Laos Bolaven Plateau Bauxite Project is being developed through Sino Australian Resources (Laos) Co., Ltd (SARCO). The Copper Flats Project focuses on copper anomalies in the East Kimberley area in Western Australia (WA) and the Northern Territory (NT).

Ord has assisted GRAM in relation to originating and facilitating the implementation of the Acquisition.

#### *Relationship between Ord and GRAM*

In connection with the Acquisition, GRAM (or an affiliate of GRAM) has granted Ord an option to purchase an interest of between 5 and 10 per cent. in Caledon at the price paid by GRAM at the time of the completion of the Acquisition.

Ord and GRAM also announced on 30 November 2010 that they had signed a binding heads of agreement to establish a joint venture company in Australia to focus on exploration and mining investments in Australia and Asia Pacific.

#### **4. Information on Caledon**

Caledon is a public company admitted to trading on AIM and listed on the ASX (trading symbols: 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. Caledon also purchased the nearby Minyango exploration concessions in 2006 and has completed a prefeasibility study on a potential underground coking and thermal coal mine at Minyango. Caledon is also a shareholder in the company established by a consortium of coal producers to build the proposed new Wiggins Island Coal Export Terminal. Caledon has been allocated four million tonnes per annum of the initial 27 million tonnes per annum of export capacity.

#### **5. Reasons for the Acquisition**

GRAM has recently been seeking to acquire coal assets to satisfy demand for coal in Guangdong Province and its adjacent provinces. GRAM is attracted to Caledon's resource of coking coal, infrastructure access, rail and potential port capacity. Caledon would provide a platform for future expansion in Australia and the region. The Acquisition would fit well with GRAM's strategy and reflects the Guangdong Province's long term focus on securing supply.

GRAM plans to sell coal to Chinese customers on an arm's length basis.

#### **6. Current trading and prospects of Caledon**

The Cook underground coal mine produces coking and thermal coals in a ratio of approximately 80 per cent. coking to 20 per cent. thermal. Sales in 2010 were 431,000 tonnes of coking coal and 104,000 tonnes of thermal coal, for a total of 535,000 tonnes. In the quarterly report released on 3 May 2011, Caledon announced it had sold a total of 137,000 tonnes for the three months ending 31 March of that year. In the longer term, Caledon is targeting a minimum of one million tonnes of saleable product per annum from the Cook mine. The coal from the Cook mine is railed to the port of Gladstone for export.

Caledon has also commenced a feasibility study for an underground mine on the nearby Minyango deposit which is forecast to produce coking and thermal coal in a ratio of approximately 62 per cent. coking to 38 per cent. thermal with a target production of three million tonnes per annum. Development of this mine is dependent on the timing of the proposed new Wiggins Island Coal Export Terminal next to the existing port facilities at Gladstone.

Caledon is a foundation shareholder in Wiggins Island Coal Export Terminal Pty Ltd, which is the company established by a consortium of coal producers to build the Wiggins Island Coal Export Terminal. Caledon was allocated four million tonnes per annum of the initial 27 million tonnes per annum of export capacity scheduled for completion in 2014.

Caledon incurred a loss after tax of A\$11.8 million for the year ended 31 December 2010 on revenues of A\$93 million. This included A\$7.5 million in finance expenses and a A\$3.5 million charge against the carrying value of the Caledon Loan Notes. Caledon undertook a number of financing activities in 2010 and early 2011 which combined to leave its balance sheet in a more robust position. The only corporate debt outstanding at the date of this announcement is £4.2 million of Caledon Loan Notes. The pricing outlook for coking coal in 2011 has improved considerably from that in 2010 when the average price received for the Cook product was US\$175 per tonne. In May this year, Caledon announced that the average price in the first quarter of 2011 was US\$214 per tonne with the expectation that this would rise to US\$258 per tonne in the second quarter of 2011. Caledon also advised that the strengthening of the A\$:US\$ exchange rate over that time would absorb a significant portion of that increase in A\$ terms.

## **7. Recommendation of the Caledon Directors**

The Caledon Directors, who have been so advised by RBC Capital Markets, consider the terms of the Acquisition to be fair and reasonable. In providing advice to the Caledon Directors, RBC Capital Markets has taken into account the Caledon Directors' commercial assessments. The Caledon Directors intend to recommend unanimously that Scheme Shareholders and Caledon Shareholders vote in favour of the Scheme at the Court Meeting and the Resolutions to be proposed at the Caledon General Meeting respectively (or, in the event that the Acquisition is implemented by means of an Offer, to accept the Offer) as those Caledon Directors who hold Caledon Shares have undertaken to do in respect of their own beneficial holdings of 6,199,863 Caledon Shares, in aggregate representing approximately 2.22 per cent. of the Caledon Shares currently in issue.

## **8. Background to and reasons for the recommendation**

In January 2009, Caledon received a non-binding, indicative approach from an entity which had expressed an interest in potentially acquiring Caledon. This led to the formal appointment of RBC Capital Markets in February 2009 to conduct a strategic review focused on maximising value for Caledon Shareholders and CDI Holders.

As part of that review, RBC Capital Markets solicited interest from other parties and had ongoing discussions with potential acquirers in respect of offers in excess of the then share price. However, despite the high level of interest and recognition of both the quality of Caledon's assets and the scarcity of high quality coking coal assets in general, no party provided a final and binding offer and the strategic review process was terminated in December 2009.

In April 2010, Caledon announced the terms of a proposed merger with its largest shareholder, Polo. However, volatility and uncertainty in the equity and coal markets in the period following this announcement meant that the parties could not agree on mutually acceptable terms for a merger and this transaction was terminated in June 2010.

Since this date the Caledon Directors have continued to receive indicative approaches from potential acquirers of Caledon or parties wishing to make an investment at the asset level.

The Caledon Directors have received assurances from GRAM that it intends to provide the necessary financial resources to Caledon to implement its strategy and to take advantage of other opportunities as they arise. On that basis, the Caledon Directors believe that under the ownership of GRAM and with access to significant additional funding, the risks connected with optimising the Cook mine and developing the Minyango project would be substantially reduced.

The Acquisition will provide an opportunity for Caledon Shareholders and CDI Holders to realise their investment in Caledon at a significant premium to the market price prior to the announcement on 8 November 2010 of the Possible Acquisition, payable in cash.

## 9. Irrevocable undertakings

Bidco has received undertakings to vote in favour of the Scheme at the Court Meeting and the resolution to be proposed at the Caledon General Meeting (or in the event that the Acquisition is implemented by means of an Offer, to accept or procure acceptance of the Offer), in respect of a total of 96,283,725 Caledon Shares representing approximately 34.44 per cent. of the entire issued share capital of Caledon, comprised as follows:

### *Directors*

<i>Name</i>	<i>Number of Caledon Shares<sup>1</sup></i>	<i>Percentage of issued share capital</i>
Stephen Bywater	107,100	0.04
George Salamis	771,500	0.28
Peter Seear	5,146,263	1.84
David Treadwell	115,000	0.04
Mark Trevan	60,000	0.02
<i>Total</i>	6,199,863	2.22

<sup>1</sup> Note: includes certain family and related trust interests

These undertakings continue to be binding even in the event of a competing offer, howsoever to be implemented, being made for Caledon Shares which exceeds the value of the Acquisition and even if such competing offer is recommended for acceptance by the Caledon Board. However, these undertakings lapse if the Scheme lapses or is withdrawn or the Implementation Agreement is terminated.

### *Other Caledon Shareholders*

<i>Name</i>	<i>Number of Caledon Shares</i>	<i>Percentage of issued share capital</i>
Banque Sarasin	1,000,000	0.36
Jean-Philippe Flament Transfer Trust	1,065,000	0.38
Jean-Philippe Flament Transfer Trust	1,500,000	0.54
Polo Resources Limited	74,472,687	26.64
Watami Trading Ltd	12,046,175	4.31
<i>Total</i>	90,083,862	32.23
<i>Total irrevocable undertakings received</i>	96,283,725	34.44

These undertakings of the above Caledon Shareholders (other than the Caledon Directors) continue to be binding even in the event of a competing offer, howsoever to be implemented, being made for Caledon Shares which exceeds the value of the Acquisition by less than 10 per cent., even if such competing offer is recommended for acceptance by the Caledon Board. These undertakings will, however, be suspended in certain circumstances if a person not acting in concert with Bidco announces prior to the date by which proxy forms are to be received in respect of the Scheme, a firm intention to make an offer for Caledon which represents an improvement of at least 10 per cent. per Caledon Share over the value of the consideration available under the Acquisition.

This suspension will be lifted if, at or prior to 11.59 p.m. on the fifth day after such higher offer is announced, Bidco announces a revision to the terms of the Acquisition so that the cash

price per share of any wholly cash consideration represents an improvement to the consideration per Caledon Share available under such higher offer. If Bidco fails to do so, the undertakings will lapse.

These undertakings will also lapse if the Scheme lapses or is withdrawn or the Implementation Agreement is terminated.

The undertaking given by Polo Resources Limited permits Polo to grant security over up to 4,000,000 of the Caledon Shares to which such undertaking applies, provided that it obtains an irrevocable undertaking in favour of Bidco to vote in favour, on substantially the same terms as that granted by Polo, from any third party obtaining the benefit of such security over those Caledon Shares (or interest in or rights in respect of those Caledon Shares). An affiliate of Polo Resources Limited currently holds a further 8,838,833 Caledon Shares which, if such Caledon Shares continue to be held by Polo or its affiliate at the relevant time, will also be subject to the undertaking described above.

The following Caledon Shareholders have provided non-binding letters of intent to vote in favour of the Scheme at the Court Meeting and the resolution to be proposed at the Caledon General Meeting:

<i>Name</i>	<i>Number of Caledon Shares</i>	<i>Percentage of issued share capital</i>
Cheyne Capital Management	2,722,222	0.97
Lyxor/Havens International	1,700,125	0.61
Viking Holdings AS	1,000,000	0.36
<i>Total</i>	5,422,347	1.94

The following holders of contracts for difference (“CFDs”) have provided letters of intent to use their reasonable endeavours to persuade or request the corresponding beneficial holder to vote in favour of the Scheme at the Court Meeting and the resolution to be proposed at the Caledon General Meeting:

<i>Name</i>	<i>Number of CFDs</i>	<i>Percentage of issued share capital</i>
Arrowgrass Master Fund Ltd	6,529,060	2.34
Centaurus Capital Ltd	10,072,897	3.60
Cheyne Capital	13,850,894	4.95
Havens (various funds)	1,924,875	0.69
TIG Advisors, LLC	15,523,531	5.55
<i>Total</i>	47,901,257	17.14

In total, therefore, Bidco has received undertakings to vote, letters of intent to vote, and letters of intent to use their reasonable endeavours to persuade or request the corresponding beneficial holder to vote, in favour of the Scheme at the Court Meeting and the resolution to be proposed at the Caledon General Meeting in respect of a total of 149,607,329 Caledon Shares representing approximately 53.52 per cent of the issued share capital.

## **10. Non-Solicitation Agreement and Implementation Agreement**

### *Non-Solicitation Agreement*

As previously announced on 21 April 2011, Caledon, GRAM and Bidco have entered into the Non-Solicitation Agreement, which was extended as announced on 15 June 2011.

Pursuant to the Non-Solicitation Agreement, Caledon has agreed with Bidco and GRAM that, in summary:

- it will not, directly or indirectly, solicit any Alternative Proposal, and will not consider or take into account any Alternative Proposal which is less than 10 per cent. greater in value than the Possible Acquisition; and
- in the event that Caledon receives an Alternative Proposal which is at least 10 per cent. greater in value than the Possible Acquisition, the Caledon Directors will not accept, approve, recommend or enter into any agreement to implement such Alternative Proposal unless Bidco fails to confirm within five Business Days following Bidco being notified of such proposal by Caledon that it intends to increase the value of the Possible Acquisition in cash to a value per Caledon Share equal to or greater than that provided for under the relevant Alternative Proposal,

in each case until the Scheme terminates or lapses in accordance with its terms or, as applicable, the Offer is withdrawn by Bidco (with the consent of the Panel, if required) or lapses or the Non-Solicitation Agreement is otherwise terminated in accordance with its terms.

#### *Implementation Agreement*

Caledon, GRAM and Bidco have also entered into the Implementation Agreement which sets out the arrangements between them in relation to the implementation of the Scheme. Each party to the Implementation Agreement has agreed to implement the Scheme and to cooperate with the other on the terms set out in the Implementation Agreement. In addition, Caledon has entered into certain undertakings concerning the conduct of its business during that period.

Caledon has agreed, pursuant to the Implementation Agreement, to pay Bidco an inducement fee of one per cent. of the value of the Acquisition (inclusive of any VAT) calculated by reference to the Acquisition Price and the fully diluted share capital of Caledon. Such fee shall be payable if:

- (a) before the Scheme or the Offer (as applicable) lapses, is withdrawn, terminates or otherwise fails or (with the consent of the Panel) is not made, an announcement regarding an Alternative Proposal is made provided that such Alternative Proposal, or any other Alternative Proposal within 180 days of this announcement, subsequently becomes effective;
- (b) the Caledon Directors do not unanimously and without qualification recommend the Caledon Shareholders to vote in favour of the Scheme at the Court Meeting and in favour of the Resolutions at the Caledon General Meeting in the Scheme Document or, if Bidco elects to implement the Acquisition by means of the Offer, the Caledon Directors do not in the Offer Document unanimously and without qualification recommend the Caledon Shareholders to accept the Offer;
- (c) the Caledon Directors withdraw, qualify or adversely modify their recommendation or agree or resolve to recommend an Alternative Proposal;
- (d) the Scheme is not approved by the Caledon Shareholders at the Court Meeting or the Resolutions are not passed at the Caledon General Meeting or, as the case may be, the acceptance condition in the Offer is not satisfied;
- (e) if the resolutions to be proposed at the Court Meeting and the Caledon General Meeting have been passed by the requisite majorities, but the Caledon Directors do not seek either of the Court Orders or do not file all requisite documentation with the Registrar of Companies, in either case, in accordance with the timetable agreed between Bidco, GRAM and Caledon;

- (f) the Panel permits Bidco to withdraw or not to proceed with the Acquisition for a breach of a condition which arises solely from an act or omission of Caledon;
- (g) Caledon or any of the Caledon Directors, whether before or after the Court Meeting and/or the Caledon General Meeting, does any act, including making a public statement, or makes any omission, which is or could reasonably be considered to be contrary to the recommendation of the Caledon Directors or their stated intention to give the recommendation in any Scheme Document or, as the case may be, Offer document; or
- (h) Caledon materially breaches the terms of the Implementation Agreement and Bidco elects to terminate it pursuant to its terms.

Pursuant to Rule 21.2 of the City Code, RBC Capital Markets has confirmed to the Panel that it considers these arrangements to be in the best interests of Caledon Shareholders.

GRAM has agreed, pursuant to the Implementation Agreement, to pay Caledon an inducement fee of one per cent. of the value of the Acquisition (inclusive of any VAT) calculated by reference to the Acquisition Price and the fully diluted share capital of Caledon. Such fee shall be payable if GRAM or Bidco take any material action following this announcement which results in the Scheme or the Offer (as applicable) lapsing, being withdrawn, terminating or otherwise failing, unless this occurs solely as a result of action taken by any competition or regulatory authority and GRAM and Bidco have taken all reasonable steps to procure such competition or regulatory permission or if they withdraw from the Scheme or Offer (as applicable) due to all material Conditions not being satisfied, if the Panel so permits or in circumstances where a Break Fee is payable by Caledon.

Caledon has also agreed neither, at any stage prior to the Scheme terminating or lapsing or, as applicable, the Offer being withdrawn by Bidco (with the consent of the Panel, if required) or lapsing or the Implementation Agreement being otherwise terminated in accordance with its terms, to pay nor to enter into any agreement to pay an inducement fee or a break fee to a third party.

Further details of the Non-Solicitation Agreement and the Implementation Agreement will be set out in the Scheme Document.

## **11. Structure of the Acquisition**

The Acquisition is to be effected by means of a scheme of arrangement between Caledon and the Scheme Shareholders under sections 895 to 899 of the Act. The procedure involves an application by Caledon to the Court to sanction the Scheme and to confirm the Capital Reduction. In consideration for the cancellation, Scheme Shareholders will receive £1.12 in cash for each Caledon Share held. CDI Holders will receive the equivalent of £1.12 in cash in Australian Dollars as described in paragraph 17 of this announcement. Bidco has, however, reserved the right to implement the Acquisition by way of an Offer.

In order to become Effective, the Scheme will require, amongst other things, approval: (i) by the Scheme Shareholders at the Court Meeting; and (ii) by the Caledon Shareholders of the Resolutions to be proposed at the Caledon General Meeting.

The Court Meeting will be convened by order of the Court for the purposes of considering and, if thought fit, approving the Scheme (with or without modification). The Scheme will be approved at the Court Meeting if a majority in number representing not less than 75 per cent. in value of Scheme Shareholders present and voting, either in person or by proxy, vote in favour of the Scheme.

Once the necessary approvals from the Scheme Shareholders and the Caledon Shareholders have been obtained at the Court Meeting and the Caledon General Meeting respectively, and the other Conditions have been satisfied or (where applicable) waived, the Scheme will become effective upon sanction by the Court and registration of the Court Orders by the Registrar of Companies. Upon the Scheme becoming Effective, it will be binding on all

Caledon Shareholders, irrespective of whether they attended or voted at the Court Meeting or the Caledon General Meeting and Caledon will become a wholly-owned subsidiary of Bidco.

If the Scheme becomes Effective, Caledon Shares will be issued to Bidco fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and other third party rights or interests of any nature whatsoever.

The Acquisition will be subject to the conditions and further terms set out or referred to in Appendix I of this announcement and in the Scheme Document. It is expected that, subject to the sanction or, where relevant, waiver of all conditions to the Scheme, the Scheme will become effective and the Acquisition will be completed by the end of August 2011.

## **12. Expected timetable**

It is intended that the Scheme Document containing further details of the Scheme will be despatched to Caledon Shareholders and CDI Holders and, for information only, to participants in the Caledon Share Option Schemes and the Noteholders, as soon as practicable (and, in any event, not later than 28 days after the date of this announcement). The Scheme Document will include the notices of the Court Meeting and the Caledon General Meeting and full details of the Scheme together with the expected timetable, and will specify the necessary actions to be taken by the Caledon Shareholders and the CDI Holders. The Scheme is expected to become Effective by the end of August 2011.

## **13. Management, employees and location**

The GRAM Directors and Bidco Directors have given assurances to the Caledon Directors that, following the Scheme becoming Effective, the existing employment rights, including pension rights, of all employees of Caledon will be fully safeguarded. The GRAM Directors and Bidco Directors have confirmed to the Caledon Directors that GRAM's and Bidco's plans for the Caledon Group do not involve any immediate change to the continued employment or the terms and conditions of employment of the Caledon Group employees nor are there currently any plans to change the principal locations of Caledon's business or redeploy the fixed assets of Caledon.

Upon the Scheme becoming Effective, the Bidco Directors will be Li Zezhong, Frank Zhu, Qiu Qingxin and Wang Lixing.

## **14. Effect of the Scheme on the Caledon Share Option Schemes and Caledon Loan Notes**

### ***Caledon Share Option Schemes***

The Acquisition will extend to any Caledon Shares unconditionally allotted or issued at or prior to the Scheme Record Time, including shares issued pursuant to the exercise of options granted under the Caledon Share Option Schemes.

As the Scheme will apply only to Caledon Shares in issue at the Scheme Record Time, it is proposed to amend the Caledon Articles at the Caledon General Meeting to provide that, if the Scheme becomes Effective, any Caledon Shares issued after the Scheme Record Time will be automatically transferred to Bidco in exchange for payment of the Acquisition Price.

### ***Caledon Loan Notes***

Noteholders representing £4,000,000, or approximately 95.24 per cent., in nominal value of the Caledon Loan Notes have given irrevocable undertakings to sign a written resolution, the effect of which is, *inter alia*, to require Caledon to redeem all the Caledon Loan Notes for an amount in cash representing their see-through value at the Acquisition Price, conditional on the Acquisition becoming effective, either by means of the Scheme or by an Offer. These Noteholders have also given irrevocable undertakings to: (i) accept any proposals put to them

by Bidco in relation to the Caledon Loan Notes, provided that the Noteholders would be entitled to receive not less than the amount in cash per Caledon Loan Note as they would have received under the above proposal and no additional liability or obligation is imposed on them by the terms of such proposals; and (ii) not to vote in favour of any other resolution or proposal in respect of the Caledon Loan Notes without the consent of Bidco.

These undertakings will continue to be binding even if a competing offer is made for the Caledon Loan Notes which exceeds the amount per Caledon Loan Note which would be due to Noteholders under the proposals outlined above by less than 10 per cent.

These undertakings will, however, be suspended in certain circumstances if a person not acting in concert with Bidco either (a) makes an offer for the Caledon Loan Notes or (b) announces a firm intention to make an offer howsoever structured (in accordance with Rule 2.5 of the Code) to acquire the entire issued and to be issued share capital of the Company (other than those already owned by such person) which includes proposals to deal with the Caledon Loan Notes, in each case which is for an amount in cash per Caledon Loan Note which represents an improvement of at least 10 per cent. per Caledon Loan Note over the value of the consideration available under the proposals outlined above.

This suspension will be lifted if, at or prior to 11.59 p.m. on the fifth day after such higher offer is announced, Bidco announces a revision to the proposals to the Noteholders which represents an improvement on the amount in cash per Loan Note to the amount in cash per Caledon Loan Note available under such higher offer. If Bidco fails to do so, the undertakings will lapse.

These undertakings will also lapse if the Scheme lapses or is withdrawn or the Implementation Agreement is terminated.

## **15. Disclosure of interests in Caledon Shares**

At the date of this announcement, neither Bidco nor GRAM owns any of the issued share capital of Caledon.

As at the date of this announcement, save as disclosed above (including the irrevocable undertakings and letters of intent referred to above and the Caledon Shares represented thereby), neither GRAM, Bidco nor, so far as the Bidco Directors or the GRAM Directors are aware, any person acting in concert with them has any interest in or right to subscribe for any relevant securities of Caledon nor are they party to any short positions (whether conditional or absolute and whether in money or otherwise) relating to relevant securities of Caledon, including any short positions under derivatives, agreements to sell or any delivery obligations or rights to require another person to purchase or take delivery of any relevant securities of Caledon nor does any such person have any arrangement in relation to relevant securities of Caledon. Neither Bidco, GRAM nor the Bidco Directors or GRAM Directors nor, so far as Bidco or GRAM are aware, any person acting in concert with them has borrowed or lent any relevant securities of Caledon.

For these purposes, "interest" includes any long economic exposure, whether conditional or absolute, to changes in the prices of securities. A person is treated as having an 'interest' by virtue, *inter alia*, of the ownership or control of securities or by virtue of any option in respect of, or derivative referenced to, securities. "Relevant securities" in Caledon include any securities of Caledon which are being offered for pursuant to the Acquisition or carry voting rights, any equity share capital of Caledon and any securities of Caledon carrying conversion or subscription rights into any of the foregoing.

## **16. De-listing of Caledon Shares and CDIs**

It is anticipated that the last day of trading of CDIs on ASX will be 16 August 2011 (being the Business Day after the First Court Hearing) and at the close of business in Sydney, Australia on that date trading in CDIs on ASX will be suspended.

The last day of dealings in, and for registration of transfers of, Caledon Shares on AIM is expected to be 24 August 2011, the Business Day immediately prior to the Second Court Hearing and, from 4.30 p.m. on that day, the trading of Caledon Shares on AIM will be suspended. No transfers of Caledon Shares will be registered after this date.

These dates are indicative only and will depend, amongst other things, on the date on which the Court sanctions the Scheme.

Prior to the Scheme becoming Effective, an application will be made to the London Stock Exchange for the cancellation of admission to trading of Caledon Shares on AIM. It is expected that such cancellation will take place shortly after the Effective Date. Following implementation of the Scheme, Caledon will request ASX to remove the CDIs from official quotation on ASX and will apply for itself to be removed from the official list of ASX. In addition, on the Effective Date, share certificates in respect of Caledon Shares will cease to be valid and entitlements to Caledon Shares held within the CREST system will be cancelled.

If the Acquisition is effected by way of the Offer, it is anticipated that cancellation of trading in Caledon Shares on AIM will take effect no earlier than 20 Business Days after Bidco has acquired or agreed to acquire 75 per cent. of the voting rights attaching to the Caledon Shares.

The cancellation of admission to trading on AIM of the Caledon Shares would significantly reduce the liquidity and marketability of any Caledon Shares not assented to the Offer at that time. If the Acquisition is effected by way of the Offer and Bidco receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more of the Caledon Shares and voting rights to which the Offer relates, Bidco intends to exercise its rights to acquire compulsorily the remaining Caledon Shares in respect of which the Offer has not been accepted.

## **17. CDI Holders**

To facilitate the delivery of the consideration payable to CDI Holders, Caledon will enter into an agreement with Computershare Investor Services Pty Limited ("**Computershare Australia**"). The terms of that agreement will govern the process under which Computershare Australia will cause the consideration of £1.12 per underlying Caledon Share that relates to each CDI held by a CDI Holder to be converted into Australian Dollars at the prevailing spot rate based on the GBP:A\$ exchange rate applicable on the relevant date. Computershare Australia will then distribute cheques in Australian Dollars to CDI Holders on Caledon's behalf.

## **18. General**

The Scheme Document will be despatched to Caledon Shareholders and CDI Holders and, for information only, to holders of options under the Caledon Share Option Schemes and the Noteholders in due course. The Scheme Document will include full details of the Scheme, together with notices of the Court Meeting and the Caledon General Meeting and the expected timetable and will specify the necessary action to be taken by Caledon Shareholders and CDI Holders.

The implications of the Acquisition for Overseas Shareholders may be affected by the laws of the relevant jurisdiction. Any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about and observe any applicable requirements. It is the responsibility of each Overseas Shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

The Acquisition will comply with the applicable rules and regulations of the AIM Rules and the

City Code. The Acquisition will be governed by English law and will be subject to the jurisdiction of the English courts and the conditions and further terms set out in Appendix I and the full terms and conditions to be set out in the Scheme Document.

There are no agreements or arrangements to which Bidco is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Acquisition.

The full text of the conditions to the Acquisition, which will be subject to the City Code, are set out in Appendix I of this announcement, which forms part of, and should be read in conjunction with, this announcement.

Appendix II of this announcement provides details of the basis of calculations and sources of certain information included in this announcement.

Appendix III of this announcement contains definitions of certain terms used in this announcement.

In accordance with Rule 19.11 of the City Code, a copy of this announcement will be published on the following websites: [www.gdrising.com.cn/english](http://www.gdrising.com.cn/english) and [www.caledonresources.com](http://www.caledonresources.com).

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*PricewaterhouseCoopers LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority is acting exclusively as financial adviser to GRAM and Bidco and no one else in connection with the Acquisition and will not be responsible to anyone other than GRAM and Bidco for providing the protections afforded to clients of PricewaterhouseCoopers LLP or for providing advice in relation to the Acquisition or any other matters referred to in this announcement.*

*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 Acquisition 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 Acquisition or any matter referred to herein.*

*The release, distribution or publication of this announcement in jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about and observe any applicable requirements. Copies of this announcement and any documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send such documents in or into or from a Restricted Jurisdiction. The Acquisition (unless otherwise determined by GRAM and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of the mails, or by any means of instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of any Restricted Jurisdiction, and the Acquisition will not be capable of acceptance from or within any Restricted Jurisdiction.*

*CDI Holders and persons in, or resident in, Australia should note that the Scheme is exempt from the requirement to issue a prospectus under sections 1012A, 1012B and 1012C of the Corporations Act 2001 (Cth) of Australia, pursuant to the provisions of the Australian Securities and Investments Commission (ASIC) Class Order 07/9 ("Prospectus relief for foreign schemes of arrangement and PDS relief for Pt 5.1 schemes and foreign schemes of arrangement").*

*The Acquisition relates to the shares of an English company and is being implemented by means of a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act of 1934. Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules. If, in the future, Bidco exercises its right to implement the Acquisition by way of the Offer, which is to be made into the United States, such Offer will be made in compliance with the applicable US laws and regulations, including the US tender offer rules, to the extent applicable.*

*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 Bidco, 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. Bidco, 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 Acquisition or otherwise. The 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 relating to GRAM, Bidco, the GRAM Group, the GRAM and Bidco Directors and members of their immediate families, related trusts and persons connected with them (within the meaning of section 252 of the Act) and Bidco's future plans for Caledon, the Caledon Group and its management and employees.*

*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 other than information relating to GRAM, Bidco, the GRAM Group, the GRAM and Bidco Directors and members of their immediate families, related trusts and persons connected with them (within the meaning of section 252 of the Act) (save for information on Bidco's future plans for Caledon, the Caledon Group and its management and employees).

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.

Bidco reserves the right to elect, in its absolute discretion (subject to the consent of the Panel), to implement the Acquisition by means of an Offer. In such event, the Offer will be implemented on substantially the same terms, subject to appropriate amendments, as those which would apply to the Scheme. If the Acquisition is implemented by means of an Offer, it will be made in accordance with the requirements of applicable laws, including US securities laws, to the extent applicable.

### **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. Caledon and Bidco previously disclosed their Opening Positions on 1 October 2010 and 16 November 2010 respectively.

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.*

**APPENDIX I****CONDITIONS TO THE IMPLEMENTATION, AND FURTHER TERMS, OF THE SCHEME AND THE MERGER****PART A: Conditions of the Acquisition**

1. The Acquisition will be conditional on the Scheme becoming unconditional and becoming Effective by not later than 30 September 2011 or such later date (if any) as, subject to the requirements of the City Code, Caledon, GRAM and Bidco may agree and, if required, the Court may allow.
2. The Scheme will be conditional on:
  - (a) approval of the Scheme by a majority in number representing three-fourths or more in value of the holders of Scheme Shares (or the relevant class or classes of them) entitled to vote and present and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting;
  - (b) the Resolutions required to approve and implement the Scheme being duly passed by the requisite majority at the Caledon General Meeting or any adjournment of that meeting; and
  - (c) the sanction (with or without modification, but subject to any such modification being acceptable to Bidco) of the Scheme and the confirmation of the Capital Reduction by the Court and an office copy of each of the Court Orders and the statement of capital confirming the Capital Reduction being delivered for registration to the Registrar of Companies.
3. In addition, Caledon and Bidco have agreed that, subject as specified in paragraph 2 of Part B below, the Acquisition will also be conditional on the following matters, and, accordingly, the necessary actions to make the Scheme effective will not be taken unless such Conditions (as amended if appropriate) have been satisfied (and continue to be satisfied pending the commencement of the First Court Hearing) or waived:
  - (a) save (i) as fairly disclosed in the annual consolidated report and accounts of Caledon for the year ended 31 December 2010 (ii) as fairly disclosed to GRAM or (iii) as publicly announced to a Regulatory Information Service by or on behalf of Caledon (in each case) prior to the date of this announcement, no Third Party having decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or having required any such action to be taken or otherwise having done anything or having enacted, made or proposed any statute, regulation, decision or order or taken any other steps and there not continuing to be outstanding any statute, regulation, decision or order which would:
    - (i) make the Acquisition, its implementation or the acquisition of any Caledon Shares by any member of the Wider GRAM Group void, unenforceable or illegal under the laws of any jurisdiction or otherwise restrict, prohibit, delay or otherwise interfere with the implementation of, or impose additional conditions or obligations with respect to, or otherwise challenge or require amendment to the terms of the Acquisition, in each case in a manner which is material in the context of the Acquisition;
    - (ii) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider Caledon Group or the Wider GRAM Group of all or any part of their respective businesses,

assets or properties or impose any limitation on their ability to conduct their respective businesses (or any of them) or to own any of their respective assets or properties or any part of them (to an extent which in each case is or is reasonably likely to be material in the context of the Wider GRAM Group and the Wider Caledon Group taken as a whole);

- (iii) impose any limitation on, or result in a delay in, the ability of any member of the Wider GRAM Group to acquire or hold or to exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in Caledon or on the ability of any member of the Wider Caledon Group to hold or exercise effectively any rights of ownership of shares or other securities in or to exercise management control over any member of the Wider Caledon Group (to an extent which in each case is or is reasonably likely to be material in the context of the Wider GRAM Group and the Wider Caledon Group taken as a whole);
- (iv) require any member of the Wider GRAM Group or the Wider Caledon Group to acquire or offer to acquire any shares or other securities (or the equivalent) in any member of the Wider Caledon Group or any asset owned by any third party (other than in the implementation of the Acquisition);
- (v) require, prevent or delay a divestiture, by any member of the Wider GRAM Group of any shares or other securities (or the equivalent) in Caledon;
- (vi) result in any member of the Wider Caledon Group ceasing to be able to carry on business under any name under which it presently does so (with consequences which would be material in the context of the Wider GRAM Group and the Wider Caledon Group taken as a whole);
- (vii) impose any limitation on the ability of any member of the Wider Caledon Group to integrate or co-ordinate all or any part of its business with all or any part of the business of any other member of the Wider Caledon Group which is materially adverse to the Wider Caledon Group and the Wider GRAM Group taken as a whole; or
- (viii) otherwise affect the business, assets, profits or prospects of any member of the Wider GRAM Group or any member of the Wider Caledon Group in a manner which is materially adverse to the Wider GRAM Group and the Wider Caledon Group taken as a whole;

and all applicable waiting and other time periods during which any such Third Party could decide to take, institute or threaten any such action, proceeding, suit, investigation, enquiry or reference or otherwise intervene under the laws of any jurisdiction in respect of the Acquisition, the Scheme or the proposed acquisition of any Caledon Shares having expired, lapsed, or been terminated;

- (b) all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, notifications, certificates, exemptions, permissions and approvals (“**Authorisations**”) necessary or reasonably deemed appropriate by Bidco in any jurisdiction for or in respect of the Acquisition and the acquisition or the proposed acquisition of any shares or other securities in, or control of, Caledon by any member of the Wider GRAM Group having been obtained in terms and in a form reasonably satisfactory to GRAM from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider Caledon Group or the Wider GRAM Group has entered into contractual arrangements and, save as disclosed, all such material Authorisations

necessary or reasonably deemed appropriate by GRAM to carry on the business of any member of the Wider Caledon Group in any jurisdiction having been obtained, and all such Authorisations remaining in full force and effect at the Effective Date and there being no notice or intimation of an intention to revoke, suspend, restrict, modify or not to renew any of such Authorisations;

- (c) all necessary notifications, filings or applications having been made in connection with the Acquisition and/or the Scheme, and all necessary waiting periods (including extensions thereof) in respect of the Acquisition or its implementation under any applicable legislation or regulations in any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory or regulatory obligations in any jurisdiction having been complied with in all material respects in connection with the Acquisition or the acquisition by any member of the Wider GRAM Group of any shares or other securities in, or control of, Caledon;
- (d) save (i) as fairly disclosed in the annual consolidated report and accounts of Caledon for the year ended 31 December 2010 (ii) as fairly disclosed to GRAM; or (iii) as publicly announced to a Regulatory Information Service by or on behalf of Caledon (in each case) prior to the date of this announcement, there being no provision of any arrangement, agreement, licence, permit, lease or other instrument to which any member of the Wider Caledon Group is a party or by or to which any such member or any of its assets is or may be bound or be subject which, or any event or circumstance having occurred which under any agreement, arrangement, licence, permit, lease or other instrument which any member of the Wider Caledon Group is a party to or to which any member of the Wider Caledon Group or any of its assets may be bound, entitled or subject would result in, as a consequence of the Acquisition or the acquisition or proposed acquisition by any member of the Wider GRAM Group of any shares or other securities (or the equivalent) in Caledon or because of a change in the control or management of any member of the Caledon Group or otherwise, would or might reasonably be expected to result, in a manner which could or might be material in the context of the Wider Caledon Group and the Wider GRAM Group taken as a whole, in:
  - (i) any monies borrowed by, or any other indebtedness, actual or contingent, of any member of the Wider Caledon Group being or becoming repayable, or capable of being declared repayable, immediately or prior to its or their stated maturity, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;
  - (ii) the rights, liabilities, obligations, interests or business of any member of the Wider Caledon Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider Caledon Group in or with any other firm or company or body or person (or any agreement or arrangements relating to any such business or interests) being terminated or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken under any of them;
  - (iii) any member of the Wider Caledon Group ceasing to be able to carry on business under any name under which it presently does so;
  - (iv) any assets or interests of, or any asset the use of which is enjoyed by, any member of the Wider Caledon Group being or falling to be disposed of or charged or ceasing to be available to any such member or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any member of

- the Wider Caledon Group otherwise than in the ordinary course of business;
- (v) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Caledon Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable or being enforced;
  - (vi) the value of, or the financial or trading position or profits of any member of the Wider Caledon Group being prejudiced or adversely affected; or
  - (vii) any liability of any member of the Wider Caledon Group to make any severance, termination, bonus or other payment to any of the directors or other officers.
- (e) except (i) as fairly disclosed in the annual consolidated report and accounts of Caledon for the year ended 31 December 2010 (ii) as fairly disclosed to GRAM or (iii) as publicly announced to a Regulatory Information Service by or on behalf of Caledon (in each case) prior to the date of this announcement, or save as contemplated in the Implementation Agreement, no member of the Wider Caledon Group having:
- (i) (save as between Caledon and wholly-owned subsidiaries of Caledon and save for the issue of Caledon Shares on the exercise of options granted under the Caledon Share Option Schemes or upon the conversion of the Caledon Loan Notes in accordance with their terms and conditions) issued or agreed to issue or authorised or proposed the issue of additional shares or securities of any class, or securities convertible into or exchangeable for shares, or rights, warrants or options to subscribe for or acquire any such shares, securities or convertible securities;
  - (ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution (whether in cash or otherwise) save for any dividend declared prior to the Effective Date by any wholly-owned subsidiary of Caledon;
  - (iii) (save for transactions between Caledon and its wholly-owned subsidiaries or between such wholly-owned subsidiaries) implemented or authorised any merger or demerger or acquired any body corporate, partnership or business or acquired or disposed of, or transferred, mortgaged or charged or created any security interest over, any assets or any right, title or interest in any asset (including shares and trade investments) or authorised, proposed or announced any intention to do so, which in each case is material in the context of the Wider Caledon Group and the Wider GRAM Group taken as a whole;
  - (iv) (save for transactions between Caledon and its wholly-owned subsidiaries or between such wholly-owned subsidiaries) implemented, effected or authorised, proposed or announced its intention to implement, effect, authorise or propose any reconstruction, amalgamation, commitment, scheme or other transaction or arrangement, which in each case is material in the context of the Wider Caledon Group taken as a whole;
  - (v) (save for transactions between Caledon and its wholly-owned subsidiaries or between such wholly-owned subsidiaries) purchased, redeemed or repaid or proposed the purchase, redemption or repayment of any of its own shares or other securities or reduced or, save in respect

- of the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital (other than in connection with the Scheme);
- (vi) (save as between Caledon and its wholly-owned subsidiaries or between such wholly-owned subsidiaries) made, authorised, proposed or announced an intention to propose any change in its loan capital other than in the ordinary and usual course of carrying out its current banking activities;
  - (vii) (save as between Caledon and its wholly-owned subsidiaries or between such wholly-owned subsidiaries) issued, authorised or proposed the issue of any debentures, or incurred or increased any indebtedness or contingent liability, and in each case to an extent which is material in the context of and has a material adverse effect on the Wider Caledon Group and the Wider GRAM Group taken as a whole;
  - (viii) entered into or varied or announced its intention to enter into or vary any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) (otherwise than in the ordinary and usual course of business) which is of a long term (which shall mean not terminable by the giving of 12 months' notice or less), unusual or onerous nature or which is or is reasonably likely to be restrictive on the business of any member of the Wider Caledon Group, and in each case which is material in the context of the Wider Caledon Group and the Wider GRAM Group taken as a whole;
  - (ix) entered into or varied in any material respect the terms of any contract, service agreement or any arrangement with any director or senior executive of any member of the Wider Caledon Group (save as agreed by GRAM in writing);
  - (x) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme, or other benefit relating to the employment or termination of employment of any employee of the Wider Caledon Group (except as agreed by GRAM in writing or in connection with the Scheme);
  - (xi) made or agreed or consented to any significant change to the terms of the trust deeds constituting the pension schemes established for its directors, employees or their dependants or the benefits which accrue, or to the pensions which are payable, under them, or to the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined or to the basis on which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to any change to the trustees involving the appointment of a trust corporation, which in any such case would be material in the context of the pension schemes operated by the Wider Caledon Group;
  - (xii) waived or compromised any claim otherwise than in the ordinary and usual course of business, which is material in the context of the Wider Caledon Group and the Wider GRAM Group taken as a whole;
  - (xiii) (other than in respect of a member of the Wider Caledon Group which is dormant and was solvent at the relevant time) taken or proposed any corporate action or had any legal proceedings instituted or threatened against it for its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of any administrator, administrative receiver, trustee or similar officer of all or any of its assets or revenues or

- any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction;
- (xiv) (other than in connection with the Scheme) made or agreed or consented to any alteration to its memorandum or articles of association or other constitutional documents which has not been filed with the Registrar of Companies prior to the date of this announcement, which is material in the context of the Acquisition;
  - (xv) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business; or
  - (xvi) entered into any contract, commitment, agreement or arrangement or passed any resolution with respect to or announced an intention to effect or propose any of the transactions, matters or events referred to in this paragraph (e);
- (f) except (i) as fairly disclosed in the annual consolidated report and accounts of Caledon for the year ended 31 December 2010 (ii) as fairly disclosed to GRAM or (iii) as publicly announced to a Regulatory Information Service by or on behalf of Caledon (in each case) prior to the date of this announcement:
- (i) there having been no material adverse change or deterioration in the business, assets, financial or trading position or profits of any member of the Wider Caledon Group;
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened, announced or instituted by or against or remaining outstanding against any member of the Wider Caledon Group or to which any member of the Wider Caledon Group is or may become a party (whether as claimant or defendant or otherwise) and no enquiry or investigation by or complaint or reference to any Third Party against or in respect of any member of the Wider Caledon Group having been threatened, announced or instituted or remaining outstanding, in each case which would or would reasonably be expected to have a material adverse effect on the Wider Caledon Group and the Wider GRAM Group taken as a whole;
  - (iii) no contingent or other liability having arisen or being likely to arise or having become apparent to GRAM, which is or would be reasonably likely to materially adversely affect the business, assets, financial or trading position or profits or prospects of the Wider Caledon Group and the Wider GRAM Group taken as a whole; and
  - (iv) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Caledon Group which is necessary for the proper carrying on of its business and which is material in the context of the Wider Caledon Group and the Wider GRAM Group taken as a whole;
- (g) except (i) as fairly disclosed in the annual consolidated report and accounts for the year ended 31 December 2010 (ii) as fairly disclosed to GRAM or (iii) as publicly announced to a Regulatory Information Service by or on behalf of Caledon (in each case) prior to the date of this announcement, GRAM not having discovered:
- (i) that any financial, business or other information concerning the Wider

Caledon Group publicly disclosed or disclosed to any member of the GRAM Group at any time by or on behalf of any member of the Wider Caledon Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained in any of them not misleading and which, in any case, is material in the context of the Wider Caledon Group and the Wider GRAM Group taken as a whole;

- (ii) that any member of the Wider Caledon Group is subject to any liability, contingent or otherwise, which is material in the context of the Wider Caledon Group and the Wider GRAM Group taken as a whole;
- (iii) any information which affects the import of any information disclosed to GRAM prior to the date of this announcement at any time by or on behalf of any member of the Wider Caledon Group to an extent which is material in the context of the Wider Caledon Group and the Wider GRAM Group taken as a whole;
- (iv) that any past or present member of the Wider Caledon Group has failed to comply in all material respects with any applicable legislation or regulations of any jurisdiction or any notice or requirement of any Third Party with regard to the use, storage, treatment, transport, handling, disposal, discharge, spillage, release, leak or emission of any waste or hazardous or harmful substance or any substance likely to impair the environment (including property) or harm human or animal health or that there has otherwise been any such use, storage, treatment, transport, handling, disposal, discharge, spillage, leak or emission (whether or not the same constituted non-compliance by any person with any such legislation or regulation, and whenever or wherever the same may have taken place), any of which non-compliance would be likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider Caledon Group, in each case which is material in the context of the Wider Caledon Group and the Wider GRAM Group taken as a whole; or
- (v) that there is or is likely to be any obligation or liability (whether actual or contingent) of any member of the Wider Caledon Group to make good, repay, re-instate or clean up any property now or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider Caledon Group or in which any such member may now or previously have had an interest under any environmental legislation, regulation, notice, circular, order or other requirement of any Third Party and in any jurisdiction, in each case which is material in the context of the Wider Caledon Group and the Wider GRAM Group taken as a whole.

#### **PART B: Terms of the Acquisition**

1. For the purposes of the Conditions, information shall be regarded as having been "fairly disclosed to GRAM" if it has been made available (i) in the virtual data room established in connection with the Acquisition, (ii) in written documents disclosed by Caledon (or its financial, legal or accounting advisers) during meetings or presentations held in connection with the Acquisition or (iii) in written answers or documents disclosed by Caledon (or its financial, legal or accounting advisers) in response to due diligence queries raised by or on behalf of GRAM as part of a formal agreed process in connection with the Acquisition.
2. Bidco reserves the right to waive in whole or in part all or any of the Conditions at 3(a) to (g) inclusive. Bidco will be under no obligation to waive or treat as satisfied any of Conditions 3(a) to (g) (inclusive) by a date earlier than the sanction of the Scheme

notwithstanding that the other Conditions may have been waived or satisfied and that there are at such earlier date no circumstances indicating that the relevant Condition may not be capable of satisfaction.

3. If Bidco or GRAM is required by the Panel to make an offer for Caledon Shares under the provisions of Rule 9 of the City Code, then Bidco or GRAM (as appropriate) may make such alterations to any of the above Conditions as are necessary to comply with the provisions of the City Code.
4. If the Scheme becomes Effective, Caledon Shares will be issued to Bidco fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever.
5. The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.
6. The Acquisition and the Scheme will be governed by English law and be subject to the exclusive jurisdiction of the English courts.
7. Bidco reserves the right to elect (with the consent of the Panel) to implement the Acquisition by way of a takeover offer (as defined in Part 28 of the Act) as it may determine in its absolute discretion. In such event, such offer will be implemented on the same terms so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments to reflect the change in method of effecting the Acquisition, including (without limitation and subject to the consent of the Panel) an acceptance condition set at 90 per cent. (or such lesser percentage, being more than 50 per cent., as Bidco may decide): (i) in nominal value of the shares to which such offer relates; (ii) of the voting rights attached to those shares; and (iii) of the voting rights normally exercisable at a general meeting of Caledon, including, for this purpose, any such voting rights attaching to Caledon Shares that are unconditionally allotted or issued before the takeover offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.

**APPENDIX II****BASES AND SOURCES OF INFORMATION**

1. The value attributed to the entire issued share capital of Caledon is based upon the 279,545,516 Caledon Shares in issue as at the date of this announcement.
2. Unless otherwise stated, all prices for Caledon Shares are the closing middle market quotation derived from AIM on the relevant date.
3. References to a percentage of Caledon Shares are based on the number of Caledon Shares in issue as set out in paragraph 1 above.
4. The exchange rates used to convert renminbi into sterling are £1:RMB¥10.21 for GRAM's 2010 total assets and £1:RMB¥10.47 for GRAM's 2010 net profit.

## APPENDIX III

### DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

A\$ or Australian Dollars	Australian dollars, the lawful currency of Australia
Acquisition	the proposed acquisition by Bidco of the entire issued and to be issued ordinary share capital of Caledon to be implemented by means of the Scheme or, if GRAM and Bidco so determine in their absolute discretion (subject to the consent of the Panel), by means of the Offer
Acquisition Price	£1.12 in cash for each Caledon Share
Act	the Companies Act 2006 including any statutory modification or re-enactment thereof from time to time in force
AIM	the AIM market operated by the London Stock Exchange
AIM Rules	the AIM Rules for Companies
Alternative Proposal	(a) any offer (construed in accordance with the City Code, whether or not subject to any pre-condition(s)), proposal or indication of interest from, or on behalf of, any person other than GRAM or Bidco or any person acting in concert (as defined in the City Code) with GRAM or Bidco which, if accepted, implemented or otherwise carried out in full, would result in such person, directly or indirectly, acquiring (in one transaction or a series of transactions): (i) control (as defined in the City Code) of, or a substantial equity interest in, Caledon or any of its subsidiary undertakings; or (ii) a material part of the business or assets of Caledon or any of its subsidiary undertakings; or (b) any de-merger and/or any material re-organisation of the Caledon Group; or (c) any other agreement, arrangement, transaction or series of transactions with a party that is not acting in concert (as defined in the City Code) with GRAM or Bidco which would be inconsistent with or would be reasonably likely to preclude, impede or delay the implementation of the Acquisition
ASX	ASX Limited, and where the context requires, the market operated by ASX

	Limited
Australia	the Commonwealth of Australia, its states, territories and possessions and all areas subject to its jurisdiction and all political sub divisions thereto
Authorisations	has the meaning given to it in paragraph 3(b) of Part A of Appendix 1 to this announcement
Bidco	Guangdong Rising (Australia) Pty Ltd, a company incorporated in Australia with Australian Company Number 147 138 592
Bidco Directors	the directors of Bidco at the date of this announcement
Business Day	a day (other than a Saturday or Sunday) on which clearing banks are generally open for business in the City of London
C\$	Canadian dollars, the lawful currency of Canada
Caledon	Caledon Resources plc, a company registered in England and Wales with company number 3993115
Caledon Articles	the articles of association of Caledon in force from time to time
Caledon Board	the board of Caledon Directors
Caledon Directors	the directors of Caledon at the date of this announcement
Caledon General Meeting	the general meeting of Caledon Shareholders (and any adjournment of it) to be convened in connection with the Acquisition
Caledon Group	Caledon and its subsidiaries and subsidiary undertakings
Caledon Loan Notes	the up to £5,000,000 8.5 per cent. unsecured convertible loan notes 2013 issued by Caledon and remaining outstanding
Caledon Share Option Schemes	the Finelot 2000 Discretionary Share Option Scheme and the Caledon Resources plc 2006 Share Option Scheme
Caledon Shareholders	holders of Caledon Shares
Caledon Shares	fully paid ordinary shares of 0.5 pence each in the capital of Caledon and "Caledon Share" shall mean any such share

Capital Reduction	the reduction of the share capital of Caledon pursuant to section 641 of the Act to be effected by the cancellation of the Scheme Shares as provided for by the Scheme
CDI Holders	the registered holders of the CDIs
CDIs	interests in Caledon Shares held through a CHES Depositary Interest, a financial product quoted on ASX that represents a unit of beneficial interest in the foreign financial product to which it relates, which are quoted on ASX, where the underlying Caledon Shares are held by CHES Depositary Nominees Pty Limited Australian Company Number 071 346 506
China	the People's Republic of China
City Code	the City Code on Takeovers and Mergers
Closing Price	the closing middle market quotation of a share as derived from AIM
Conditions	the conditions to the implementation of the Scheme and the Acquisition set out in Appendix I of this announcement and 'Condition' means any one of them
Court	the High Court of Justice in England and Wales
Court Meeting	the meeting of the Scheme Shareholders (and any adjournment of it) to be convened pursuant to an order of the Court pursuant to section 896 of the Act for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment)
Court Orders	the orders of the Court granted at the First Court Hearing (sanctioning the Scheme under section 899 of the Act) and at the Second Court Hearing (confirming the Capital Reduction) or, where the context so requires, either of them
CREST	the system for the paperless settlement of trades in securities and the holding of uncertified securities governed by Euroclear in accordance with the Regulations
Effective	the Scheme having become effective in accordance with its terms
Effective Date	the date on which the Scheme becomes effective in accordance with its terms
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST

First Court Hearing	the hearing by the Court of the petition to sanction the Scheme under section 899 of the Act
FSA	the Financial Services Authority
FSMA	Financial Services and Markets Act 2000, as amended
GRAM	Guangdong Rising Assets Management Co., Ltd, a company incorporated in China
GRAM Directors	the directors of GRAM at the date of this announcement
GRAM Group	GRAM and its subsidiaries and subsidiary undertakings
Implementation Agreement	the implementation agreement between Caledon, GRAM and Bidco dated 23 June 2011 in connection with the Acquisition and the implementation of the Scheme
Listing Rules	the listing rules made by the FSA under Part IV of FSMA
London Stock Exchange	London Stock Exchange plc
Non-Solicitation Agreement	the non-solicitation agreement entered into by Bidco, GRAM and Caledon dated 21 April 2011 as amended on 15 June 2011
Noteholders	holders of Caledon Loan Notes
Offer	if Bidco elects to effect the Acquisition by means of a takeover offer, the offer to be made by or on behalf of Bidco to acquire the entire issued and to be issued ordinary share capital of Caledon, other than any Caledon Shares owned by Bidco or Bidco's associates including, where the context so requires, any subsequent revision, variation, extension or renewal thereof
Offer Period	has the meaning given to it in the City Code and for the purposes of the Acquisition refers to Caledon's offer period that commenced on 17 September 2010
Ord	Ord River Resources Limited, a company incorporated in Australia with Australian Company Number 108 737 711
Overseas Shareholders	Scheme Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the UK
Panel	the Panel on Takeovers and Mergers
Polo	Polo Resources Limited

Possible Acquisition	the possible acquisition of Caledon contemplated by Bidco as announced on 8 November 2010
pounds or £ or sterling	pounds sterling, the lawful currency of the UK
PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP, which is authorised and regulated in the UK by the Financial Services Authority to carry on investment business, financial adviser to GRAM and Bidco
RBC Capital Markets	Royal Bank of Canada Europe Limited, trading as RBC Capital Markets, financial adviser to Caledon
Registrar of Companies	the Registrar of Companies in England and Wales
Regulations	the Uncertificated Securities Regulations 2001
Regulatory Information Service	any of the services set out in Appendix 3 of the Listing Rules or the ASX
Resolutions	the resolution to approve, inter alia, the cancellation of all Scheme Shares, the alteration of the Caledon Articles and such other matters as may be necessary to facilitate the implementation of the Scheme
Restricted Jurisdiction	subject always to the requirements of Rule 30.3 of the City Code in relation to the distribution of offer documentation to jurisdictions outside the UK, any jurisdiction where extension of the Acquisition would violate the law of that jurisdiction
RMB¥ or renminbi	renminbi, the lawful currency of China
Scheme or Scheme of Arrangement	the proposed scheme of arrangement under sections 895 to 899 of the Act between Caledon and the holders of the Scheme Shares to implement the Acquisition, with or subject to any modification of it or in addition to it or condition agreed by Caledon and Bidco and which the Court may think fit to approve or impose
Scheme Document	the document to be posted to Caledon Shareholders and others containing, inter alia, the Scheme and the notice of the Court Meeting and the Caledon General Meeting
Scheme Record Time	7.00 p.m. on the Business Day immediately prior to the Second Court Hearing
Scheme Shareholders	the holders of Scheme Shares

Scheme Shares	Caledon Shares: (a) in issue on the date of the Scheme Document; (b) (if any) issued after the date of the Scheme Document and prior to the Voting Record Time; and (c) (if any) issued at or after the Voting Record Time and at or prior to the Scheme Record Time, on terms that the holder shall be bound by the Scheme or, in the case of any subsequent holder of any such shares issued prior to the adoption of the amendment to the Caledon Articles to be adopted at the Caledon General Meeting, in respect of which the holder shall have agreed in writing to be bound by the Scheme, in each case excluding any Caledon Shares legally or beneficially owned by members of the GRAM Group
Second Court Hearing	the hearing by the Court of the claim form to confirm the Capital Reduction provided for by the Scheme
Third Party	means a central bank, government, governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, trade agency, court, association, institution or any other body or person in any jurisdiction
UK or the United Kingdom	the United Kingdom of Great Britain and Northern Ireland (and its dependent territories)
United States of America or United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US\$	US dollars, the lawful currency of the United States
VAT	any tax imposed in compliance with Directive 2006/112/EEC and any similar tax which may be imposed in substitution for or in addition to such tax
Voting Record Time	6.00 p.m. on the second day before the Court Meeting or any adjournment thereof (as the case may be)
Wider Caledon Group	the Caledon Group and associated undertakings of Caledon, and any other body corporate partnership, joint venture or person in which Caledon and such undertakings (aggregating their interests) have an interest of more than 20 per cent. of the voting or equity capital or the equivalent
Wider GRAM Group	the GRAM Group and associated

undertakings of GRAM, and any other body corporate partnership, joint venture or person in which GRAM and such undertakings (aggregating their interests) have an interest of more than 20 per cent. of the voting or equity capital or the equivalent

The expressions 'subsidiary', 'subsidiary undertaking', 'undertaking' and 'associated undertaking' have the meanings given by the Act including any statutory modification or re-enactment of them for the time being in force. All references to time in this document are to London time.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.