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Caledon’s Transition into Coking Coal Production in Australia

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Recent Strategic Initiatives: 2005 - 2006

- **Decision to transform Caledon from explorer to producer with cash flow**
- **Cash generated through sale of shares acquired in Afcan Mining: 300% gain on original investment, gross proceeds: $US 19 million**

Result: Potential for enhanced shareholder value and company profile, cash flow, and longevity

Highlights:

- Acquisition of two premium coal opportunities (Cook Mine and Minyango) vaults Caledon into Q1 2007 cash-flow, in addition to showing substantial coal reserve upside/growth

- Robust life of mine economics (SRK, project stand-alone basis, not incl. acquisition costs): NPV of $US 256 million @ 10%, IRR 583%, cash flows of $US 30 – 67 million, 10 year mineable reserve, 20 years of resource , per tonne coal prices used: 2007-09: $US 100, 2010: $US 90, 2012: $US 75, 2014: $US 80, 2016: $US 84

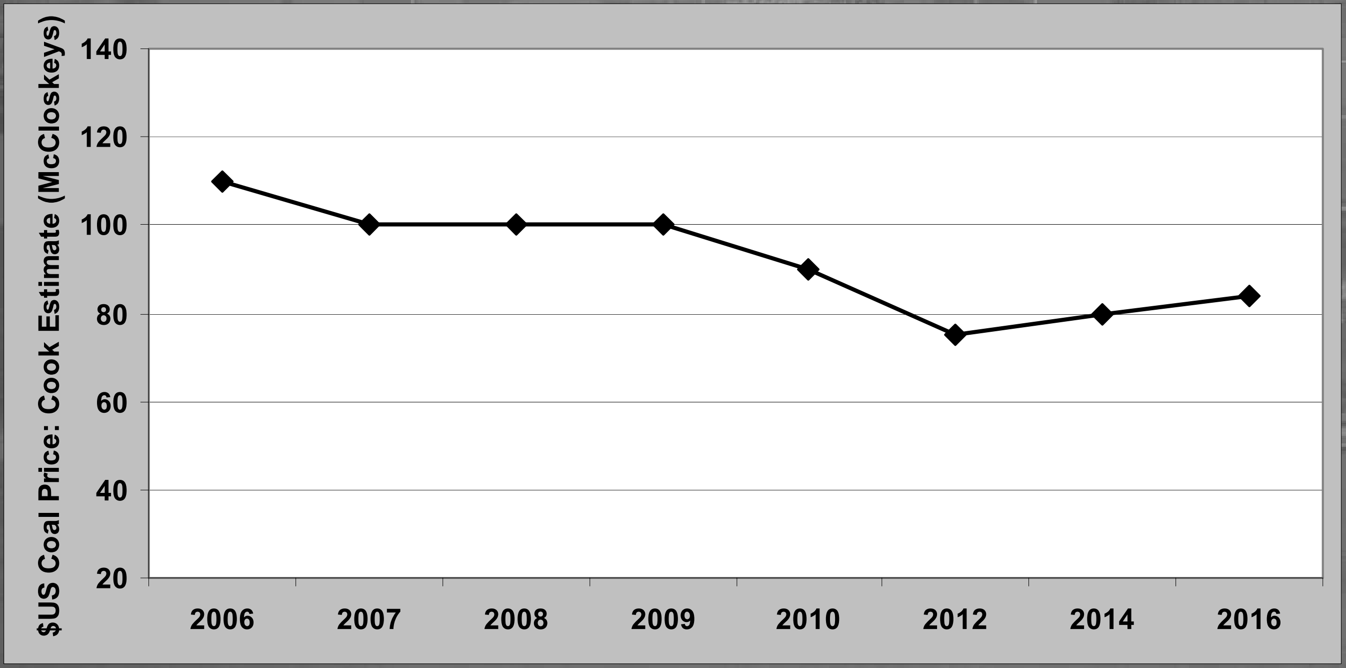
- Mid-tier coking coal producer status: market value of peer group $US 150 million and up (5x - 7x EBITDA), against a Caledon suspension cap of £20 million

- New coal executives add more than 50 years of coal mining experience to Caledon's mining expertise

CDN is seeking to complete an equity raising: $US 50 million

Coking Coal Market Dynamics:

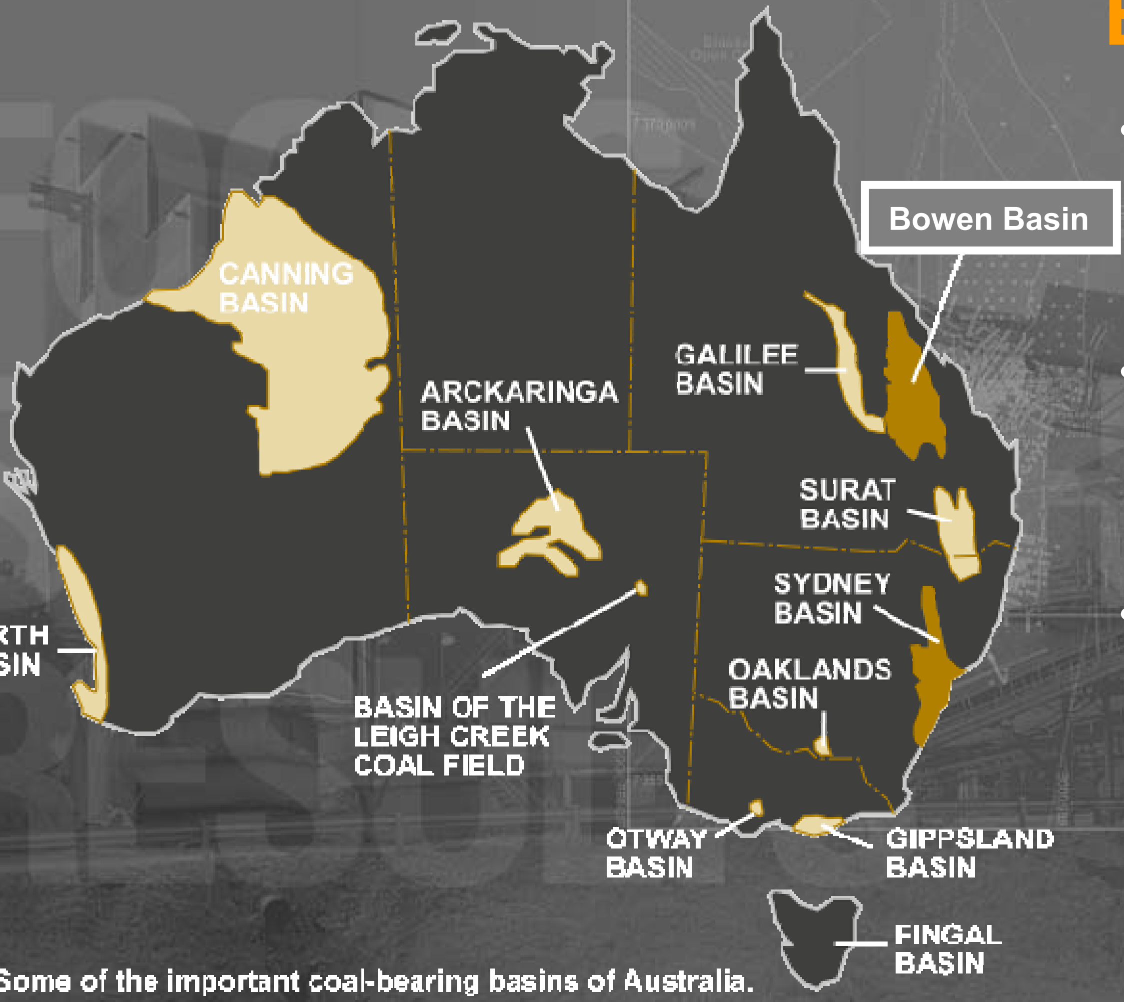
- Outlook for coking coal is strong
- Coking coal supplies tight
- Demand driven by China, USA and India
- Management believes there is significant lead time for new supply
- Steel producers seeking long-term supply



"Key Market Driver: 0.6 tonnes of coke required to make 1 tonne of steel…."

World’s Premium Coal Basins: Australia

Bowen Basin:



Some of the important coal-bearing basins of Australia.

- ***+/- 50% of the world's sea-borne coking coal comes from the Bowen Basin***
- **30 major mining operations including BHP-B, Rio Tinto, Xstrata and Anglo**
- **90Mt coking coal exported from Bowen in 2003-04**

Source: Australian Coal Association

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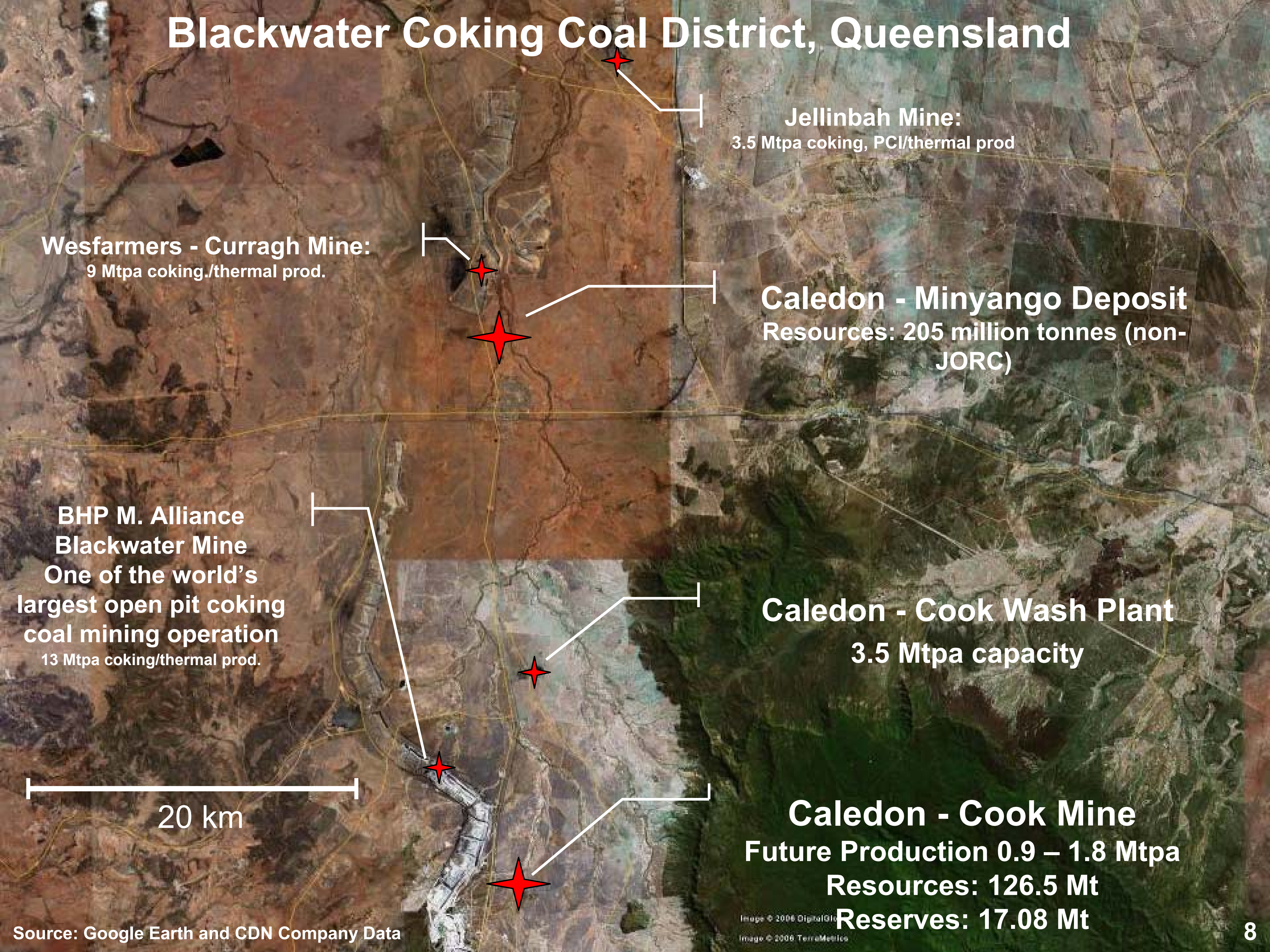
Queensland's Bowen Basin: a large integrated network of infrastructure

- 30 mining operations
- Four heavy haul railways
- Five key ship loading terminals
- Towns/service centers
- Long history of proactive support from the Queensland Government

"Approximately 50% of the world's sea-borne coking coal comes from the Bowen Basin"

Source: Queensland Government

Blackwater Coking Coal District, Queensland



Source: Google Earth and CDN Company Data

Trends in Coking Coal Mining

Continuous Mining

Source: JOY Mining Machinery

Source: GS Personal Photo, Saskatewan Mine

Management believes that equipment availability is key to success and cost savings:

- **Remaining coking coal reserves are increasingly difficult to mine using long-wall mining methods**
- **We consider that the future lies in underground continuous mining and continuous haulage**
- **Flexibility: Continuous mining technology to handle faulted coal seams**

Continuous Haulage

Source: GS Personal Photo, Saskatewan Mine

- Flexiveyor Haulage System: Implemented with success in Canada for the past 10 years, 8 units in full operation (…not new technology)
- Yet to be implemented in Australia
- Can achieve impressive production rates greater than 1 Mtpa per continuous miner

Primary Acquisition:

Cook Mine
Queensland, Australia

Deal Facts: Purchase

- **Asset purchase from Xstrata: $US 34.2. million**
- **Fully operational mine and access to a coal wash-plant, fully permitted tailings site, haulage road and rail access, water allocation**
- **Targeted production:**

900,000 tpa of coal in Yr 1

1.5 Mtpa of coal in Yr 2 ,

1.8 Mtpa in Yr 3

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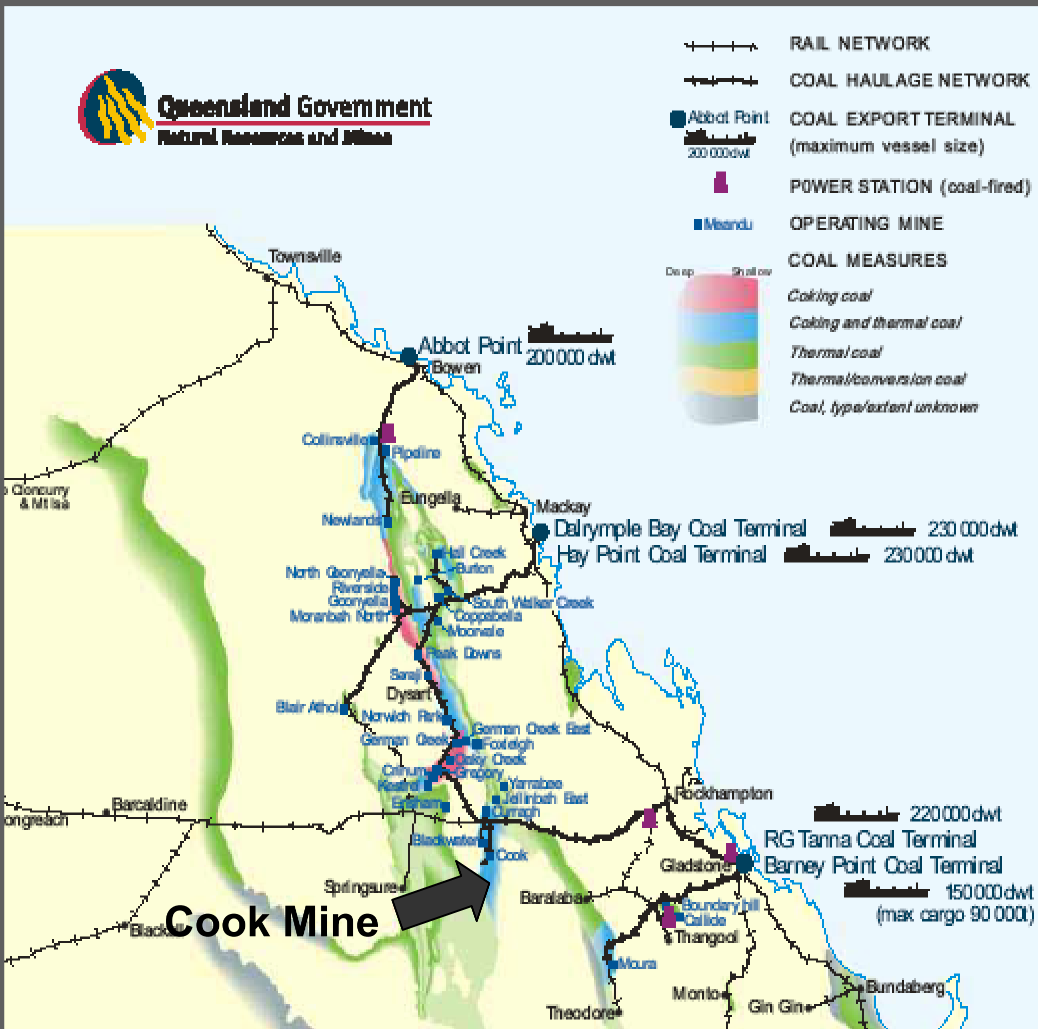
Deal Facts : Marketing and Logistics

- **Xstrata to market 100% of CDN's coal off-take for a minimum of two years**
- **Xstrata to provide rail/port access for a minimum of two years, on a "take or pay" basis**
- **Xstrata to guarantee water allocation: 1000 ML**

"<u>Value Added Benefit:</u> Deal provides benefits of Xstrata marketing expertise due to their market share of coking coal sales, access to market during a time of coal transport constraint"

Cook Mine: Location, Access and Infrastructure



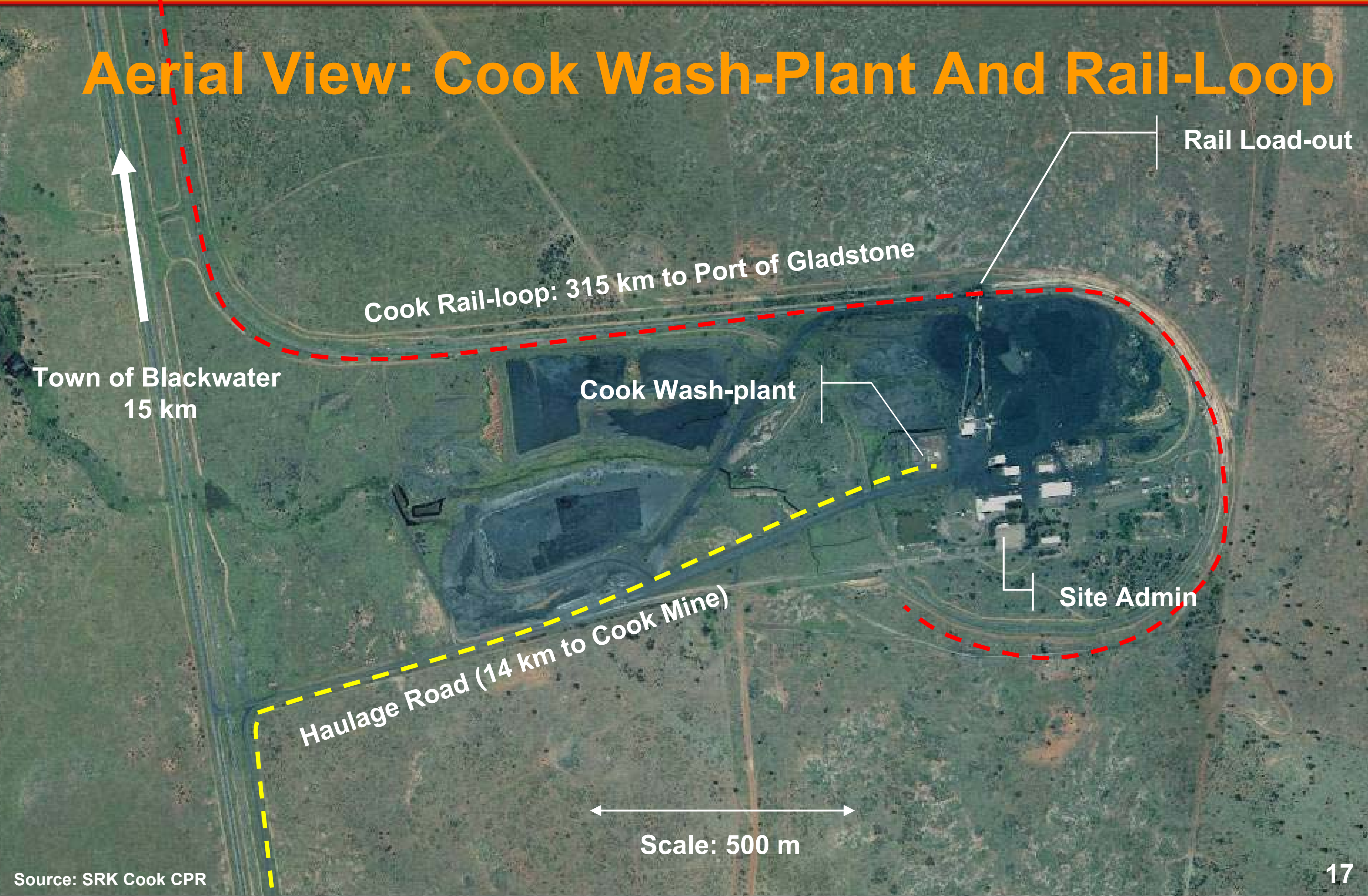
- Cook coal wash plant is located approximately 14 km north of the mine
- Rail load-out facilities are located at the wash plant facility
- Rail access provides direct link to the port of Gladstone

Source: Queensland Government

Aerial View: Cook Mine Site, Incline Shaft and Admin

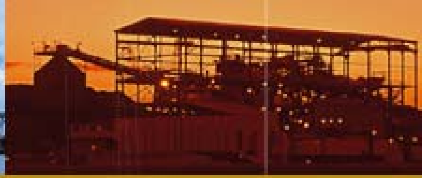
Source: SRK Cook CPR

Aerial View: Cook Wash-Plant And Rail-Loop



Source: SRK Cook CPR





SRK Study: Key Cook Mine Operating Costs

Operating Cost Item	Value ($US)
Mining Cost	$25.12/tonne
Infrastructure	$1.12/tonne
Haulage	$2.06 /tonne
CPP Operating	$4.88/tonne to 3.00/tonne
Admin and Other	$210,000 per month
Insurance	$750,000 per year
Marketing - The higher of:	3%
or	$2.06
Rail Haulage	$8.03/tonne
Port Handling	$2.48/tonne
Queensland Royalty	7%

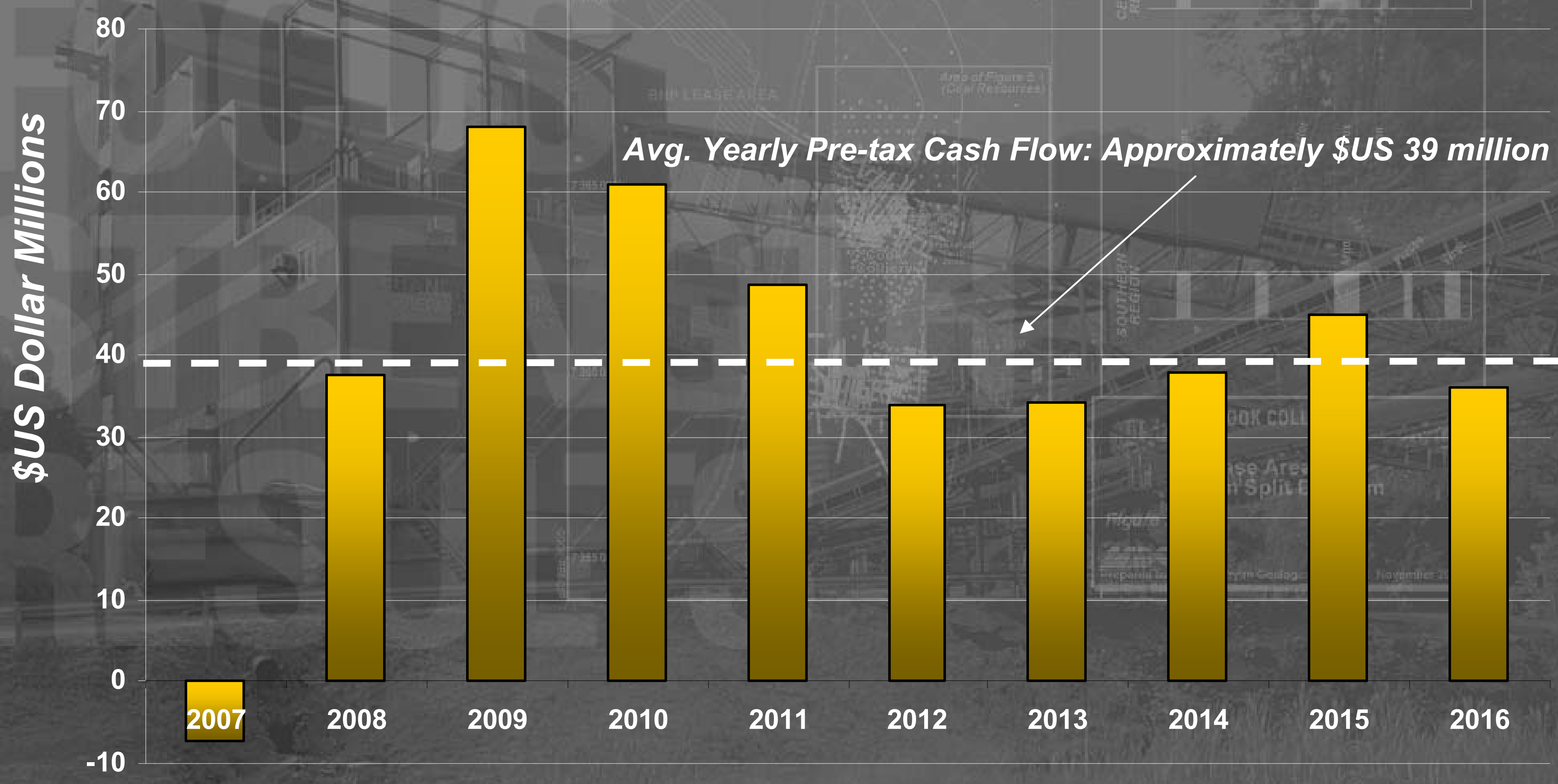
Total Mine Operating Costs: Approximately $US 57/tonne

Operating margins on sales: > $US 30/t, at coking prices > $US 90/t

Source: SRK Cook CPR

SRK Study – Cook Mine

Pre-tax Cash Flow



Source: SRK Cook CPR

SRK Study – Cook Mine

NPV and IRR

NPV Discount Rate	Pre-tax NPV ($US)[1]	Period
10%	256 million	2007 – 2016
8%	277 million	2007 – 2016

[1] Net of acquisition cost

Pre-tax IRR[1]	Period
583%	From 2007 - 2016

"Caledon current capitalised at £20 million, based on suspended share value"

Source: SRK Cook CPR

Cook Coal Product Specifications:

- Argo seam produces a low ash high quality coking coal - good coking properties
- Split between coking and thermal products is estimated approximately 80/20 for the Argo seam (2.5 to 5 m seam height).
- Argo seam has been targeted for production to maximise coking output

"Cook coking coal is a well established brand"

Management Team and New Coal Executives

Robert Alford – Chairman
- Joined the board of directors of Caledon at the time of its original admission to trading on AIM in 2000.
- Has held a variety of senior positions in the Nelson Hurst Group including responsibility for Mergers and Acquisitions
- In 1989, negotiated the sale of the Nelson Hurst Group to Citibank NA
- A member of Lloyds, registered as a Non-Executive Director with the FSA

George Salamis – CEO
- One of the founding shareholders of Caledon, held the position of MD and CEO since 2003
- Prior to 2003, held senior management positions with Placer Dome Inc. and Cameco Corporation
- Played integral roles, both executive and non-executive, in several large mining M&A transactions
- Holds a graduate degree in Geology from the Universite de Montreal/Ecole Polytechnique.

Mark Trevan – Managing Director
- 25 years with Rio Tinto as senior executive in capacity of marketing, commercial, corporate strategy and project feas.
- 1997 to 2006 at Rio Tinto Coal Australia as GM Marketing, establishing the markets for two new coking mines
- Brings extensive coal industry contacts both within Queensland and the international arena

Peter Seear–Chief Operating Officer
- Actively engaged in the coal mining industry since 1977
- Chartered Engineer status in the United Kingdom in 1983
- Worked for several coal mining equipment manufacturing companies in Britain and South Africa
- Technical Director of Joy Mining Technology of SA and after 8 years transferred to Joy Mining Machinery North America.
- PMD from Harvard Business School

Secondary Opportunity:

Minyango Coal Deposit
Queensland, Australia

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Cook + Minyango: Synergies

- **Established Production: Cook Mine – 1.8 Mtpa planned production (SRK CPR), 20 year mine life**
- **Upside and Growth: Minyango Project – management believes that the project is potentially capable of production within a relatively short period, up to 2 Mtpa, 20 year mine life**
- **Synergies: Cook and Minyango are separated by 30 kilometers (15 km to the wash plant) and might share processing and transportation infrastructure**

The total staged purchase price of Minyango is $US 31.5 million, staggered over 12 to 15 months, of which at least $US 7.2 million may be paid in Caledon stock, at Caledon's election.

SRK Technical Study Conclusions: Minyango

- "SRK believes the investigation of EPC699 (Minyango) tenement by Caledon has the following attributes:
  - Large potential coal resource in a brown-field area
  - Potential to delineate a variety of export quality coal products
  - Close proximity to existing and extensive infrastructure
  - Capacity to achieve results quickly and efficiently"

"Caledon's management team comprises a wealth of mining experience, and based on a comprehensive approach to exploration activity, has the capacity to efficiently and economically develop the Minyango Coal Project"

Source: SRK Minyango CPR

Minyango Tonnage Estimate (non-JORC compliant coal inventory):

Seam Thickness

Aries Seam (1.3 to 9 m)

Castor Seam (1.5 to 11 m)

Pollux Seam (1.2 to 5.5 m)

Source: GS Personal Photo

Total in situ Coal inventory: 205 Million Tonnes

Source: SRK Minyango Technical Report

Minyango Coal Quality:

- **Minyango is believed to be suitable to provide a mid volatile coking coal (similar to Cook coal) and a thermal coal by-product after beneficiation**

Source: BJ Saunders, AusIMM, Technical Report, EPC 699, Q-Coal

Minyango Feasibility Work: 9-12 Months, $US 2.5 million

- Commence drilling programme on Minyango
  - Previous exploration: 67 drill holes

- Confirm coking coal quality and consistency of seam coal
- Analysis for washability and coke strength
- Focus on geotechnical understanding of structural complexity

Financing: Sources and Uses

Uses	US$m	Sources	US$m
Cook:			
Acquisition cost	34.7	Existing cash	14.9
Stamp duty	1.5	New equity	50.0
Capital expenditure	13.7	Debt: Xstrata loan note	11.0
	49.9		
Minyango:			
Acquisition cost	9.1		
Working capital	11.8		
Financing interest and fees	5.1		
Total uses	**75.9**	Total sources	**75.9**

Offering Statistics

Offering Size: £26.5M

Valuation Range: **8p** (pre consolidation), **40p** (post consolidation)

Anticipated Market Capitalisation (fully diluted): Approx. £61 - £76M

Capital Structure:

Shares outstanding:	338,527,889 (67,705,578)
Options and warrants:	25,066,666 (5,013,333)
Fully diluted shares o/s:	363,594,555 (72,718,911)
Offering shares:	331,192,500 (66,238,500)
Options and warrants pursuant to the placing:	
Directors options:	29,531,598 (5,906,319)
Canaccord Broker warrants:	13,247,700 (2,649,540)
Vendors of MTP:	25,212,500 (5,042,500)
Post placing fully diluted shares o/s:	764,911,381 (152,982,276)

Publication of Admission document: 20 November 2006

Date of EGM: 13 December 2006

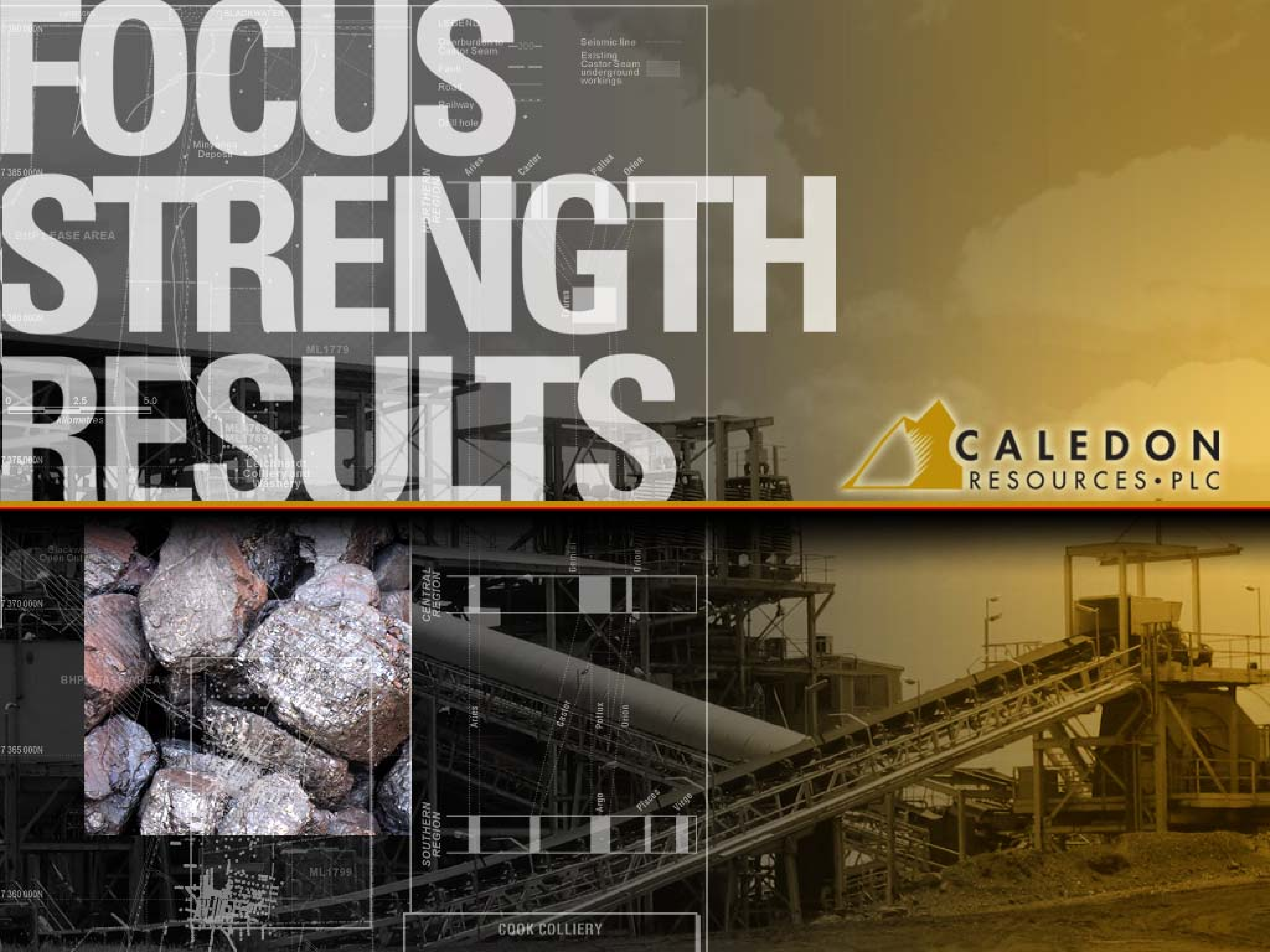
Admission: 14 December 2006

Settlement: 31 December 2006 (Certificates)\14 December 2006 (CREST)

Summary:

- Acquisition of two premium coal opportunities (Cook Mine and Minyango) vaults Caledon into Q1 2007 cash-flow, in addition to showing substantial coal reserve upside and growth
- Cook: Strong cash flows of $US 30 - 67 million per year, 10 year mine life, NPV of $US 256 million @ 10%, IRR 583%
- Minyango: 205 million tonne coal (non-JORC coal inventory) resource adjacent to Cook, potential near-term production

Source: GS Personal Photo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