

27 October 2008

Polo Resources Limited
("Polo Resources", "Polo" or "the Company")

Operations Update

- **Coal production commences in Mongolia**
- **Polo retains strong financial position with US\$81 million in cash**
- **Cash burn reduced by US\$1 million per annum**

Polo Resources, the mining company focused on developing coal assets in Mongolia, gives the following operational update and announces a number of initiatives undertaken to ensure the Company retains its strong financial position.

Ereen Coal Mine begins production

Polo Resources commissioned its first mine this month with the opening of the Ereen open pit coal mine located 320 kilometres north west of Ulaanbaatar, Mongolia. High quality low ash semi bituminous coal (> 6400Kcal as received) is being transported 122 kilometres to its Erdenet Train Terminal by a fleet of 10 x 80t haulage trucks.

Laboratory test work continues on the coal and recent high swell indexes of 5.5 FSI indicates the likely existence of coking coal within the deposit. It is anticipated that the Ereen Coal Mine will become cash generative during the fourth quarter of 2008 and the resulting funds will be applied to the exploration programmes currently underway in the South Gobi Basin.

Financial outlook

As at 24 October 2008 Polo had cash in excess of US\$81 million.

The Company has taken a number of steps to maintain its strong financial position:

- All of the Company's executive directors have agreed to an amendment of their annual compensation such that 50% of their salaries will be used to subscribe for shares in the Company on a quarterly basis and at the market price, effective from 1 October 2008. All of the Company's non-executive directors have agreed to an amendment to the payment of their annual compensation such that the entirety of their fees will be used to subscribe for shares in the Company on a quarterly basis and at the market price, effective from 1 October 2008. All such payments shall continue to accrue if, at the end of the quarter, the Company is in a close period prior to the publication of financial results until such a time as such close period has ended. Such payments shall also be subject to provisions limiting the shareholdings of directors both individually and in aggregate from exceeding certain thresholds.

- These measures together with a series of other efficiencies and overhead reductions have been implemented to reduce cash burn by US\$1 million per annum.
- Revenue generated from the Ereen Coal Mine will be applied to the exploration programme in the South Gobi coal basin with the objective that Polo's Mongolian operations become self-funding.
- Polo continues to evaluate strategic options with respect to its 26.3 percent interest in Caledon Resources plc (AIM:CDN, ASX:CCD) and its 29.8 percent interest in GCM Resources plc (AIM: GCM).

Neil Herbert, Deputy Chairman of Polo Resources, said:

"The initiation of production at the Ereen Coal Mine is an important milestone for Polo providing valuable operating experience in Mongolia and enhancing our already strong financial position. We currently have a healthy cash position of US\$81 million, rising coal production from the Ereen mine and excellent growth prospects with the active exploration programme in the South Gobi Coal Basin."

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