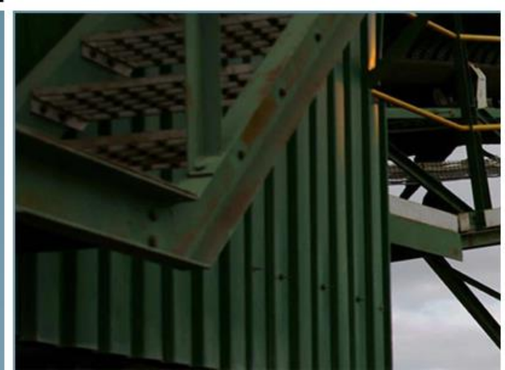


Caledonia Mining Corporation


H1 2015 Results Overview

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Profit and Loss
Overview

Summary P&L (C$'m)	3 Months to 30 June		6 Months to 30 June	
	2014	**2015**	2014	**2015**
Revenues	15.6	**15.0**	32.6	**31.0**
Royalty	(1.1)	**(0.8)**	(2.3)	**(1.6)**
Production costs	(7.8)	**(9.2)**	(16.6)	**(18.8)**
Gross Profit	6.7	**5.0**	13.8	**10.7**
G & A	(1.8)	**(2.3)**	(3.6)	**(4.3)**
EBITDA	4.9	**2.7**	10.2	**6.4**
Depreciation	(1.0)	**(1.0)**	(2.1)	**(2.1)**
Other	(0.1)	**0.2**	0.1	**0.8**
Operating Profit	3.8	**1.8**	8.2	**5.1**
Finance charges	(0.0)	**(0.0)**	(0.1)	**(0.1)**
Profit before tax	3.8	**1.8**	8.2	**5.0**
Tax	(1.2)	**(1.2)**	(2.5)	**(2.4)**
Net Profit	2.5	**0.6**	5.6	**2.6**
Net Profit attributable to:				
Caledonia shareholders	1.8	**0.3**	4.3	**1.9**
NCI	0.7	**0.3**	1.3	**0.7**
Attributable profit	2.5	**0.6**	**5.6**	**2.6**
EPS (cents)	4.7	**0.5**	8.2	**3.4**
Adjusted EPS (cents)*	4.4	**2.3**	8.6	**5.2**

* *Adjusted EPS is a non-IFRS measure which is discussed in Section 10 of the MD&A*

- Lower revenues due to lower production, sales and gold price offset by a weaker Canadian dollar.
- Lower royalty reflects a full quarter of the reduced royalty rate, which was cut from 7% to 5% from October 1, 2014
- Production costs increase 19% in C$ terms, but 6% in US$ terms
- G&A includes non-recurring expense associated with closure of Zambia. Excluding Zambia, G&A has been reduced by 3% in US$ (H1 2015 compared to H1 2014)
- Other income includes forex gain
- Tax is mainly deferred tax: Zimbabwe income tax reduced due to high capex; withholding tax reduced due to no Blanket dividends
- IFRS eps includes the expenses of the Zambian operation, which was closed in May 2015.
- Adjusted eps excludes the expenses of the Zambian operations, deferred tax and fx gains and losses.

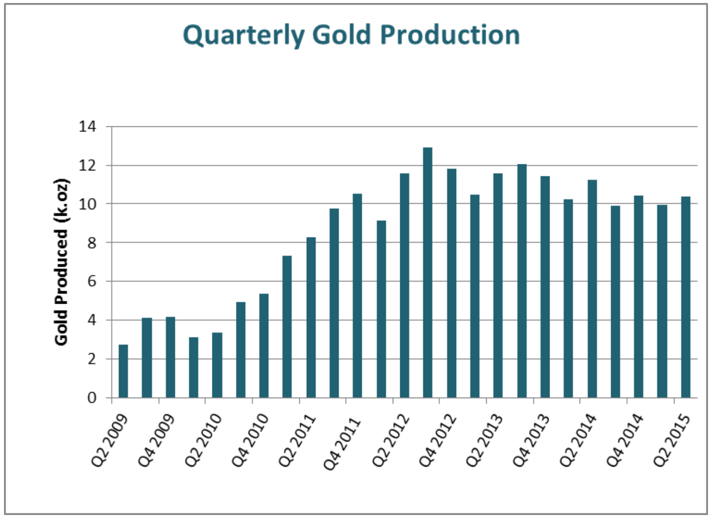
Revenues
Effect of Changes in Production, Gold Price, FX

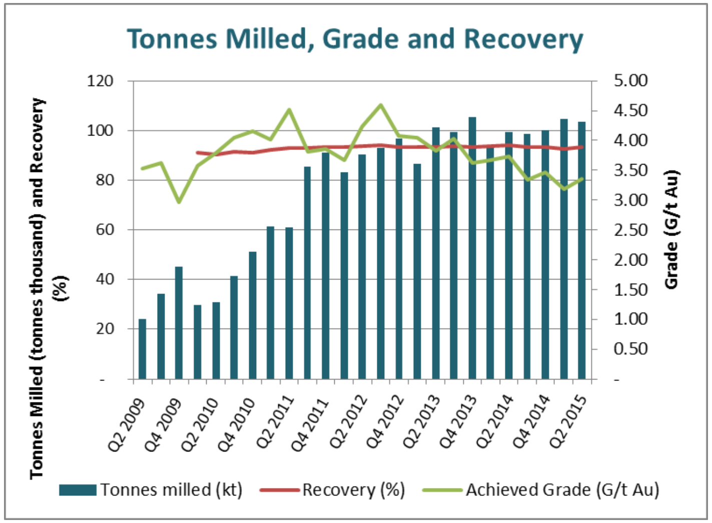
Production and Revenues

	Q2 2014	Q2 2015	Dif (%)	Revenue effect (C$'m)
Tonnes milled (K.tonnes)	99	**104**	4%	0.7
Average grade (g/t)	3.74	**3.35**	-10%	(1.7)
Average recovery (%)	94.1	**93.3**	-1%	(0.1)
Gold produced (oz)	11,223	**10,401**	**-7%**	(1.1)
Net WIP movement (oz)	-	**-**	**0%**	-
Gold Sold (oz)	11,223	**10,401**	**-7%**	(1.1)
Av. realised gold price	1,268	**1,174**	-7%	(1.1)
Gold revenues (US$'m)	14.2	**12.2**	-14%	(2.2)
Silver revenues (US$'m)	0.0	**0.0**	-65%	(0.0)
Total PM Revenues (US$'m)	14.2	**12.2**	-14%	(2.2)
X-rate (1US$: C$)	1.09	**1.23**	12%	1.7
Total Revenues (C$'m)	15.6	**15.0**	-3%	(0.6)

- Gold production and sales were 7% lower quarter-on-quarter, mainly due to the lower grade
  - The grade achieved in the Quarter was as slightly better than planned
  - Gradual and modest grade recovery is expected from 2016 onwards as deeper ore bodies are addressed
- The average realised gold price was also 7% lower than Q2 2014, resulting in a total 14% reduction in revenues
- Adverse effect of lower sales ounces and the lower realised price was mitigated somewhat by the devaluation of the Canadian dollar

Gold Production





- Quarterly production has stabilised at 10,000 ounces per quarter compared to over 12,000 ounces per quarter in mid-2012
- Q2 2015 production slightly better than target
- Lower production is primarily due to lower grades which fell from 4.5g/t to 3.19g/t in Q1 2015, recovering in Q2 2015 to 3.35g/t
  - Blanket's revised mine plan accommodates the current lower grades: the achieved grade in Q2 2015 was slightly better than target
  - The average grade will improve to 4g/t once the build-up in production from below 750m starts from early 2016.
  - Lower grade has adverse effect on production costs
- Constraints on underground logistics prevent build-up in tonnes to compensate for lower grades
- The Revised Investment Plan at Blanket addresses both issues
  - Improved logistics allow increased production volumes
  - Access to higher grade, ores on deeper levels via No. 6 Winze and Central Shaft
- Slight reduction in recovery due to lower head grade and break-down of PSA (oxygen plant)

Production Costs

Production Costs

	Q2 2014	**Q2 2015**	Movt
Production costs (C$'m)	7.77	**9.24**	19%
X-rate (1US$: C$)	1.09	**1.23**	
Production costs (US$'m)	7.11	**7.52**	6%
Cost per tonne (US$/t)	71.63	72.66	1%
On-mine cost (US$/oz)	611	729	19%
AISC (US$/oz)	878	1030	17%
Wages (US$'m)	2.32	**2.59**	12%
Man hours worked ("000)	812	861	6%
Man hours per tonne milled	8.18	8.31	2%
Wage per man hour (US$/hour)	2.85	3.01	5%
Consumables (US$'m)	2.43	**2.44**	0%
Tonnes milled (k.t)	99.2	**103.6**	
Cost per tonne milled (US$/t)	24.52	23.59	-4%
Electricity (US$m)	1.7	2.0	17%
Cost per tonne milled (US$/t)	16.88	18.98	12%
Other (exploration, safety)	0.68	0.53	-23%

- 19% increase in C$ terms; 6% increase in US$ terms
  - Cost per tonne milled increases by 1%
  - Increased on-mine cost per ounce and AISC per ounce reflects the lower grade
- 5% increase in US$ labour costs per hour, consistent with agreed 2014 pay settlement
- Increase in man-hours worked corresponds to increased tonnes mined and milled
- Labour efficiency is expected to improve now the Centac compressor is operational; implementation of Central Shaft will also improve efficiency from mid-2018
- Reduction in the consumable cost on a per-tonne milled basis reflects increased operating efficiency and falling US$-denominated input prices
- Higher electricity consumption is an area of management focus – energy efficiency audit is planned
- Increased focus and expenditure on exploration and safety

G&A

General and Administrative Costs			
	H1 2014	**H1 2015**	Movt
	C$'000	**C$'000**	
Investor Relations	227	**282**	24%
Man. Contract fee	514	**0**	-
Audit	107	**212**	98%
Legal	278	**134**	-52%
Listings	248	**159**	-36%
Directors fees	187	**185**	-1%
Salaries and wages	885	**1547**	75%
Zambia	346	**824**	138%
Accounting service fee	16	**117**	631%
Professional consulting	418	**328**	-22%
Travel	191	**168**	-12%
Other	190	386	103%
Total (C$'m)	3,607	**4,342**	20%
X-rate	1.10	1.23	
Total (US$'m)	3,279	**3,535**	**8%**
Total US$ excl. Zambia	2,965	**2,864**	**-3%**

- 20% increase in C$ terms; 8% increase in US$ terms
- Higher IR reflects increased coverage in UK and Europe
- No management contract fee following termination of the contract for the previous CEO
- Salaries and wages reflects increased head count in Johannesburg (10 to 13), rebasing of salaries to market rates, bonuses and leave accrual
  - Significant upgrade of Johannesburg technical skills base to implement the Revised Investment Plan
  - Q2 2015 wages and salaries US$507k - 31% lower than Q1 2015, which included abnormal, non-recurring items
- Zambia office closed with effect end of May 2015, incurring one-off legislated termination costs of approx. US$0.5m
- Accounting services includes fees in respect of tax compliance and re-structuring
- Excluding the Zambian costs (which will not recur) Q2 G&A was US$1.4m
  - 13% lower than 2014 (US$6.5m) on an annualised basis

Taxation

Taxation	Year 2014 C$'000	**H1 2015 C$'000**
SA Income Tax	745	**278**
Zimbabwe Income Tax	3,125	**902**
Uk income tax	974	**-18**
Total income tax	4,844	**1,162**
Zim. withholding tax	980	**402**
Deferred tax	780	**847**
Total taxation charge	**6,604**	**2,411**
Total tax paid	4,999	**788**
Total effective tax rate	*50%*	*41%*
Income tax as % of IFRS PBT	*37%*	*20%*

- Taxation is substantially lower than in 2014
  - Total effective tax rate of 41% compared with 50% for 2014
- Slow build-up of capital spend in H1 2015 did not completely shield Zimbabwe profit from Income tax
  - Increased rate of investment in H2 2015 and lower operating profits at the lower gold price should reduce Zimbabwe income tax for full year
- SA income tax on intercompany profits at GMS SA
- Zimbabwe withholding tax at 15% on management fees paid to GMS SA
  - No withholding tax on remittance of dividends due to suspension of the blanket dividend in 2015
- Deferred tax reflects the temporary timing difference arising on the treatment of capital investment (immediate write off for tax; phased amortisation through the accounts) and creates a non-cash deferred tax liability – reversed out of the calculation of adjusted eps

Earnings per Share

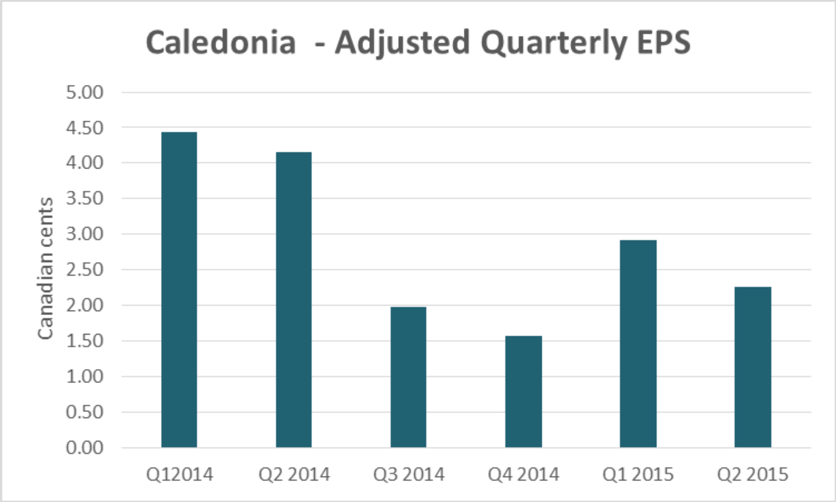
Earnings Per Share (IFRS)

	H1 2014	**H1 2015**
	C$'000	**C$'000**
Attrib earnings	4,265	1,878
Adj		(88)
Attrib earnings for EPS	4,265	1,790
W. av shares in issue (m)	52.1	52.1
Basic eps (cents)	8.2	3.4

Adjusted Earnings per share (Non IFRS)

	H1 2014	**H1 2015**
	C$'000	**C$'000**
Attrib earnings (IFRS)	4,265	**1,878**
Fx	(128)	**(764)**
Deferred tax	0	**847**
Reversal of discontinued opps	340	**824**
BETS adjustment		**(88)**
Adjusted earnings	**4,477**	**2,697**
W. av shares in issue (m)	52.1	**52.1**
Adjusted eps (cents)	8.6	**5.2**

- IFRS EPS affected by forex gains, deferred tax and discontinued operations
- Adjusted EPS for H1 2015 of 5.2 cents



- Current gold price, if sustained, will adversely affect earnings for H2, despite lower G&A and slightly higher targeted production

Cash Flow

Summary Cash Flow (C$'m)	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2
Cash flow from operations	6.9	3.5	5.1	3.4	3.9	**2.9**
Taxation paid	(0.6)	(1.8)	(1.4)	(1.1)	(0.5)	**(0.3)**
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	**(0.0)**
Cash from operating activities	6.2	1.7	3.6	2.3	3.4	**2.6**
Net capital investment	(2.0)	(1.6)	(1.3)	(1.9)	(3.9)	**(3.4)**
Dividend paid	(0.9)	(1.0)	(1.3)	(0.8)	(0.8)	**(0.8)**
Change in cash	3.3	(0.9)	1.0	(0.4)	(1.3)	**(1.6)**
Cash b/fwd	23.4	26.7	25.8	26.9	26.8	**26.1**
Exchange gain				0.5	0.6	**(0.8)**
Cash c/fwd	26.7	25.8	26.9	26.8	26.1	**23.7**

- Cash from operating activities remains robust despite lower production and sales and the lower gold price
- Significant increase in capital investment in Q1 and Q2 of 2015 as work on the LOMP accelerates
- Zimbabwe debt facilities increased to US$5m and untouched at 30 June 2015
- At 30 June 2015 net cash was approx $8m better than budgeted mainly due to slower capex spend

Balance Sheet

Summary Balance Sheet (C$'m)	31 Dec 2014	**30-Jun 2015**
Fixed Assets	40.4	48.3
Inventories	7.6	8.2
Prepayments	0.3	0.3
Trade receivables	2.0	4.5
Tax receivable	0.1	0.0
Cash and equivalents	26.8	23.7
Total Assets	77.3	84.9
Long term liabilities	13.0	15.4
Trade creditors	3.8	5.1
Income taxes payable	2.0	1.9
Total liabilities	18.8	22.4
Capital and reserves	58.5	62.5
Total equity and liabilities	77.3	84.9

- Increase in PPE includes investment of $7.3m
  - Rate of capital expenditure increases as planned to implement the Revised Plan
  - Adverse effect on RoE until related increase in production and profitability from 2016 onwards
- Trade receivables increase to normal levels from abnormally low level at Dec 31 2014:
- Blanket overdraft facility increased to $5m, but undrawn at March 31.
- Cash position remains strong: Caledonia will retain a strong cash position to protect the dividend and allow it to provide support to Blanket if the gold price weakens

Outlook

- Focus remains on implementing the Revised Investment Plan
  - Higher production and reduced costs will secure Blanket's long term position as a low cost producer
  - Creates greater operational flexibility for continued deep-level exploration and development
- Continue work on the GG and Mascot Satellite properties
  - Subject to the availability of funding, construct a pilot plant to test-treat ore from GG without compromising current recoveries
- Conservative approach to cash management
  - Retain the financial capacity to accommodate a lower gold price and maintain the current dividend
  - Recent cost economies balanced by the need to build up technical capacity to ensure delivery of the Revised plan: current corporate structure is now right-sized
- The current lower gold price, if sustained will have an adverse effect on financial performance for the remainder of 2015. However:
  - Measures have already been implemented to reduce G&A: recurring G&A in Q2 2015 was approx. 13% lower on an annualised basis than 2014
  - Slightly higher production is planned in H2: production guidance of 42,000 ounces for 2014 is unchanged