

# Caledonia Mining Corporation Plc

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

### To the Shareholders of Caledonia Mining Corporation Plc

Management has prepared the information and representations in this interim report. The unaudited condensed consolidated interim financial statements of Caledonia Mining Corporation Plc ("Group") have been prepared in accordance with International Accounting Standard 34 ("IAS 34") Interim Financial Reporting and, where appropriate, these statements include some amounts that are based on best estimates and judgment. Management have determined such amounts on a reasonable basis in order to ensure that the unaudited condensed consolidated interim financial statements are presented fairly, in all material respects.

The Management Discussion and Analysis ("MD&A") also includes information regarding the impact of current transactions, sources of liquidity, capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

The Group maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICOFR"). Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

At June 30, 2016, management evaluated the effectiveness of the Group's internal control over financial reporting and concluded that such internal control over financial reporting was effective and there were no material weaknesses or changes in internal controls identified by management.

As part of their monitoring and oversight role, the Audit Committee performs a review and conducts discussions with management. No material exceptions were noted based on the additional procedures and no evidence of fraudulent activity was found.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three independent directors. This Committee meets periodically with management and the external auditor to review accounting, auditing, internal control and financial reporting matters.

These condensed consolidated interim financial statements have not been reviewed by the Group's auditor.

The unaudited condensed consolidated interim financial statements for the period ended June 30, 2016 were approved by the Board of Directors and signed on its behalf on August 11, 2016.

(Signed) S. R. Curtis

Chief Executive Officer

(Signed) M. Learmonth

Chief Financial Officer

# Caledonia Mining Corporation Plc

## Condensed consolidated statements of profit or loss and other comprehensive income

(In thousands of United States dollar, unless indicated otherwise)

Unaudited	Note	For the 3 months ended June 30		For the 6 months ended June 30	
		2016	2015	2016	2015
Revenue		15,681	12,212	29,104	25,128
Less: Royalty		(785)	(611)	(1,457)	(1,258)
Production costs	6	(8,081)	(7,515)	(16,123)	(15,198)
Depreciation		(879)	(834)	(1,700)	(1,672)
<b>Gross profit</b>		<b>5,936</b>	<b>3,252</b>	<b>9,824</b>	<b>7,000</b>
Other income		17	15	74	23
Administrative expenses	7	(1,799)	(1,889)	(3,236)	(3,519)
Net foreign exchange (loss)/gain		(228)	114	(200)	619
Share based payment expense	8	(159)	-	(250)	-
Sale of Blanket Mine treasury bills	9	3,203	-	3,203	-
Margin call on hedge	10	-	-	(435)	-
<b>Operating profit</b>		<b>6,970</b>	<b>1,492</b>	<b>8,980</b>	<b>4,123</b>
Finance income		-	1	1	1
Finance cost		(53)	(35)	(90)	(71)
<b>Net finance costs</b>		<b>(53)</b>	<b>(34)</b>	<b>(89)</b>	<b>(70)</b>
<b>Profit before tax</b>		<b>6,917</b>	<b>1,458</b>	<b>8,891</b>	<b>4,053</b>
Tax expense		(2,381)	(986)	(3,507)	(1,954)
<b>Profit for the period</b>		<b>4,536</b>	<b>472</b>	<b>5,384</b>	<b>2,099</b>
<b>Other comprehensive income</b>					
<i>Items that are or may be classified to profit or loss</i>					
Foreign currency translation differences for foreign operations		(131)	(218)	(27)	(548)
<b>Total comprehensive income for the period</b>		<b>4,405</b>	<b>254</b>	<b>5,357</b>	<b>1,551</b>
<b>Profit attributable to:</b>					
Shareholders of the Company		3,607	266	4,150	1,522
Non-controlling interests		929	206	1,234	577
<b>Profit for the period</b>		<b>4,536</b>	<b>472</b>	<b>5,384</b>	<b>2,099</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Company		3,476	48	4,123	974
Non-controlling interests		929	206	1,234	577
<b>Total comprehensive income for the period</b>		<b>4,405</b>	<b>254</b>	<b>5,357</b>	<b>1,551</b>
<b>Earnings per share</b>					
Basic earnings per share (\$)		0.067	0.004	0.077	0.027
Diluted earnings per share (\$)		0.067	0.004	0.077	0.027

# Caledonia Mining Corporation Plc

## Condensed consolidated statements of financial position

(In thousands of United States dollars, unless indicated otherwise)

### Unaudited

As at

	<i>Note</i>	<b>June 30,</b> <b>2016</b>	December 31, 2015
<b>Assets</b>			
Property, plant and equipment	12	<b>55,763</b>	49,218
Deferred tax asset		<b>54</b>	58
<b>Total non-current assets</b>		<b>55,817</b>	49,276
Inventories		<b>6,440</b>	6,091
Prepayments		<b>457</b>	667
Trade and other receivables	11	<b>5,134</b>	3,839
Income tax receivable		<b>233</b>	397
Cash and cash equivalents		<b>10,581</b>	12,568
<b>Total current assets</b>		<b>22,845</b>	23,562
<b>Total assets</b>		<b>78,662</b>	72,838
<b>Equity and liabilities</b>			
Share capital		<b>54,674</b>	54,569
Reserves		<b>141,915</b>	141,942
Retained loss		<b>(144,701)</b>	(147,654)
Equity attributable to shareholders		<b>51,888</b>	48,857
Non-controlling interests		<b>2,738</b>	1,504
<b>Total equity</b>		<b>54,626</b>	50,361
<b>Liabilities</b>			
Provisions		<b>2,798</b>	2,762
Deferred tax liability		<b>13,851</b>	11,318
Cash settled share based payment	8	<b>250</b>	-
<b>Total non-current liabilities</b>		<b>16,899</b>	14,080
Trade and other payables		<b>7,035</b>	6,656
Income taxes payable		<b>102</b>	53
Overdraft		<b>-</b>	1,688
<b>Total current liabilities</b>		<b>7,137</b>	8,397
<b>Total liabilities</b>		<b>24,036</b>	22,477
<b>Total equity and liabilities</b>		<b>78,662</b>	72,838

The accompanying notes on pages 6 to 18 are an integral part of these condensed consolidated interim financial statements.

On behalf of the Board: "S.R Curtis"- Chief Executive Officer and "M Learmonth" - Chief Financial Officer

## Caledonia Mining Corporation Plc

### Condensed consolidated statements of changes in equity

(In thousands of United States dollars, unless indicated otherwise)

Unaudited	Share Capital	Foreign Currency Translation Reserve	Contributed Surplus	Share based Payment Reserve	Retained loss	Total	Non- controlling interests (NCI)	Total Equity
<b>Balance at December 31, 2014</b>	54,569	(3,229)	132,591	15,847	(150,128)	49,650	693	50,343
<i>Transactions with owners:</i>								
Dividend paid	-	-	-	-	(1,298)	(1,298)	-	(1,298)
<i>Total comprehensive income:</i>								
Profit for the period	-	-	-	-	1,522	1,522	577	2,099
Other comprehensive income	-	(548)	-	-	-	(548)	-	(548)
<b>Balance at June 30, 2015</b>	54,569	(3,777)	132,591	15,847	(149,904)	49,326	1,270	50,596
<b>Balance at December 31, 2015</b>	<b>54,569</b>	<b>(6,520)</b>	<b>132,591</b>	<b>15,871</b>	<b>(147,654)</b>	<b>48,857</b>	<b>1,504</b>	<b>50,361</b>
<i>Transactions with owners:</i>								
Shares issued	105	-	-	-	-	105	-	105
Dividend paid	-	-	-	-	(1,197)	(1,197)	-	(1,197)
<i>Total comprehensive income:</i>								
Profit for the period	-	-	-	-	4,150	4,150	1,234	5,384
Other comprehensive income	-	(27)	-	-	-	(27)	-	(27)
<b>Balance at June 30, 2016</b>	<b>54,674</b>	<b>(6,547)</b>	<b>132,591</b>	<b>15,871</b>	<b>(144,701)</b>	<b>51,888</b>	<b>2,738</b>	<b>54,626</b>

**Caledonia Mining Corporation Plc**  
**Condensed consolidated statements of cash flows**  
*(In thousands of United States dollars, unless indicated otherwise)*

<b>Unaudited</b>		For the 3 months ended June 30		For the 6 months ended June 30	
<b>Cash flows from operating activities</b>	<i>Note</i>	<b>2016</b>	2015	<b>2016</b>	2015
Cash generated by operating activities	<i>13</i>	<b>7,902</b>	2,096	<b>9,835</b>	3,874
Net finance cost paid		<b>(54)</b>	(24)	<b>(90)</b>	(49)
Net tax paid		<b>(633)</b>	(219)	<b>(781)</b>	(639)
<b>Cash from operating activities</b>		<b>7,215</b>	1,853	<b>8,964</b>	3,186
<b>Cash flows from investing activities</b>					
Acquisition of Property, plant and equipment		<b>(4,926)</b>	(2,689)	<b>(8,230)</b>	(5,800)
Proceeds from Property, plant and equipment		<b>3</b>	-	<b>59</b>	-
<b>Net cash used in investing activities</b>		<b>(4,923)</b>	(2,689)	<b>(8,171)</b>	(5,800)
<b>Cash flows from financing activities</b>					
Dividend paid		<b>(599)</b>	(634)	<b>(1,197)</b>	(1,298)
Shares issued		<b>47</b>	-	<b>105</b>	-
<b>Net cash used in financing activities</b>		<b>(552)</b>	(634)	<b>(1,092)</b>	(1,298)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,740</b>	(1,470)	<b>(299)</b>	(3,912)
Cash and cash equivalents at beginning of period		<b>8,841</b>	20,640	<b>10,880</b>	23,082
<b>Cash and cash equivalents at end of period</b>		<b>10,581</b>	19,170	<b>10,581</b>	19,170

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2016 and June 30, 2015**  
*(In thousands of United States dollars, unless indicated otherwise)*

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**1 Reporting entity**

Caledonia Mining Corporation Plc (the “Company”) is a company domiciled in Jersey, Channel Islands. The address of the Company’s registered office is 43-45 La Motte Street, JE4 8SD, Jersey, Channel Islands. These condensed consolidated interim financial statements of the Group as at and for the 6 months ended June 30, 2016 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group is primarily involved in the operation of a gold mine and the exploration and development of mineral properties for precious metals.

**2 Basis for preparation**

**(a) Statement of compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all the information required for full annual financial statements. Accordingly, certain information and disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) have been omitted or condensed. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2015.

**(b) Basis of measurement**

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for:

- derivative financial instruments measured at fair value; and
- liabilities for cash settled share based payment arrangements measured at fair value.

**(c) Functional and presentation currency**

These condensed consolidated interim financial statements are presented in United States dollars, which is also the functional currency of the Company. All financial information presented in United States dollars have been rounded to the nearest thousand, unless indicated otherwise.

**3 Use of estimates and judgements**

Management makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied as at December 31, 2015 and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2015

**4 Significant accounting policies**

Except as stated otherwise, the same accounting policies and methods of computation have been applied consistently to all periods presented in these condensed consolidated interim financial statements as compared to the Group’s annual financial statements for the year ended December 31, 2015. In addition, the accounting policies have been applied consistently by the Group entities.

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2016 and June 30, 2015**  
*(In thousands of United States dollars, unless indicated otherwise)*

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**(i) Share based payment expense**

The fair value of the amount payable to employees in respect of share based awards, which will be settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period over which the employee becomes unconditionally entitled to payment. The liability is re-measured at each reporting date. Any changes in the fair value of the liability are recognised as an expense in profit or loss.

Additional information about significant judgements and estimates and the assumptions used to estimate fair value for cash settled share-based payment transactions are disclosed in note 8.

**(ii) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The group does not designate derivatives as speculative hedging instruments, therefore subsequent changes in fair value are recognised in profit or loss.

**5 Blanket Zimbabwe Indigenisation Transaction**

*Blanket Mine (1983) (Private) Limited (“Blanket”) indigenisation transaction*

On February 20, 2012 the Group announced that it had signed a Memorandum of Understanding (“MoU”) with the Minister of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe pursuant to which the Group agreed that indigenous Zimbabweans would acquire an effective 51% ownership interest in the Blanket Mine for a paid transactional value of \$30.09 million. Pursuant to the above, the Group entered into agreements with each Indigenisation Shareholder to sell its 51% ownership interest in Blanket Mine as follows:

- A 16% interest was sold to the National Indigenisation and Economic Empowerment Fund (“NIEEF”) for \$11.74 million.
- A 15% interest was sold to Fremiro, which is owned by Indigenous Zimbabweans, for \$11.01 million.
- A 10% interest was sold to Blanket Employee Trust Services (Private) Limited (“BETS”) for the benefit of present and future managers and employees for \$7.34 million. The shares in BETS are held by the Blanket Mine Employee Trust (“Employee Trust”) with Blanket Mine’s employees holding participation units in the Employee Trust.
- A 10% interest was donated to the Gwanda Community Share Ownership Trust (“Community Trust”). Blanket Mine undertook and paid a non-refundable donation of \$1 million to the Community Trust.

The Group facilitated the vendor funding of these transactions which are repaid by way of dividends from Blanket Mine. 80% of dividends declared by Blanket Mine are used to repay such loans and the remaining 20% unconditionally accrues to the respective Indigenous Shareholders. Outstanding balances on these facilitation loans attract interest at a rate of 10% over the 12-month LIBOR. The timing of the repayment of the loans depends on the future financial performance of Blanket Mine and the extent of future dividends declared by Blanket Mine. To facilitate the capital expenditure of a production expansion programme Blanket Mine has suspended dividend payments. A moratorium was placed on interest until dividend payments resumed in early August 2016.

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2016 and June 30, 2015**  
*(In thousands of United States dollars, unless indicated otherwise)*

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**5 Blanket Zimbabwe Indigenisation Transaction (continued)**

The facilitation loans were declared by Caledonia Holdings Zimbabwe (Blanket Mine's parent company) to a wholly-owned subsidiary of Caledonia Mining Corporation Plc as a dividend in specie on February 14, 2013 and withholding tax amounting to \$1.504 million was paid and expensed on March 5, 2013.

*Recapitalisation of Blanket Mine*

During quarter 4 of 2015 the decision was taken to recapitalise Blanket Mine's cash resources and Caledonia approved an intercompany loan of \$5.0m to Blanket Mine through Caledonia Holdings Zimbabwe (Private) Limited ("CHZ") a wholly owned subsidiary of the Company. It was intended that these loans would be re-structured as a rights issue by Blanket Mine so that all of Blanket Mine's shareholders would participate in the recapitalisation. The indigenous Zimbabwean shareholders would receive additional vendor funding to participate in the rights issue. The re-structuring of the intercompany loans was expected to be finalised during Quarter 2 of 2016, once certain administrative conditions were fulfilled. The strengthening in the gold price during 2016 and the sale of the Blanket Mine treasury bills (refer to note 9) meant that Blanket Mine's cash position was better than expected and it had no need for an injection of permanent funding. Therefore the planned re-structure of the vendor finance loans were cancelled and the intercompany loans totalling \$5.0m were repaid to CHZ on July 1, 2016.

The indigenisation agreements concluded on February 20, 2012, were accounted for as follows:

- Non-controlling interests (NCI) were recognised on the portion of shareholding upon which dividends declared by Blanket Mine will accrue unconditionally to equity holders as follows:
  - (a) 20% of the 16% shareholding of NIEEF;
  - (b) 20% of the 15% shareholding of Fremiro;
  - (c) 100% of the 10% shareholding of the Community Trust.
- This effectively means that NCI is recognised at Blanket Mine level at 16.2% of the net assets.
- The remaining 80% of the shareholding of NIEEF and Fremiro is recognised as non-controlling interests to the extent that their attributable share of the net asset value of Blanket Mine exceeds the balance on the facilitation loans including interest. At June 30, 2016 the attributable net asset value did not exceed the balance on the respective loan accounts and thus no additional NCI was recognised.
- The transaction with the BETS will be accounted for in accordance with IAS 19 *Employee Benefits* (profit sharing arrangement) as the ownership of the shares does not ultimately pass to the employees. The employees are entitled to participate in 20% of the dividends accruing to the 10% shareholding in Blanket Mine if they are employed at the date of such distribution. To the extent that 80% of the attributable dividends exceed the balance on the BETS facilitation loan they will accrue to the employees at the date of such declaration.
- The Employee Trust and BETS are structured entities which are effectively controlled and consolidated by Blanket Mine. Accordingly the shares held by BETS are effectively treated as treasury shares in Blanket Mine and no NCI is recognised.



**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2016 and June 30, 2015**  
*(In thousands of United States dollars, unless indicated otherwise)*

**5 Blanket Zimbabwe Indigenisation Transaction (continued)**

*Indigenisation shareholding percentages and facilitation loan balances*

USD	Shareholding	NCI Recognised	NCI subject to facilitation loan	Balance of facilitation loan at June 30, 2016 #	Dec, 31 2015
NIEEF	16%	3.2%	12.8%	11,907	11,907
Fremiro	15%	3.0%	12.0%	11,657	11,657
Community Trust	10%	10.0%	-	-	-
BETS ~	10%	~*	~*	7,772	7,772
	51%	16.2%	24.8%	US\$31,336	US\$31,336

The balance on the facilitation loans is reconciled as follows:	USD '000's
<b>Balance at December 31, 2015</b>	31,336
Interest accrued &	-
Dividends used to repay loans	-
<b>Balance at June 30, 2016</b>	<u>31,336</u>

& An interest moratorium has been placed on all facilitation loans until dividends are resumed by Blanket Mine.

\*The shares held by BETS are effectively treated as treasury shares (see above).

~ Accounted for under IAS19 *Employee Benefits*.

# Facilitation loans are accounted for as equity instruments and are accordingly not recognised as loans receivable (see above).

**Advance dividends**

In anticipation of completion of the subscription agreements, Blanket Mine agreed to an advance dividend arrangement with the Community Trust against their right to receive dividends declared by Blanket Mine on their shareholding. Advance dividends were paid as follows:

- A US\$2 million payment on or before September 30, 2012;
- A US\$1 million payment on or before February 28, 2013; and
- A US\$1 million payment on or before April 30, 2013.

These advance payments have been recorded to a loan account bearing interest at a rate of 10% over the 12-month LIBOR. The loan is repayable by way of set off of future dividends on the Blanket Mine shares owed by the Community Trust. The outstanding balance of the advance dividend loan is \$3,237,000 (2015: \$3,237,000). A moratorium was placed on the interest of the advanced dividend loan until such time as dividends resume, no repayments have been made or interest accumulated from December 31, 2014. Dividends and interest resumed in early August 2016.

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2016 and June 30, 2015**  
*(In thousands of United States dollars, unless indicated otherwise)*

<b>6</b>	<b>Production costs</b>	<b>2016</b>	<b>2015</b>
	Salaries, wages and bonuses	<b>6,321</b>	5,820
	Consumable materials	<b>8,046</b>	7,569
	Site restoration	<b>1</b>	3
	Exploration	<b>189</b>	169
	Safety	<b>248</b>	278
	On mine administration	<b>1,318</b>	1,359
		<b>16,123</b>	15,198
<b>7</b>	<b>Administrative expenses</b>	<b>2016</b>	<b>2015</b>
	Investor relations	<b>269</b>	228
	Eersteling gold mine holding costs	<b>56</b>	60
	Professional consulting fees	<b>510</b>	266
	Audit fee	<b>174</b>	172
	Legal fee and disbursements	<b>412</b>	109
	Advisory services fee	<b>80</b>	95
	Listing fees	<b>226</b>	129
	Travel	<b>216</b>	136
	Directors fee – Company	<b>113</b>	113
	Directors fee – Blanket	<b>16</b>	36
	Employee costs	<b>1,118</b>	1,254
	Zambian holding costs	<b>-</b>	668
	Other	<b>46</b>	253
		<b>3,236</b>	3,519

**8 Share based payment expense**

Certain key management members were granted Restricted Share Units (“RSU’s”) and Performance Share Units (“PSU’s”), pursuant to provisions of the 2015 Omnibus Equity Incentive Compensation Plan.

303,225 RSU’s and 1,212,903 PSU’s were granted and approved by the Compensation Committee of the Board of Directors on January 11, 2016. These RSU’s will vest on January 11, 2019 given that the service condition of the relevant employees are fulfilled at this date. The value of the vested RSU’s will be the amount of RSU’s vested multiplied by the fair market value, as specified by the plan, on date of settlement.

Of the 1,212,903 PSU’s, 109,677 PSU’s have a performance period from January 1, 2016 to December 31, 2016 and 1,103,226 from January 1, 2016 to December 31, 2018. Both have a vesting date of January 11, 2019.

PSU’s have a service condition and a performance condition attached. The performance condition is a function of production cost, gold production and central shaft depth targets on certain specified dates. The number of shares that will vest will be the PSU units multiplied by the Performance Multiplier, which will reflect the actual performance in terms of the performance conditions compared to expectations on the date of

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2016 and June 30, 2015**  
*(In thousands of United States dollars, unless indicated otherwise)*

the award. RSU holders are entitled to receive dividends over the vesting period. Such dividends will be reinvested in additional RSU's at the then applicable share price calculated at the average Royal Bank of Canada noon rate immediately preceding the dividend payment, at reporting date 9,624 additional RSU's have been granted due to dividend reinvestments. PSU's have rights to dividends only after they have vested.

On March 23, 2016, an additional 54,839 RSU's and 219,355 PSU's were granted to Mr. M Learmonth which will vest on March 23, 2019. The RSU's have only a service condition attached, whereas the PSU's have a performance period of January 1, 2016 to December 31, 2018 with the same performance criteria as the January 11, 2016 grants.

The fair value of the RSU's were estimated to be the Toronto Stock Exchange ("TSX") share price on reporting date. The fair value of the PSU's were calculated as the TSX share price at reporting date less the fair value of the expected dividends during the vesting period multiplied by the performance multiplier expectation. At this reporting date it is expected that the performance multiplier will be 100% of expectations.

The following assumptions were used in estimating the fair value of the cash settled share based payment liability on June 30, 2016:

	RSU's	PSU's
Fair value	\$1.00	\$0.94
Share price	\$1.00	\$1.00
Performance multiplier percentage	-	100%
Dividend yield	-	5.5%

Share units granted up until reporting date

Grant	RSU's	PSU's
Initial grant - January 11, 2016	303,225	1,212,903
Dividend reinvestments	9,624	-
Additional grant M Learmonth - March 23, 2016	54,839	219,355
Total awards at June 30, 2016	<u>367,688</u>	<u>1,432,258</u>

**9 Sale of Blanket Mine treasury bills**

On May 12, 2016 Blanket Mine had sold treasury bills ("Bills") issued by the Government of Zimbabwe for a total consideration of \$3,203,000. The Bills were issued to Blanket in 2015 and replaced the Special Tradeable Gold Bonds ("Bonds") which were issued to Blanket in 2009 as part consideration for gold sales that were made by Blanket in 2008 under the terms of the sales mechanism that existed at that time for Zimbabwean gold producers. The Bonds were fully impaired in previous years, and the impairment value was applied as a deduction from Blanket's income tax liability. The gross sales proceeds were subject to Zimbabwean income tax at 25.75% in the current quarter.

**10 Margin call on gold hedge**

In February 2016, the Company entered into a hedge in respect of 15,000 ounces of gold over a period of 6 months. The hedge protects the Company if the gold price falls below \$1,050 per ounce but gives Caledonia

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2016 and June 30, 2015**  
*(In thousands of United States dollars, unless indicated otherwise)*

full participation if the price of gold exceeds \$1,079 per ounce. The derivative financial instrument was entered into by the Company for economic hedging purposes and not as a speculative investment.

The derivative financial liability is measured at fair value and resulted in a loss of \$435,000 included in profit or loss. Of the \$435,000 loss recognised, \$381,000 has realised as at June 30, 2016. The Company has the intention to net settle the loss with the \$435,000 margin call deposited, which constitutes the Company's maximum potential exposure in terms of the hedge.

**11 Trade and other receivables**

	<b>June 30</b>	December 31
	<b>2016</b>	2015
Bullion sales receivable	<b>2,429</b>	-
VAT receivables	<b>1,369</b>	2,997
Deposits for stores and equipment and other receivables	<b>1,336</b>	842
	<b><u>5,134</u></b>	<u>3,839</u>

The cash relating to the bullion sales receivable was received shortly after the period end.

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2016 and June 30, 2015**  
*(In thousands of United States dollars, unless indicated otherwise)*

**12 Property, plant and equipment**

	<b>Land and buildings</b>	<b>Mineral properties being depreciated</b>	<b>Mineral properties not depreciated</b>	<b>Plant and equipment</b>	<b>Fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost</b>							
Balance at January 1, 2015	7,608	18,839	13,262	20,968	1,192	1,971	63,840
Additions	681	14,359	1,595	1,144	149	265	18,193
Surrender of Zambian assets *	-	-	(11,527)	-	-	-	(11,527)
Reallocations between asset classes	(256)	-	1,012	(756)	-	-	-
Disposals	-	-	-	(124)	-	(77)	(201)
Foreign exchange movement	(44)	(89)	(69)	(606)	(64)	(90)	(962)
<b>Balance at December 31, 2015</b>	<b>7,989</b>	<b>33,109</b>	<b>4,273</b>	<b>20,626</b>	<b>1,277</b>	<b>2,069</b>	<b>69,343</b>
Additions	-	<b>7,375</b>	<b>553</b>	<b>206</b>	<b>34</b>	<b>62</b>	<b>8,230</b>
Disposals	-	-	-	-	-	(8)	(8)
Reallocations between asset classes	-	<b>1,011</b>	<b>(993)</b>	<b>(18)</b>	-	-	-
Foreign exchange movement	<b>7</b>	<b>70</b>	-	-	<b>9</b>	<b>9</b>	<b>95</b>
<b>Balance at June 30, 2016</b>	<b>7,996</b>	<b>41,565</b>	<b>3,833</b>	<b>20,814</b>	<b>1,320</b>	<b>2,132</b>	<b>77,660</b>

\* The Group surrendered all exploration rights relating to the Zambian operations for a nominal value during 2015. The Zambian assets were fully impaired in years prior to 2015.

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2016 and June 30, 2015**

*(In thousands of United States dollars, unless indicated otherwise)*

**12 Property, plant and equipment - (continued)**

	<b>Land and buildings</b>	<b>Mineral properties being depreciated</b>	<b>Mineral properties not depreciated</b>	<b>Plant and equipment</b>	<b>Fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Accumulated depreciation and Impairment losses</b>							
Balance at January 1, 2015	1,763	3,435	11,527	10,130	946	1,303	29,104
Depreciation for the year	559	451	-	1,894	98	320	3,322
Surrender of Zambian assets *	-	-	(11,527)	-	-	-	(11,527)
Impairment	-	-	-	(117)	-	(51)	(168)
Foreign exchange movement	(1)	(105)	-	(383)	(48)	(69)	(606)
<b>Balance at December 31, 2015</b>	<b>2,321</b>	<b>3,781</b>	<b>-</b>	<b>11,524</b>	<b>996</b>	<b>1,503</b>	<b>20,125</b>
Depreciation	<b>315</b>	<b>375</b>	<b>-</b>	<b>779</b>	<b>52</b>	<b>179</b>	<b>1,700</b>
Disposals	-	-	-	-	-	(8)	(8)
Foreign exchange movement	-	<b>64</b>	-	-	<b>8</b>	<b>8</b>	<b>80</b>
<b>Balance at June 30, 2016</b>	<b>2,636</b>	<b>4,220</b>	<b>-</b>	<b>12,303</b>	<b>1,056</b>	<b>1,682</b>	<b>21,897</b>
<b>Carrying amounts</b>							
At December 31, 2015	5,668	29,328	4,273	9,102	281	566	49,218
<b>At June 30, 2016</b>	<b>5,360</b>	<b>37,345</b>	<b>3,833</b>	<b>8,511</b>	<b>264</b>	<b>450</b>	<b>55,763</b>

\* The Group surrendered all exploration rights relating to the Zambian operations for a nominal value during 2015. The Zambian assets were fully impaired in years prior to 2015.

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the period ended June 30, 2016 and June 30, 2015**

*(In thousands of United States dollars, unless stated otherwise)*

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**13 Cash generated by operating activities**

Non-cash items and information presented separately on the cash flow statement:

	<b>2016</b>	2015
Operating profit	<b>8,980</b>	4,123
Adjustments for:		
Unrealised foreign exchange gain	<b>(7)</b>	(1,596)
Share based payment expense	<b>250</b>	-
Unrealised margin call	<b>54</b>	-
Profit on sale of property, plant and equipment	<b>(59)</b>	(23)
Site restoration	<b>1</b>	3
Depreciation	<b>1,700</b>	1,672
<b>Cash generated by operations before working capital changes</b>	<b>10,919</b>	4,179
Inventories	<b>(349)</b>	(32)
Prepayments	<b>158</b>	13
Trade and other receivables	<b>(1,277)</b>	(558)
Trade and other payables	<b>384</b>	272
<b>Cash generated by operating activities</b>	<b>9,835</b>	3,874

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the period ended June 30, 2016 and June 30, 2015**

*(In thousands of United States dollars, unless stated otherwise)*

**14 Operating Segments**

The Group's operating segments have been identified based on geographic areas. The Group has three reportable segments as described below, which are the Group's strategic business units. The strategic business units are managed separately because they require different decision making strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. Geographical areas describing the operations of the Group's reportable segments are categorised as Corporate, Zimbabwe and South Africa. The Corporate segment comprises the holding company and Greenstone Management Services Limited (United Kingdom). The Zimbabwe operating segment comprises Caledonia Holdings Zimbabwe Limited and subsidiaries. The Zambia segments consisted of Nama copper project and cobalt project during 2015. The Zambian entities which comprised a fourth strategic business unit in previous reporting periods were closed down on September 2, 2015. The South Africa geographical segment comprises a gold mine as well as sales made by Caledonia Mining South Africa Proprietary Limited to the Blanket Mine. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**Geographic segment profit as at June 30, 2016**

	Corporate	Zimbabwe	South Africa	Inter-group eliminations adjustments	Total
Revenue	-	29,104	5,383	(5,383)	29,104
Royalty	-	(1,457)	-	-	(1,457)
Production costs	-	(16,217)	(4,880)	4,974	(16,123)
Management fee	-	(1,980)	1,980	-	-
Depreciation	-	(1,839)	(21)	160	(1,700)
Other income	-	70	4	-	74
Administrative expenses	(1,832)	(16)	(1,388)	-	(3,236)
Foreign exchange gain/(loss)	45	-	(245)	-	(200)
Share based payment expense	(250)	-	-	-	(250)
Sale of Blanket Mine treasury bills	-	3,203	-	-	3,203
Margin call on hedge	(435)	-	-	-	(435)
Net finance costs	-	(90)	1	-	(89)
Profit before tax	(2,472)	10,778	834	(249)	8,891
Tax expense	-	(3,156)	(351)	-	(3,507)
Profit for the period	(2,472)	7,622	483	(249)	5,384



**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the period ended June 30, 2016 and June 30, 2015**

(In thousands of United States dollars, unless stated otherwise)

**14 Operating Segments (continued)**

	Corporate	Zimbabwe	South Africa	Inter-group elimination	Total
<i>Geographic segment assets as at June 30, 2016</i>					
Current assets (excluding intercompany)	1,988	14,784	6,737	(664)	22,845
Non-current assets (excluding intercompany)	40	57,340	369	(1,932)	55,817
Intercompany assets	46,996	-	6,393	(53,389)	-
Expenditure on property, plant and equipment	-	8,567	10	(347)	8,230

*Geographic segment liabilities as at June 30, 2016*

Current liabilities (excluding intercompany)	(544)	(5,356)	(1,237)	-	(7,137)
Non-current liabilities (excluding intercompany)	(250)	(16,167)	(482)	-	(16,899)
Intercompany liabilities	(12,063)	(4,095)	(37,231)	53,389	-

*Geographic segment profit for the 6 months ended June 30, 2015*

	Corporate	Zimbabwe	South Africa	Zambia	Inter-group eliminations	Total
Revenue	-	25,128	4,384	-	(4,384)	25,128
Royalty	-	(1,258)	-	-	-	(1,258)
Production costs	-	(15,538)	(3,816)	-	4,156	(15,198)
Management fee	-	(2,160)	2,160	-	-	-
Administrative expenses	(998)	(48)	(1,805)	(668)	-	(3,519)
Depreciation	-	(1,762)	(19)	-	109	(1,672)
Other income	-	23	-	-	-	23
Foreign exchange gain	83	-	536	-	-	619
Finance (cost)/gain	-	(71)	1	-	-	(70)
Profit before tax	(915)	4,314	1,441	(668)	(119)	4,053
Tax expense	-	(1,450)	(504)	-	-	(1,954)
Profit for the period	(915)	2,864	937	(668)	(119)	2,099

**Caledonia Mining Corporation Plc**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the period ended June 30, 2016 and June 30, 2015**

*(In thousands of United States dollars, unless stated otherwise)*

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**14 Operating Segments (continued)**

2015	Corporate	Zimbabwe	South Africa	Zambia	Inter-group eliminations	Total
<i>Geographic segment assets:</i>						
Current (excluding intercompany)	8,857	10,386	4,918	1	(600)	23,562
Non-current (excluding intercompany)	40	50,613	370	-	(1,747)	49,276
Additions to property, plant and	-	18,385	143	-	(335)	18,193
Intercompany balances	74,007	1,509	7,958	-	(83,474)	-
<i>Geographic segment liabilities:</i>						
Current (excluding intercompany)	(433)	(6,497)	(1,467)	-	-	(8,397)
Non-current (excluding intercompany)	-	(13,621)	(459)	-	-	(14,080)
Intercompany balances	(16,734)	(3,507)	(37,290)	(25,943)	83,474	-

**Major customer**

Revenues from Fidelity Printers and Refiners in Zimbabwe amounted to \$29,104,000 (2015: \$25,128,000) for the period ended June 30, 2016.

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**Directors and officers as at August 11, 2016****BOARD OF DIRECTORS**

L.A. Wilson (1) (2) (3) (4) (7)  
Chairman of the Board  
Non-executive Director  
Florida, United States of America

S. R. Curtis (5) (7)  
Chief Executive Officer  
Johannesburg, South Africa

J. Johnstone (2) (4) (6) (7)  
Non-executive Director  
Gibsons, British Columbia, Canada

J. L. Kelly (1) (2) (3) (7)  
Non-executive Director  
Connecticut, United States of America

J. Holtzhausen (1) (2) (4) (5) (6) (7)  
Chairman Audit Committee  
Non-executive Director,  
Cape Town, South Africa

M. Learmonth (5) (7)  
Chief Financial Officer  
Jersey, Channel Islands

John McGloin  
Non-executive Director  
Bishops Stortford, United Kingdom

**OFFICERS**

S. R. Curtis (5) (7)  
Chief Executive Officer  
Johannesburg, South Africa

D. Roets (6) (7)  
Chief Operating Officer  
Johannesburg, South Africa

Dr. T. Pearton (5) (6) (7)  
Vice-President Exploration  
Johannesburg, South Africa

M. Learmonth (5) (7)  
Chief Financial Officer  
Jersey, Channel Islands

Minerva Trust and Corporate Services Limited  
Company Secretary  
43-45 La motte Street, St Helier, Jersey, Channel  
islands JE4 8SD

**Board Committees**

- (1) Audit Committee
- (2) Compensation Committee
- (3) Corporate Governance Committee
- (4) Nominating Committee
- (5) Disclosure Committee
- (6) Technical Committee
- (7) Strategic Planning Committee

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**CORPORATE DIRECTORY as at August 11, 2016**

**CORPORATE OFFICES**

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South Africa  
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**Zimbabwe**

Caledonia Holdings Zimbabwe (Private) Limited  
P.O. Box CY1277  
Causeway, Harare  
Zimbabwe  
Tel: (263) (4) 701 152/4 Fax: (263)(4) 702 248

**CAPITALIZATION (August 11, 2016)**

Authorised: 52,245,905

**Shares, Warrants and Options Issued:**

Common Shares: 52,245,905

Warrants: Nil

Options 835,420

**SHARES LISTED**

Toronto Stock Exchange Symbol "CAL"  
NASDAQ OTCQX Symbol "CALVF"  
London "AIM" Market Symbol "CMCL"

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