Caledonia Mining

Revised investment plan

Future-proofing Blanket

Metals & mining

Caledonia's revised investment plan will modernise Blanket and provide sufficient mine flexibility to support a sustainable ramp-up in gold production to 76-81koz by 2021. At first glance the plan appears to suggest investing US$70m on the basis of mining inferred ore, but it is actually de-risked: the mining of higher-confidence resources and reserves covers 97% of the cost of the revised investment plan at a gold price of US$1,250/oz.

Year end	Revenue (C$m)	PBT* (C$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/13	65.1	22.0	28.5	11.4	2.9	13.6
12/14e	61.5	10.5	12.3	6.1	6.7	7.4
12/15e	64.0	13.6	18.4	6.0	4.5	7.3
12/16e	76.3	21.7	28.5	6.0	2.9	7.3

Note: *PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments.

Plan sees dual-shaft access and deeper level mining

The revised investment plan will see the development of a Central Shaft to aid the development of inferred resources situated below the 750m level and also in the north-western area of the mine. The new shaft, along with the other planned underground haulage infrastructure, will provide for greater flexibility in mining Blanket's orebodies, reduce haulage times to surface and help mitigate the risks of encountering low-grade ore via the ability to open up multiple ore headings.

Q414 results and FY15 targeted gold production

Caledonia's Q414 reported gold production was 10,482oz resulting in an end year total of 41,836ozs gold, and 4.6% higher than its revised 40koz production target. Targeted gold production for 2015 is 42,000ozs. Caledonia will announce its full-year 2014 financial results on 31 March 2015.

Plan maintains c C$20m in cash until growth in FY17

Caledonia's end-year net cash positions as it implements its plan, according to our estimates, are C$19.2m in FY15, C$18.3m in FY16 and C$35.7m in FY17, as production leaps from c 49koz (FY16) to 64koz (FY17) of gold. Caledonia has guaranteed a payment of a 6c total dividend in FY15 (of which it declared the first quarterly payment on 6 January 2015) and, based on our view of the company's cash flow position, we include a further 6c dividend in FY16.

Valuation: Adjusted for revised plan and gold prices

We have updated our production model for the revised investment plan and gold price forecasts as given on page 5 and a 10% discount rate to reflect general equity risk (sensitivity to discount rates is given on page 7). On this basis, we value Caledonia's shares at £1.46 (C$2.67), reflecting the increased value present in the new plan over an 11-year period (2015-2025). This compares with our previous valuation of £1.32 (C$2.33), which also used higher gold price assumptions.

30 January 2015

Price	**43.50p**
Market cap	**£23m**
	C$1.89/£
Net cash (C$m) at end September 2014	26.9
Shares in issue	52.1m
Free float	N/A
Code	CMCL
Primary exchange	TSE
Secondary exchange	AIM

Share price performance

%	1m	3m	12m
Abs	16.0	(10.3)	6.1
Rel (local)	13.2	(15.2)	2.1
52-week high/low		61.0p	34.5p

Business description

Caledonia Mining mines gold at its main operating asset, the 49%-owned Blanket gold mine in southern Zimbabwe. It is also progressing its understanding of a number of promising satellite projects close to Blanket.

Next event

Publication of FY14 results	31 March 2015

Analysts

Tom Hayes +44 (0)20 3077 5725

Charles Gibson +44 (0)20 3077 5724

mining@edisongroup.com

Edison profile page

Caledonia Mining is a research client of Edison Investment Research Limited

Investment summary

Company description: Protecting future growth

Caledonia's fully-indigenised Blanket gold mine in Zimbabwe is due to have its largest injection of capital since Caledonia bought the mine off Kinross in 2006. Management's revised investment plan announced in early November 2014 sees a more gradual but more sustained increase in earnings and gold production beyond 2017. In our previous valuation, which used the company's January 2013 investment plan, 2017 was the year of peak production, after which it tailed off significantly in the absence of a further plan to access deeper resources. Caledonia's investment will be underpinned by mining reserves through the major phase of investment (2015 to 2018).

Valuation: In line with previous despite lower gold prices used

Assuming Caledonia executes its revised investment plan on time and on budget, and pays out all of its surplus cash in the form of theoretical dividends from 2015 to 2021, we estimate that its current 84% effective interest, reducing to 49% on repayment of all facilitation loans, is worth £1.46 (C$2.67) in current money terms, using a 10% discount rate to reflect general equity risk. This compares with our previous valuation of £1.32 (C$2.33), demonstrating the higher-value revised investment plan and the use of our revised lower gold price assumptions.

Financials: Cash slowly building from next year onwards

Caledonia had C$26.9m in cash and equivalents at 30 September 2014. We forecast the company will finish 2014 with cash of C$21.2m after spending capex of C$8.2m and dividend payments of C$3.2m. We consider the downward revision in its FY14 production from 45koz to 40koz (with actual production of 41,836/ozs gold reported), its high fixed-cost base and the low gold price as the key reasons for Caledonia having negative cash flow for the year. Caledonia's end-year cash positions as it implements its plan, according to our estimates, C$19.2m in FY15, C$18.3m in FY16 and C$35.7m in FY17, as production leaps from 49koz (FY16) to 64.0koz (FY17) of gold. Caledonia has guaranteed a payment of a 6c total dividend in FY15 and based on our view of the company's cash flow position we include a further 6c dividend in FY16.

Sensitivities: A reason to re-consider Zimbabwe

Zimbabwean country risk still dominates equity valuations, regardless of underlying asset quality or financial performance. However, Caledonia has had its indigenisation transaction agreed for over two years without amendment. In fact the only amendment to the deal has been driven by Caledonia through its intention to re-invest all of Blanket's free cash flow to modernise and safeguard Blanket's future growth and production. Caledonia's large c U$70m plus investment has also received the government's support by dint of it agreeing to the suspension of Blanket's facilitation loan repayments until early 2016.

Lower gold grade risk mitigated through improved haulage system

FY14 has been a testing year for Blanket with gold grades every quarter being lower than target. Further, Caledonia was unable to mitigate lower gold grades and maintain forecast EPS through ramping up ore tonnes delivered to the mill. The revised investment plan, if successfully implemented, will allow for greater flexibility in tonnes able to be delivered to the processing plant. In other words, the improved haulage system to be put in place should allow for shortfalls in gold ounces, as a result of temporary fluctuations in gold grade, to be replaced through the processing of more ore tonnes.

Company description: Modernising Blanket

Caledonia's revised investment plan seeks to address concerns over the future flexibility of mining Blanket's orebody and extending the mine's life. The revised plan outlines increased infrastructure spending to improve access to ore from surface as well as underground. This will now occur through existing shafts and a new main central shaft. Additional underground development will also resolve existing haulage bottlenecks that have restricted simultaneous transport of ore and waste.

Revised mine plan – de-risked to end 2017 by mining reserves

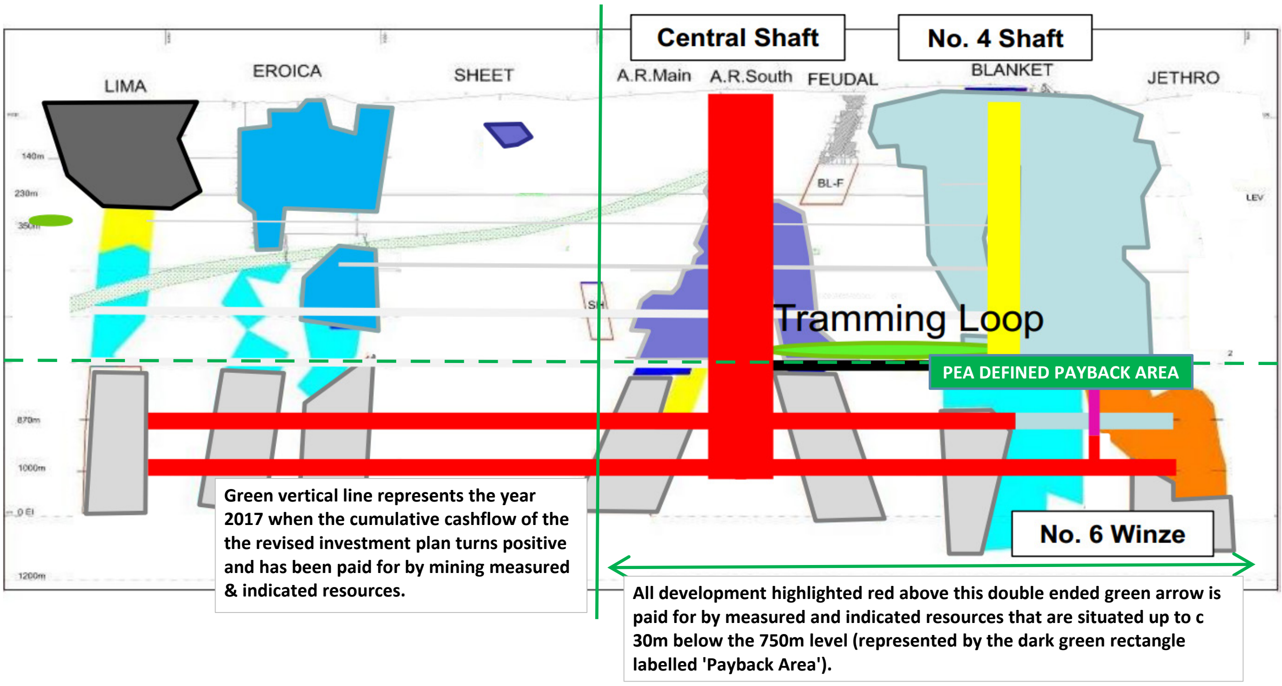
The revised investment plan includes a new mine plan for Blanket. The plan indicates declining production from ore reserves, which are largely above 750m, from 42koz in 2015 to only 6koz by 2021, with a corresponding increase in production from inferred mineral resources from 2016 (4-5koz in 2016) to 70-75koz by 2021.

The most important point to take from the revised investment plan is that the majority of capital expenditure will be spent during the 2015-17 period, totalling US$50m (C$57m at a forex rate of US$0.87/C$). During this time, 97% of planned gold production will come from the mining and processing of indicated and measured category mineral resources (according to the 1 December 2014 PEA), with only 3% from inferred mineral resources.

The period 2015 to 2017 will see the central shaft completed as well as a new tramming loop, extension to the No. 6 Winze and half the lateral development (comprising two haulage drives) needed to access the Lima and Eroica inferred resources located in the north-western half of the mine (see Exhibit 1).

The remaining capex of C$20m (US$19m) from 2018-21 will be invested alongside production from mineral resources that will be converted into ore reserves below the 750m level.

Exhibit 1: Longitudinal section of the revised development plan from NW (left side) to SE (right side)



Source: Caledonia Mining, Edison Investment Research

Depleted reserves to be replaced by converting inferred ounces

The following exhibit details annual production from ore reserves as well as inferred mineral resources. Note that 97% of the US$70m capex needed to complete the revised investment plan is paid back by gold production coming from mining higher confidence measured and indicated mineral resources and ore reserves. This coincides with the main period of capital investment, completion of the central shaft and where capital development becomes ore development in the south-east corner of the mine. After 2017, production from currently defined ore reserves will start to taper off to 2021. Note that the conversion of inferred material to ore reserves will likely mean production will continue to be dominated by de-risked production beyond 2017 via Caledonia continuing to undertake resource upgrade/reserve definition drilling alongside gold production and mine development. Management states that the historical resource to reserve conversion factor at Blanket is 100%.

Exhibit 2: Forecast production by reserve/resource category 2015 to 2021 (ie over the term of the revised investment plan)

	2015	2016	2017	2018	2019	2020	2021
Implied Au grade from production at 93.5% recovery	3.25	3.25	3.33	3.41	3.33	3.33	3.99
Gold recovery factor	0.935	0.935	0.935	0.935	0.935	0.935	0.935
P+P reserves production							
Tonnes milled ('000)	430	460	430	380	230	100	50
Gold production (koz)	42,000	45,000	43,000	39,000	23,000	10,000	6,000
Implied Au grade from production at 93.5% recovery		4.28	4.37	4.41	4.09	3.93	4.02
Gold recovery factor		0.935	0.935	0.935	0.935	0.935	0.935
Inferred production							
Tonnes milled ('000)	0	35	160	215	390	550	600
Gold production (koz)	0	4,500	21,000	28,500	48,000	65,000	72,500
Total gold production	42,000	49,500	64,000	67,500	71,000	75,000	78,500
		0.18	0.29	0.05	0.05	0.06	0.05

Source: Caledonia Mining, Edison Investment Research

Processing – upgrades by 2016 to satisfy extra daily tonnes

The processing plant at Blanket comprises conventional crushing, milling and carbon-in-leach circuits, with approximately 50% recovered as free gold (which is a key reason behind the mine's continued low cash costs). Of significance is that Blanket has substantial surplus capacity at its processing plant. Production of 40koz per annum equates to a daily throughput of approximately 1,000 tonnes per day (tpd) at 3.8g/t and 93% gold recovery. However, the plant currently has crushing capacity of over 2,400tpd, milling capacity of 1,500tpd and CIL capacity of 3,000tpd. Thus about 500 tonnes of incremental ore over and above 1,000tpd can be processed immediately without the need for capital investment and increased overheads. The only cost implication of increased throughput would be an increase in the use of consumables. The following exhibit details the daily tonnage rates that will be delivered to the processing plant under the new investment plan:

Exhibit 3: Daily tonnage rates from underground mining activities, assuming 360 working days a year 2015-2021 (ie over the term of the revised investment plan)

	2015	2016	2017	2018	2019	2020	2021
Working days per annum	360	360	360	360	360	360	360
Daily tonnage rate	1,194	1,375	1,639	1,653	1,722	1,806	1,806

Source: Edison Investment Research, Caledonia Mining

Exhibit 3 shows the estimated ramp-up in mine production tonnes. Caledonia has not historically stockpiled material on surface and so these figures also represent the tonnes delivered to the gold processing plant. As can be seen, there is currently sufficient processing capacity to handle mine tonnes to end 2016. At this point there becomes a lack of milling capacity (a shortfall of c 125tpd). Caledonia's investment plan includes capex for upgrading processing infrastructure to accommodate these additional tonnes and also the continued ramp-up in tonnes to 2021.

Brownfield satellite production may add quick tonnes

Caledonia has numerous satellite brownfield mineral deposits within trucking distance of Blanket's processing plant. A number of these have serviceable infrastructure to allow for quick access to their orebodies and two have been highlighted as most promising, Mascot and GG. The 1 December technical report included small maiden resources for GG (M+I resources of 25.9koz gold) and Mascot (M+I resources of 16.3koz gold). Metallurgical compatibility of material with the Blanket processing plant is critical to realising value from these deposits. Caledonia intends to continue assessing the viability of both GG and Mascot as near-term gold mines. Caledonia has not yet released any information as to what the recovery factors or defined production schedules could be for these deposits. However, management has stated that tonnages delivered to the processing plant may be in the order of a couple of hundred per day.

Valuation incorporating revised assumptions

We have incorporated the revised investment plan into our financial model. The main outcome is that we see a marginal (1%) increase to C$2.67 from our previous value of C$2.33. The following sections detail the underlying cost and capex assumptions used to reach this conclusion.

We retain our operating cost assumptions as per our previous valuation. The main assumptions underpinning our DDF valuation of Caledonia Mining are outlined in the preceding sections of this report and in summary in the following exhibit:

Exhibit 4: Valuation assumptions

Parameter	Unit	Value
Annual ore processed at Blanket	kt	351.0
Grade at Blanket	g/t Au	3.27-4.03
Average gold recovery at Blanket	%	93.5
Maximum annual gold production	koz	78.5
Year maximum annual production achieved	year	2020
Period of valuation	year	2015-2025
Indicative cost of mining and processing ore	US$/t	67
Average unit cost at Blanket	US$/oz	574

Source: Edison Investment Research, Caledonia Mining

Gold prices used in valuation

Exhibit 5: Edison's gold price forecasts, 2015 to 2025

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
US$/oz	1,285	1,334	1,402	1,485	1,474	1,420	1,420	1,411	1,407	1,433	1,466

Source: Edison Investment Research

Gold grade assumptions

We view the mining of inferred material that has been assumed to carry a higher gold grade than Blanket's ore reserves as the main risk to achieving the revised investment plan's production profile. The inferred category material due to be mined is situated mainly below the 750m level, the key development area supporting Blanket's long-term growth plans. A comparison of reserves and inferred material gold grades is given in Exhibit 2.

Our revised valuation now uses a weighted average of the grades implied from the revised mine plan as follows:

Exhibit 6: Simple average gold grades used in valuation

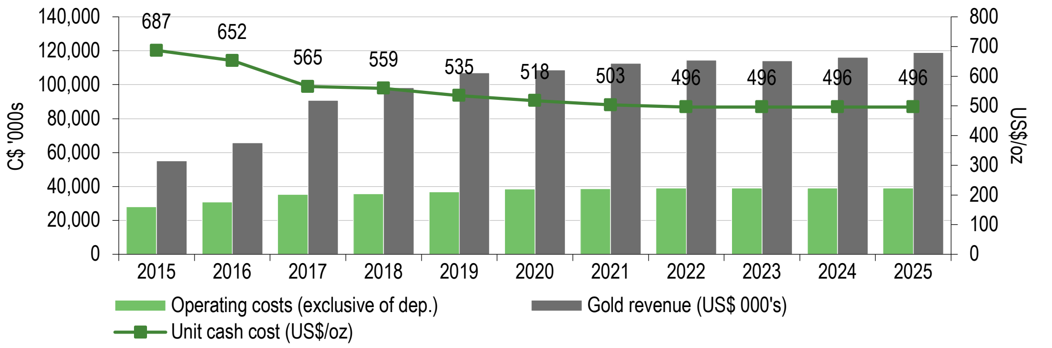
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gold grade (g/t)	3.35	3.43	3.66	3.71	3.88	4.00	4.09	4.09	4.09	4.09	4.09

Source: Edison Investment Research

Revenue and cost projections for 2015 to 2025

The revised investment plan indicates *a* future production schedule for Blanket as shown in Exhibit 7. We also estimate Caledonia's C1 cash cost figures. These cash costs decrease demonstrating that greater gold production results in greater ounces over which to spread Blanket's high fixed-cost base (which is c 50% of total operating costs).

Exhibit 7: Revenue, operating costs and on-mine cash costs, 2015 to 2025

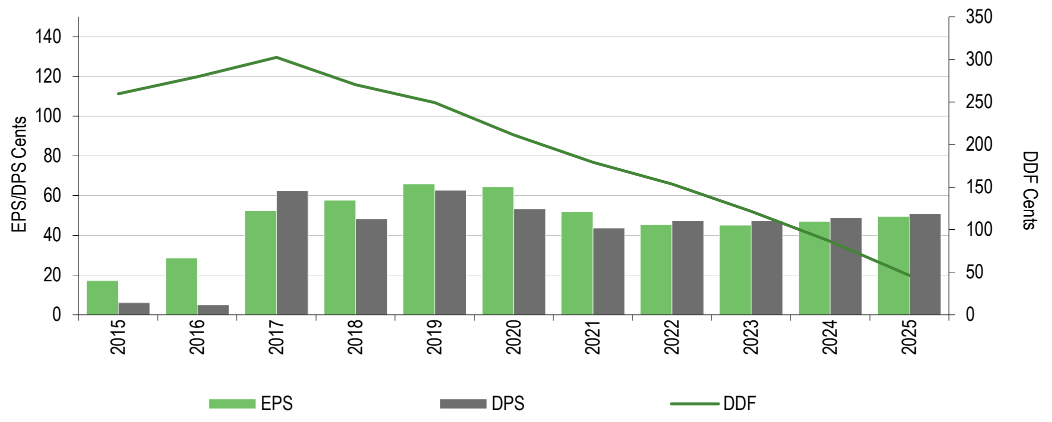


Source: Caledonia Mining, Edison Investment Research

Revised plan keeps valuation in line, despite lower gold prices

Assuming Caledonia executes its revised investment plan on time, on budget and as outlined in the revised investment plan, and pays out all of its surplus cash in form of theoretical dividends from 2015 to 2025, we estimate that its current 84% effective interest, reducing to 49% on repayment of all facilitation loans, is worth £1.46 (C$2.67) in current money terms and using a 10% discount rate to reflect general equity risk. This is depicted in the following graph:

Exhibit 8: Edison's estimate of theoretical EPS, DPS and dividend discount flow



Source: Edison Investment Research

As can be seen in Exhibit 8, basic EPS climbs steadily with production to 2019. Over the period 2019 to 2021, the various facilitation loans are fully paid off as a result of which the effective economic participation of Blanket's IZ partners increases from the current level of 16.2% to 41%, which is reflected in an increase in the Minority Interest (NB Caledonia donated 10% to an employee trust as per its agreement with the Zimbabwean government).

Sensitivities

The key risks to Caledonia's future financial performance, in our view, are highlighted below.

Country risk – government support evident through indigenisation

Zimbabwean country risk still dominates equity valuations, regardless of underlying asset quality or financial performance. However, Caledonia has had its indigenisation transaction agreed for over two years without amendment. In fact the only amendment to the deal has been driven by Caledonia through its intention to modernise and safeguard Blanket's future growth and production. Caledonia's large US$70m plus investment goes some way to endorsing Zimbabwe as a worthwhile investment destination, and it has also received government support through the government allowing Blanket dividend distribution to be put on hold until early 2016 as all free cash flow will be used to fund the new investment.

Lower gold grade risk mitigated through improved haulage system

We have not provided a quantitative valuation sensitivity to a variable gold grade over the life-of-mine as fluctuations are likely to be short-lived and both above and below Blanket's target head grade of 3.84g/t gold. FY14 has been a testing year for Blanket, with gold grades every quarter being lower than target. Further, the ability to mitigate lower gold grades and maintain forecast EPS through ramping up ore tonnes delivered to the mill did not materialise. The revised investment plan, if successfully implemented, will allow for greater flexibility in tonnes able to be delivered to the processing plant. That is, the improved haulage system to be put in place should allow for shortfalls in gold ounces, as a result of temporary fluctuations in gold grade, to be replaced through the processing of more ore tonnes.

Quantitative sensitivities to our valuation are provided below.

Exhibit 9: Sensitivity to gold price held flat over life of mine

Gold price (US$/oz)	1,000	1,100	1,200	1,300	1,400	1,500
NPV per share (£)	0.47	0.71	0.93	1.18	1.40	1.63

Source: Edison Investment Research

Exhibit 10: Sensitivity to discount rate (£0.45 represents share price on 23 January 2014)

Sensitivity to discount rate used	0	5	10	15	20	31
NPV per share (£)	2.76	1.99	1.46	1.09	0.82	0.44

Source: Edison Investment Research

New plan sees more gradual and sustained increase in earnings

We provide a comparison of the new and old mine plans using EPS and P/E ratios to demonstrate earnings potential under both plans. The following exhibit highlights the fact that the old plan looked to accelerate the mining of Caledonia's ore reserves, after which gold production reduced after 2017 to 52.5koz gold per annum to 2021 in the absence of any further plan to access deeper level resources. Caledonia's revised investment plan demonstrates a longer-term view in developing Blanket's orebody with a more gradual, more sustainable build up in production over the next two years, before the first and only significant lift in production occurs in 2016 (ie 50koz of gold production). Note that under our valuation assumptions we had assumed Caledonia's IZ partners paid back their facilitation loans in full by end 2017, at which point Blanket became 49% owned by Caledonia. Interest and facilitation loan repayments are on hold until early 2016 to allow for the revised investment plan to be started. Under the terms of the indigenisation agreement for Blanket, we see facilitation loans starting to be repaid in 2019, which triggers a short period of repayment, seeing the facilitation loans settled in full by end 2021.

Exhibit 11: Comparison of old and new development plans using EPS and P/E ratios

	2014	2015	2016	2017	2018	2019	2020	2021
Old mine plan								
Old model basic EPS forecasts	14.2	38.8	45.9	48.8	27.4	16.0	13.1	13.1
PE (old January 2013 investment plan)	5.0	1.8	1.5	1.4	2.6	4.4	5.4	5.4
Annual gold production under old plan	45.0	63.9	76.0	76.0	69.4	52.5	52.5	52.5
IZ ownership used in old valuation	16.0	16.0	16.0	16.0	51.0	51.0	51.0	51.0
Revised investment plan								
Basic EPS forecast using revised investment plan (IFRS)	12.3	17.2	28.5	52.5	57.8	65.8	64.4	51.8
PE (new 2014 revised investment plan)	5.7	4.1	2.5	1.3	1.2	1.1	1.1	1.4
Annual gold production under new plan (koz)	40.0	49.5	64.0	67.5	71.0	75.0	78.5	0.0
IZ ownership schedule used in new valuation	16.2	16.2	16.2	16.2	16.2	16.2	28.6	41.0

Source: Edison Investment Research

Financials

Caledonia had C$26.9m in cash and equivalents at 30 September 2014. We forecast the company will finish 2014 with cash of C$21.2m after spending capex of C$8.2m and dividend payments of C$3.2m. We consider the downward revision in its FY14 production from 45koz to 40koz (Caledonia reported actual production of 41,836/ozs of gold on 8 January 2015), its high fixed-cost base and the low gold price as the key reasons for Caledonia having negative cash flow for the year.

Caledonia's end-year cash positions as it implements its plan, according to our estimates, are C$19.2m in FY15, C$18.3m in FY16 and C$35.7m in FY17, as production leaps from c 49koz (FY16) to 64koz of gold (FY17). Caledonia has guaranteed a payment of a 6c total dividend in FY15 and based on our view of the company's cash flow position we include a further 6c dividend in FY16.

Management will take a view on dividend payments beyond FY15 based on financial performance and the prevailing gold market. However, based on our view of the company's cash flow position at end FY16 we forecast a further 6c dividend in that year.

Q414 results and FY15 targeted gold production

Caledonia's Q414 reported gold production was 10,482oz resulting in an end year total of 41,836ozs gold, and 4.6% higher than its revised 40koz production target. Targeted gold production for 2015 is 42,000ozs. Caledonia will announce its full-year 2014 financial results on 31 March 2015.

Effect of plan on facilitation loan repayments

Previously we forecast the c US$30m facilitation loan to be repaid in full to Caledonia by end 2017. The company has stated that dividend payments from the Blanket mine to Caledonia would be suspended until early 2016 to allow for the revised investment plan to be implemented. As a further consequence of this dividend suspension, facilitation loan repayments and interest accrual over the same period are also to be suspended until early 2016. Previously we had forecast a flat 16% minority interest until 2017, at which point the Blanket mine would become 41% owned by IZ and 49% owned by Caledonia. The remaining 10% equity interest in Blanket has been donated to the Blanket Employee Trust Services (BETS).

According to management, the settlement of IZ facilitation loans will occur in a short two-year period from 2019 to 2021, coinciding with the very end of the revised investment plan as shown in the following exhibit:

Exhibit 12: Increase in IZ ownership, 2015 to 2021

Financial year ending December	2015	2016	2017	2018	2019	2020	2021
% IZ ownership	16.2	16.2	16.2	16.2	16.2	28.6	41.0
Comprehensive Income/(loss)	7,730	12,800	23,610	25,956	29,582	28,922	23,285

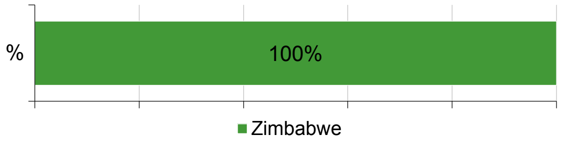
Source: Edison Investment Research, Caledonia Mining

Due to Caledonia maintaining management control of the Blanket mine, the company can and will continue to fully consolidate Blanket into its accounts.

Exhibit 13: Financial summary

C$'000s	2013	2014e	2015e	2016e	2017e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	65,113	61,491	63,960	76,289	105,299
Cost of Sales	(35,232)	(32,800)	(43,496)	(47,552)	(54,741)
Gross Profit	29,881	28,691	20,464	28,738	50,558
EBITDA	25,425	14,722	17,956	25,990	47,555
Operating Profit (before amort. and except.)	22,149	10,551	13,535	21,569	43,134
Intangible Amortisation	0	0	0	0	0
Exceptionals	(12,526)	0	(642)	0	0
Operating Profit	9,623	10,551	12,893	21,569	43,134
Net Interest	(108)	(100)	115	105	100
Profit Before Tax (norm)	22,041	10,451	13,649	21,674	43,234
Profit Before Tax (FRS 3)	9,515	10,451	13,007	21,674	43,234
Tax	(9,897)	(2,822)	(1,748)	(3,391)	(9,787)
Profit After Tax (norm)	12,144	7,629	11,901	18,283	33,448
Profit After Tax (FRS 3)	(382)	7,629	11,259	18,283	33,448
Minority interests	2,670	(1,236)	(2,292)	(3,435)	(6,060)
Net income (norm)	14,814	6,393	9,609	14,848	27,388
Net income (FRS3)	2,288	6,393	8,967	14,848	27,388
Average Number of Shares Outstanding (m)	52.0	52.1	52.1	52.1	52.1
EPS - normalised (c)	28.5	12.3	18.4	28.5	52.5
EPS - normalised and fully diluted (c)	28.5	12.3	18.4	28.5	52.6
EPS - (IFRS from 2011 onwards) (c)	4.4	12.3	17.2	28.5	52.5
Dividend per share (c)	11.4	6.1	6.0	6.0	0.0
Gross Margin (%)	45.9	46.7	32.0	37.7	48.0
EBITDA Margin (%)	39.0	23.9	28.1	34.1	45.2
Operating Margin (before GW and except.) (%)	34.0	17.2	21.2	28.3	41.0
BALANCE SHEET					
Fixed Assets	33,448	37,493	49,727	64,639	78,034
Intangible Assets	0	0	0	0	0
Tangible Assets	33,448	37,493	49,727	64,639	78,034
Investments	0	0	0	0	0
Indigenisation receivable	0	0	0	0	0
Current Assets	36,154	37,328	30,686	31,194	51,676
Stocks	6,866	9,146	4,274	4,670	5,312
Debtors	3,889	5,054	5,257	6,270	8,655
Cash	25,222	22,951	20,978	20,077	37,532
Other	177	177	177	177	177
Current Liabilities	(7,534)	(8,323)	(5,783)	(6,567)	(11,255)
Creditors	(5,738)	(6,527)	(3,987)	(4,771)	(9,459)
Short term borrowings `	(1,796)	(1,796)	(1,796)	(1,796)	(1,796)
Long Term Liabilities	(10,094)	(10,094)	(10,094)	(10,094)	(10,094)
Long term borrowings	0	0	0	0	0
Other long term liabilities	(10,094)	(10,094)	(10,094)	(10,094)	(10,094)
Net Assets	51,974	56,404	64,536	79,172	108,361
Minority interests	51	1,805	(487)	3,415	9,475
Shareholder equity	52,025	58,209	64,049	82,588	117,836
CASH FLOW					
Operating Cash Flow	22,768	12,086	19,443	24,844	44,957
Net Interest	(108)	(100)	115	105	100
Tax	(9,897)	(2,822)	(1,748)	(3,391)	(9,787)
Capex	(11,738)	(8,236)	(16,655)	(19,333)	(17,815)
Acquisitions/disposals	0	0	0	0	0
Management Fees	470	0	0	0	0
Dividends	(7,934)	(3,199)	(3,127)	(3,127)	0
Net Cash Flow	(6,439)	(2,271)	(1,973)	(902)	17,455
Opening net debt/(cash)	(27,942)	(23,426)	(21,155)	(19,182)	(18,281)
HP finance leases initiated	0	0	0	0	0
Other	1,923	0	0	0	0
Closing net debt/(cash)	(23,426)	(21,155)	(19,182)	(18,281)	(35,736)

Source: Company accounts, Edison Investment Research

Contact details	Revenue by geography
Greenstone Management Services P.O. Box 587 Johannesburg, 2000 South Africa Phone: +27 11 447 2499 www.caledoniamining.com	

CAGR metrics		Profitability metrics		Balance sheet metrics		Sensitivities evaluation	
EPS 2013-17e	16.5%	ROCE 16e	32.5%	Gearing 16e	N/A	Litigation/regulatory	●
EPS 2015-17e	68.8%	Avg ROCE 2013-17e	33.3%	Interest cover 16e	N/A	Pensions	○
EBITDA 2013-17e	0.6%	ROE 16e	18.0%	CA/CL 16e	4.7x	Currency	◖
EBITDA 2015-17e	20.3%	Gross margin 16e	37.7%	Stock days 16e	22.3	Stock overhang	◖
Sales 2013-17e	12.8%	Operating margin 16e	28.3%	Debtor days 16e	30.0	Interest rates	◖
Sales 2015-17e	28.3%	Gr mgn / Op mgn 16e	1.3x	Creditor days 16e	14.9	Oil/commodity prices	●

Management team

CEO: Steve Curtis

Mr Curtis is a chartered accountant with over 30 years' experience. He has held a number of senior financial positions in the manufacturing industry. Before joining Caledonia in March 2006, he was director finance and supply chain for Avery Dennison SA and prior to that financial director and then managing director of Jackstadt GmbH's South African operation.

COO: Dana Roets

Dana Roets is a qualified mining engineer and holds a BSc mining engineering degree from Pretoria University (1986) and an MBA from the University of Cape Town (1995). Mr Roets is a South African national with over 24 years of operational and managerial experience in the South African gold and platinum industry.

Chairman and director: Leigh Alan Wilson

Mr Leigh Alan Wilson has an international business and financial services background, having served in senior executive and management positions with Union Bank of Switzerland (Securities) Ltd. in London and with the Paribas Group in Paris and New York where he served as CEO of Paribas North America between 1984 and 1990.

CFO: Mark Learmonth

Mr Learmonth joined Caledonia in July 2008. Prior to this, he was a division director of investment banking at Macquarie First South in South Africa. He has over 17 years' experience in corporate finance and investment banking, predominantly in the resources sector in Africa.

Principal shareholders	(%)
Allan Gray Proprietary Ltd.	12.25
Hayden (Stefan Edward)	1.99
Curtis (Steven)	0.52
Learmonth (John Mark)	0.37
Harvey (Frederick Christopher)	0.31
Polunin Capital Partners Ltd.	0.31
Jonsson (Carl Roland)	0.30

Companies named in this report

Kinross Gold

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
245 Park Avenue, 39th Floor
10167, New York
US

Sydney +61 (0)2 9258 1161
Level 25, Aurora Place
88 Phillip St, Sydney
NSW 2000, Australia

Wellington +64 (0)48 948 555
Level 15, 171 Featherston St
Wellington 6011
New Zealand