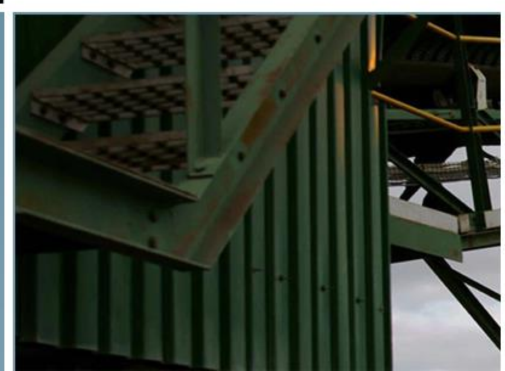


Caledonia Mining Corporation


Q1 2015 Results Overview

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Profit and Loss
Overview

Summary P&L

	3 Months to 31 March	
	2014	**2015**
Revenues	17.1	**16.0**
Royalty	(1.2)	**(0.8)**
Production costs	(8.8)	**(9.5)**
Gross Profit	7.1	**5.7**
G & A	(1.8)	**(2.0)**
EBITDA	5.2	**3.7**
Depreciation	(1.1)	**(1.0)**
Other	0.3	**0.6**
Operating Profit	4.4	**3.3**
Finance charges	(0.0)	**(0.0)**
Profit before tax	4.4	**3.2**
Tax	(1.3)	**(1.2)**
Profit/(loss) after tax	3.1	**2.0**
- attrib. To Cal. shareholders	2.4	**1.6**
- attrib to NCI (i.e. IZ's)	0.7	**0.5**
Attributable profit	3.1	**2.0**
EPS (cents)	4.7	**2.9**
Adjusted EPS (cents)*	4.4	**4.0**

* *Adjusted EPS excludes share based expenses, impairment, foreign exchange profit/loss, deferred taxation and non-recurring withholding tax.*

- Revenues were lower due to reduced gold sales (lower gold production and reduced work-in-progress) and the lower realised gold price.
- 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 by 8% in C$ terms but fall 3.5% in US$ terms (Q1 2015 compared to Q1 2014)
- G&A: 9% increase in C$ terms; 2% decrease in US$ terms
  - Reduction in many costs offset by abnormal items in wages and salaries
  - Continued inclusion of Zambia @ $250k/quarter
- Other income is $625k forex gain on cash balances: C$ devalued by approx. 9% in the quarter against US$
- Tax is mainly deferred tax: Zimbabwe income tax reduced due to high capex; withholding tax reduced due to no Blanket dividends
- Adjusted eps is on-track for full year guidance of approx. 20 cents, as production in H2 is expected to be slightly higher than H1 and G&A is expected to fall.

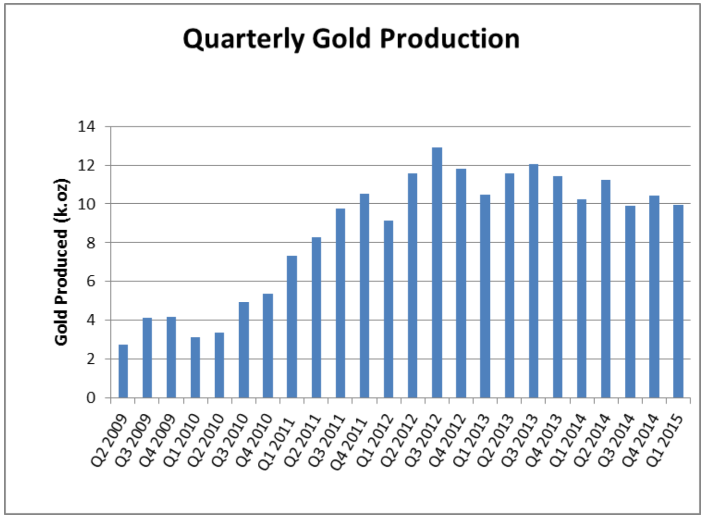
Revenues
Effect of Changes in Production, Gold Price, FX

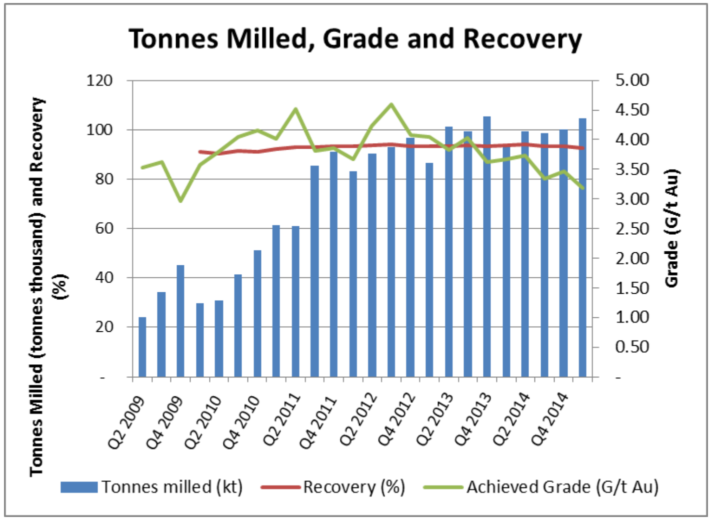
Production and Revenues

	Q1 2014	Q1 2015	Dif (%)	Revenue effect (C$'m)
Tonnes milled (K.tonnes)	93	**105**	12.8%	1.8
Average grade (g/t)	3.67	**3.19**	-13.0%	(2.1)
Average recovery (%)	93.6%	**92.7%**	-1.0%	(0.1)
Gold produced (oz)	10,241	**9,960**	**-3%**	(0.4)
Net WIP movement (oz)	1,969	**813**	**-59%**	(1.6)
Gold Sold (oz)	12,210	**10,773**	**-12%**	(2.0)
Av. realised gold price	1,268	**1,200**	-5%	(0.8)
Gold revenues (US$'m)	15.5	**12.9**	-16%	(2.8)
Silver revenues (US$'m)	0.0	**0.0**	398%	0.0
Total PM Revenues (US$'m)	15.5	**12.9**	-16%	(2.8)
X-rate (1US$: C$)	1.10	1.24	12%	1.7
Total Revenues (C$'m)	17.1	**16.0**	-6%	(1.1)

- Gold production was 3% lower quarter-on-quarter
  - The benefit of higher throughput (i.e. tonnes milled) was outweighed by the adverse effect of lower grade and lower recovery: gold production
- Reduced work-in progress brought forward from Q4 2014 also adversely affects sales which were 12% lower quarter-on-quarter
- 5% reduction in the average realised gold price
- 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 is now approx. 10,000 ounces per quarter compared to over 12,000 ounces per quarter in mid-2012
- Q1 2015 production almost exactly on target
- Lower production is primarily due to lower grades which have fallen from a peak of 4.5g/t to 3.19g/t in Q1 2015
  - Blanket's revised mine plan accommodates the current lower grades: the achieved grade in Q1 was slightly better than target
  - The average grade will only start to improve back to 3.8 g/t once the build-up in production from below 750m starts.
  - Lower grade ore has adverse effect on production costs
- Constraints on underground logistics on 22-Level prevent build-up in tonnes to compensate for lower grades until after the tramming loop is completed in mid-year 2015
- The Revised Plan at Blanket will address 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 from over 93% to 92.7% due to lower head grade and break-down of PSA (oxygen plant)

Production Costs

Production Costs

	Q1 2014	**Q1 2015**	Movt
Production costs (C$'m)	8.79	**9.51**	8.3%
X-rate (1US$: C$)	1.10	**1.24**	
Production costs (US$'m)	7.97	**7.70**	-3.5%
Cost per tonne (US$/t)	86	73	-14.4%
Wages (US$'m)	2.49	**2.91**	16.9%
Man hours worked ("000)	681	754	
Wage per man hour (US$/hour)	3.65	3.86	5.7%
Consumables (US$'m)	4.68	**3.88**	-17.2%
Tonnes milled (k.t)	92.8	**104.8**	
Cost per tonne milled (US$/t)	50.4	37.0	-26.6%
Other (exploration, safety	0.79	**0.91**	14.8%

- 8.3% increase in C$ terms translates to 3.5% decrease in US$ terms (Q1 2015 compared to Q1 2014)
  - Cost per tonne milled falls by 14.4%
- 17% increase in labour costs in US%$ terms, but only a 5.7% increase per man-hour worked
  - Consistent with agreed 2014 pay settlement
- Significant reduction in the consumable cost in overall terms and on a per-tonne milled basis reflects increased operating efficiency and falling US$-denominated input prices
  - Cyanide: 2% reduction in usage per tonne processed and 17% reduction in unit cost
  - Explosives: 16% reduction in usage per tonne blasted
  - Other variable consumables: 24% reduction in cost per tonne processed
  - Fixed consumables: 17% reduction

G&A

General and Administrative Costs

	Q1 2014 C$'000	**Q1 2015 C$'000**	Movt
Investor Relations	82	**120**	46%
Man. Contract fee	260	**0**	-100%
Audit	67	**101**	51%
Legal	51	**24**	-53%
Listings	58	**41**	-29%
Directors fees	138	**120**	-13%
Salaries and wages	483	**923**	91%
Zambia	260	**247**	-5%
Accounting service fee	8	**112**	1300%
Professional consulting	325	**41**	-87%
Travel	86	**82**	-5%
Other	29	**208**	617%
Total (C$'m)	**1,847**	**2,019**	9%
X-rate	1.10	1.24	
Total (US$'m)	**1,679**	**1,633**	**-3%**

- 9% increase in C$ terms (Q1 2015 compared to Q1 2014) 2% decrease in US$ terms
- Higher IR reflects increased coverage in UK and Europe
- Lower management contract fee following termination of the contract for the previous CEO
- Directors fees include quarterly fees for 6 Caledonia directors (Q1 2014, 7 directors) and non-Caledonia appointees to the Blanket board
- Salaries and wages reflects increased head count in Johannesburg (10 to 13), rebasing of salaries to market rates, bonuses and leave accrual
- Zambia office to be closed with effect end of May 2015.
- Accounting services fee in respect of tax compliance and re-structuring

Taxation

Taxation	C$'000
SA Income Tax	33
Total income tax	**33**
Zim. withholding tax	220
Deferred tax	946
Total taxation charge	**1,199**
Total tax paid in 2015	**520**
Total effective tax rate	*37%*
Income tax as % of IFRS PBT	*1%*

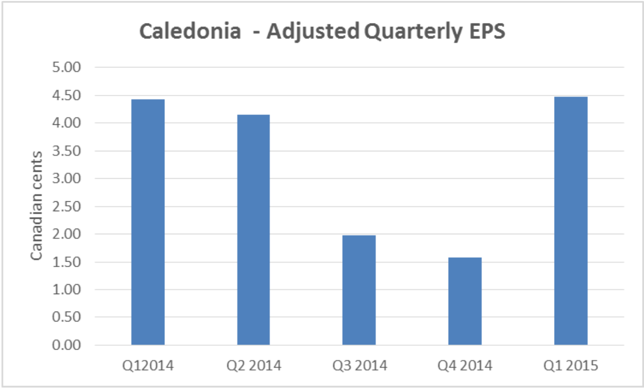
- As guided, taxation is substantially lower in the Quarter than in previous quarters
  - Total effective tax rate of 35% compared with 50% for 2014
- SA income tax on intercompany profits at GMS SA
  - Total effective income tax rate of only 1%
- No provisional Zimbabwe income tax is accrued or paid due to high projected capital investment which will offset taxable profit
- A temporary timing difference (immediate write off for tax; phased amortisation through the accounts) creates a non-cash deferred tax liability
- 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
- Tax paid in 2015 relates to payment of tax liability for GMS UK

Earnings per Share

Earnings Per Share (IFRS)		
	Q1 2014	**Q1 2015**
	C$'m	**C$'000**
Attrib earnings	2,425	1,554
Adj	18.3	(57)
Attrib earnings for EPS	2,443	1,497
W. av shares in issue (m)	52.0	52.1
Basic eps (cents)	4.7	2.9

Adjusted Earnings per share (Non IFRS)		
	Q1 2014	**Q1 2015**
	C$'m	**C$'m**
Attrib earnings (IFRS)	2,425	**1,554**
Fx	(257)	**(625)**
Deferred tax	0	**946**
Reversal of Zambian costs	142	**247**
BETS adjustment		**(57)**
Adjusted earnings	2,310	**2,065**
W. av shares in issue (m)	52.0	**52.1**
Adjusted eps (cents)	4.4	**4.0**

- IFRS EPS affected by deferred tax and continued Zambian costs
  - nevertheless, Q1 2015 EPS is better than Q3 and Q4 of 2014
- Adjusted EPS of 4.0 cents shows improvement on previous quarters



- Further improvements in earnings are anticipated in 2015 as G&A is reduced and slightly higher targeted production for Q3 and Q4
- Adjusted EPS is on-track for 2015 guidance of 20 cents

Cash Flow

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

- Cash from operating activities remains robust despite lower production and sales and the lower gold price
- Significant increase in capital investment in he Quarter as work on the LOMP commences
- Zimbabwe debt facilities untouched at 31 March
- At 31 March 2015 net cash was approx $1.3m better than budgeted
  - $1.4m positive variance on capital expenditure
  - $0.1m adverse variance on operating cash flows

Balance Sheet

Summary Balance Sheet (C$'m)	31 Dec 2014	**31-Mar 2015**
Fixed Assets	40.4	47.0
Inventories	7.6	8.0
Prepayments	0.3	0.7
Trade receivables	2.0	4.3
Tax receivable	0.1	0.0
Cash and equivalents	26.8	26.1
Total Assets	77.3	86.1
Long term liabilities	13.0	15.0
Trade creditors	3.8	5.0
Income taxes payable	2.0	1.7
Total liabilities	18.8	21.7
Capital and reserves	58.5	64.4
Total equity and liabilities	77.3	86.1

- Increase in PPE includes investment of $3.9m and FX movement of $3.7m
  - 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 remains at $2.5m, but undrawn at March 31.
  - Negotiations are well-advanced to increase the Zimbabwean debt facility to US$10m to provide greater flexibility and allow Blanket to address new internal investment opportunities

Project Update

No. 6 Winze: Production Winders Installed

Project Update

Central Shaft: Site Clearing and Terracing (Early March 2015)

Project Update

Central Shaft: Excavation of Collar (9 April 2015)

Project Update

Central Shaft: Excavation of Collar (9 April 2015)

Project Update
Central Shaft: Excavation of Collar (16 April 2015)

Project Update
Central Shaft: Excavation of Collar (26 April 2015)