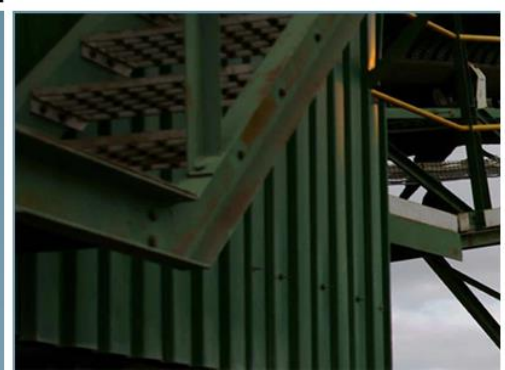


Caledonia Mining Corporation


Q3 2015 Results Overview

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Profit and Loss

Overview

Summary P&L (C$'m)	3 Months to 30 September		9 Months to 30 September	
	2014	**2015**	2014	**2015**
Revenues	13.5	**15.8**	46.1	**46.8**
Royalty	(0.9)	**(0.8)**	(3.2)	**(2.3)**
Production costs	(7.2)	**(10.2)**	(23.7)	**(28.9)**
Gross Profit	5.4	**4.8**	19.2	**15.5**
G & A	(1.8)	**(2.2)**	(5.4)	**(6.5)**
EBITDA	3.6	**2.7**	13.8	**9.0**
Depreciation	(1.0)	**(1.2)**	(3.1)	**(3.3)**
Other	0.4	**1.9**	0.6	**2.7**
Operating Profit	3.0	**3.4**	11.3	**8.5**
Finance charges	(0.0)	**(0.5)**	(0.1)	**(0.5)**
Profit before tax	3.0	**2.9**	11.2	**7.9**
Tax	(1.7)	**(0.9)**	(4.3)	**(3.3)**
Net Profit	1.3	**2.0**	6.9	**4.6**
Net Profit attributable to:				
Caledonia shareholders	1.1	**1.7**	5.4	**3.6**
NCI	0.2	**0.3**	1.5	**1.0**
Attributable profit	1.3	**2.0**	**6.9**	**4.6**
EPS (cents)	2.2	**3.3**	10.5	**6.7**
Adjusted EPS (cents)*	2.0	**5.0**	10.5	**10.2**

- Increased revenues (C$) due to higher production offset by a weaker gold price.
- Lower royalty reflects a full quarter of the reduced royalty rate, which was cut from 7% to 5% from October 1, 2014
- Q3 Production costs increase 42% in C$ terms - 10% US$ terms
- G&A includes non-recurring expense associated with historic South African tax issues. Recurring G&A has been reduced to approx. US$1.1m/quarter
- Other income includes forex gain resulting from CAD devaluation
- Tax is mainly deferred tax: Zimbabwe income tax reduced due to high capex
- IFRS eps includes fx gain, Zambian and SA tax costs
- Adjusted eps excludes the fx gains, Zambian and non-recurring SA tax costs and deferred tax.

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

Revenues

Effect of Changes in Production, Gold Price, FX

Production and Revenues

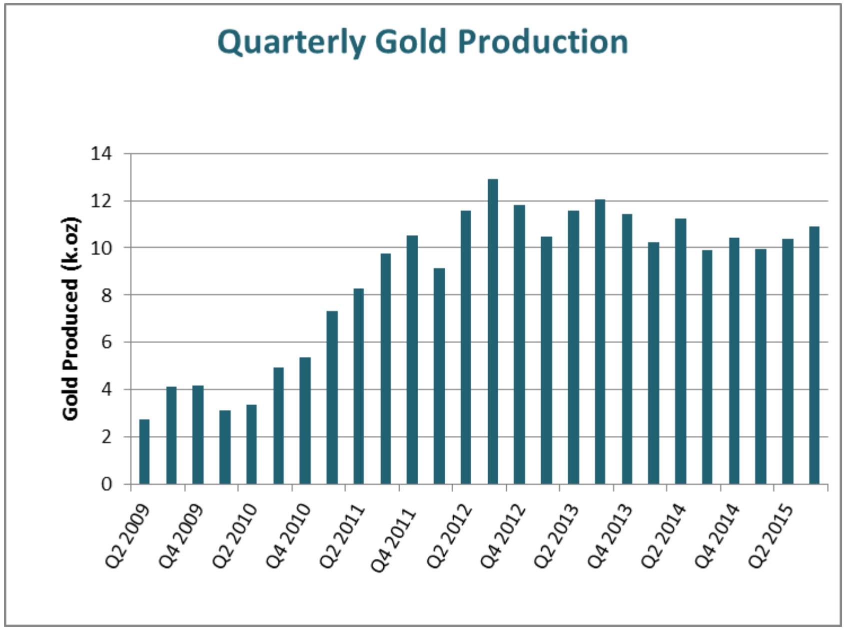
	Q3 2014	Q3 2015	Movt. (%)	Revenue effect (C$'m)
Tonnes milled (K.tonnes)	99	**117**	18%	2.5
Average grade (g/t)	3.34	**3.14**	-6%	(1.0)
Average recovery (%)	93.4	**92.7**	-1%	(0.1)
Gold produced (oz)	9,890	**10,927**	**10%**	1.4
Net WIP movement (oz)	-	**-**	**0%**	-
Gold Sold (oz)	9,890	**10,927**	**10%**	1.4
Av. realised gold price	1,252	**1,106**	-12%	(1.7)
Gold revenues (US$'m)	12.4	**12.2**	-1%	(0.4)
Silver revenues (US$'m)	0.0	**0.0**	-8%	0.0
Total PM Revenues (US$'m)	12.4	**12.1**	-2%	(0.4)
X-rate (1US$: C$)	1.09	**1.31**	20%	2.6
Total Revenues (C$'m)	13.5	**15.8**	17%	2.3

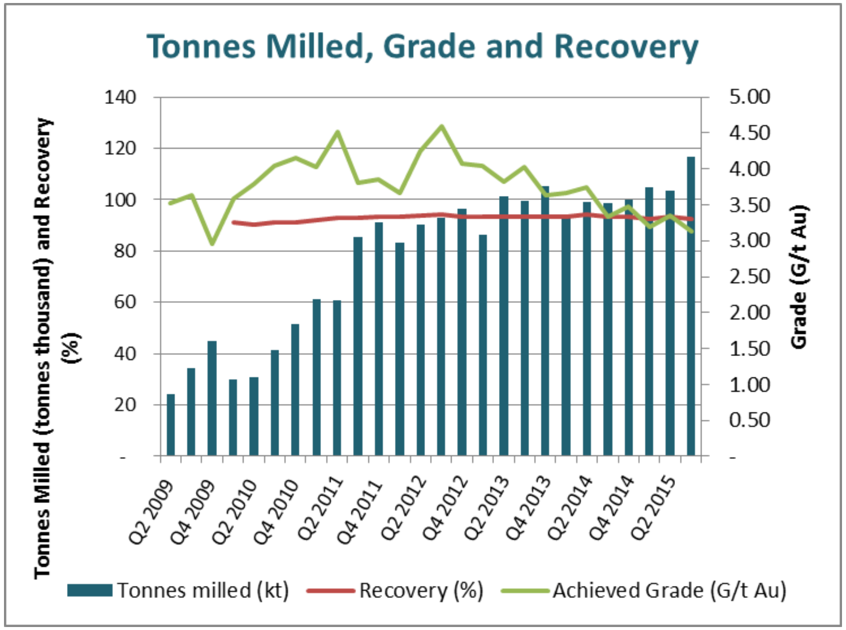
- 18% increase in tonnes milled outweighs lower grade and recovery resulting in 10% increase in production
- 12% fall in average realised gold price following price collapse in July 2015
- Revenues little changed in US$ terms
- Devaluation of the Canadian dollar results in 20% increase in C$ revenues

- Increase in tonnes milled following the successful completion of the Tramming Loop on 22-Level in June 2015 provides the first early fruit of the Revised Investment Plan

Gold Production

Completion of the Tramming Loop boosts mine production





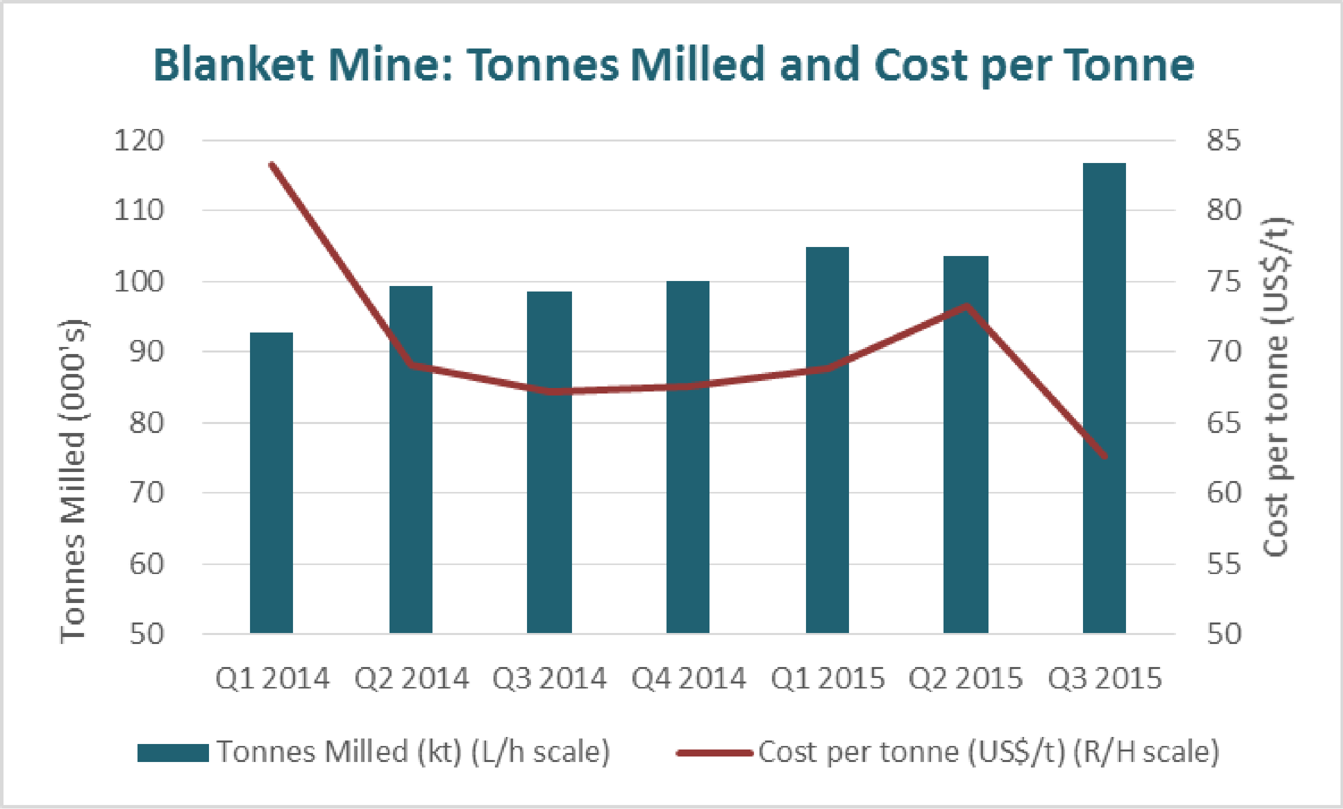
- Record quarterly tonnes mined - 116,000 tonnes

Production Costs

Production Costs	Q3 2014	**Q3 2015**	Movt
Total Production costs (C$'m)	7.17	**10.17**	42%
X-rate (1US$: C$)	1.09	**1.31**	
Total Production costs (US$'m)	6.62	**7.30**	10%
Tonnes milled (k.t)	98.6	**116.7**	18%
Total cost per tonne (US$/t)	67.14	**62.60**	-7%
On-mine cost (US$/oz)	669	**668**	0%
AISC (US$/oz)	952	**1011**	6%
Wages (US$'m)	2.09	**2.52**	20%
Man hours worked ("000)	800	**878**	10%
Man hours per tonne milled	8.12	**7.52**	-7%
Wage per man hour (US$/hour)	2.62	**2.87**	10%
Consumables (US$'m)	2.30	**2.45**	7%
- Cost per tonne milled (US$/t)	23.29	**21.00**	-10%
Electricity (US$m)	1.7	**1.8**	6%
- Cost per tonne milled (US$/t)	17.58	**15.72**	-11%
Other (exploration, safety)	0.52	**0.50**	-3%

- Total on-mine production costs increase by 42% in C$ terms; 10% increase in US$ terms
  - Cost per tonne milled decreases by 7%
  - On-mine cost per ounce stable
  - Increase in AISC per ounce reflects increased capex
- Increase in labour costs per hour, consistent with agreed pay settlement and overtime working
- Labour efficiency has improved now that the Centac compressor is operational
- Reduced consumable cost per-tonne milled
- High electricity consumption in earlier quarters of 2015 has been addressed
- Falling cost per tonne demonstrates leverage to increased volumes
- Anticipated grade improvement in the next 3-4 years should benefit cost per ounce

Production Costs
Volume Sensitivity



G&A

General and Administrative Costs

	Q3 2014 C$'000	**Q3 2015 C$'000**	Movt
Investor Relations	133	**231**	74%
Man. Contract fee	254	**0**	-
Audit	34	**44**	29%
Legal	232	**145**	-38%
Directors fees	88	**62**	-30%
Salaries and wages	654	**647**	-1%
Zambia	103	**136**	32%
Accounting service fee	7	**85**	1114%
Professional consulting	34	**97**	185%
Travel	53	**165**	211%
Tax penalties	-	**209**	
Un-recoverable VAT	-	**334**	
Other	162	**21**	
Total (C$'m)	1,754	**2,176**	24%
X-rate	1.10	1.32	
Total (US$'m)	1,595	**1,648**	**3%**

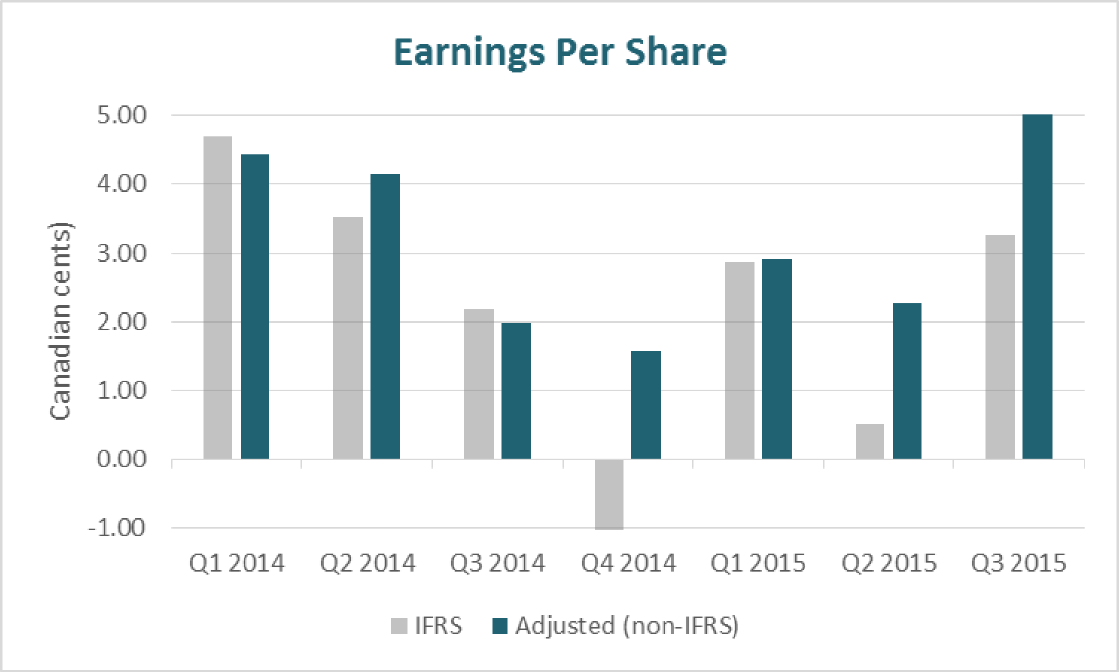
- 24% increase in C$ terms; 3% increase in US$ terms
- Higher IR reflects increased coverage in Europe and timing of activity
- No management contract fee following termination of the contract for the previous CEO
- Zambia office closed with effect end of May 2015: further closure costs e.g. termination audit, transfer of licences
- Accounting services includes fees in respect of tax compliance and re-structuring
- Travel costs include increased frequency of travel to the mine and directors mine visit
- Tax penalties and un-recoverable VAT arise from the remediation of historic South African tax matters – not expected to be recurring
- Excluding non-recurring expenses (Zambia, South African taxation), the quarterly G&A cost is approx. C$1.5m (US$1.1m)

Taxation

Taxation	Year 2014 C$'000	H1 2015 C$'000	**Q3 2015 C$'000**
Income tax	4,844	1,162	**(999)**
Zim. withholding tax	980	402	**244**
Deferred tax	780	847	**1,684**
Total taxation charge	6,604	2,411	**930**
Total tax paid	4,999	788	**226**
Total effective tax rate	*50%*	*30%*	32%
Income tax as % of IFRS PBT	*37%*	*15%*	-34%

- Reversal of H1 income tax charge due to increased capital investment at Blanket, which shields profit from tax …..
- ….Although this results in the higher (non-cash) deferred taxation charge, which reflects the temporary timing difference arising on the treatment of capital investment (immediate write off for tax; phased amortisation through the accounts). Reversed out of the calculation of adjusted eps
- Withholding tax on management fees paid from Zimbabwe to South Africa
- Continued high levels of capital investment are expected to result in continued low income tax charge and payment in 2016 and 2017
- Management continues to evaluate options to improve the group structure and enhance flexibility

Earnings per Share



- IFRS EPS affected by forex gains, deferred tax, discontinued operations and non-recurring items

Cash Flow

Summary Cash Flow (C$'m)	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Cash flow from operations	6.9	3.5	5.1	3.4	3.9	2.9	**1.1**
Taxation paid	(0.6)	(1.8)	(1.4)	(1.1)	(0.5)	(0.3)	**(0.2)**
Interest	(0.0)	(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	**0.9**
Net capital investment	(2.0)	(1.6)	(1.3)	(1.9)	(3.9)	(3.4)	**(6.8)**
Dividend paid	(0.9)	(1.0)	(1.3)	(0.8)	(0.8)	(0.8)	**(0.8)**
Change in cash	3.3	(0.9)	1.0	(0.4)	(1.3)	(1.6)	**(6.7)**
Cash b/fwd	23.4	26.7	25.8	26.9	26.8	26.1	**23.7**
Exchange gain				0.5	0.6	(0.8)	**2.7**
Cash c/fwd	26.7	25.8	26.9	26.8	26.1	23.7	**19.7**

- Cash from operating lower due to lower gold price and $1m increase in non-cash working capital
- Increased capital investment as work on the Revised Investment Plan accelerates
- Zimbabwe debt facilities increased to US$5m
- At 30 September 2015 net cash, although lower, was better than budgeted mainly due to slower capex spend

Balance Sheet

Summary Balance Sheet (C$'m)	31 Dec 2014	30-Jun 2015	**30-Sep 2015**
Fixed Assets	40.4	48.3	**58.3**
Inventories	7.6	8.2	**8.5**
Prepayments	0.3	0.3	**1.8**
Trade receivables	2.0	4.5	**5.5**
Tax receivable	0.1	0.0	**0.0**
Cash and equivalents	26.8	23.7	**22.4**
Total Assets	77.3	84.9	**96.6**
Long term liabilities	13.0	15.4	**17.6**
Trade creditors	3.8	5.1	**7.0**
Bank overdraft	0.0	0.0	**2.8**
Income taxes payable	2.0	1.9	**1.8**
Total liabilities	18.8	22.4	**29.2**
Capital and reserves	58.5	62.5	**67.4**
Total equity and liabilities	77.3	84.9	**96.6**
Non-cash working capital	4.3	6.0	**7.0**

- Increase in PPE includes investment of $6.8m
  - 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
- Further increase in non-cash working capital from abnormally low levels in December 2014
  - Increase inventory related to capital investment
  - Higher VAT receivable due to increased purchasing activity related to capital projects
- Blanket overdraft facility increased to $5m
- Cash position remains strong: Caledonia retains a strong cash position to protect the dividend and allow it to provide support to Blanket

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
  - Completion of the Tramming Loop provides an early indication of the benefits of the investment programme: improved operational flexibility results in increased gold production despite lower grades.
- 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 and Mascot without compromising current recoveries
- Conservative approach to cash management
  - Retain the financial capacity to accommodate a lower gold price and maintain the current dividend
  - Lower gold price requires the modest recapitalisation of Blanket
  - 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