

# Caledonia Mining Corporation

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

### To the Shareholders of Caledonia Mining Corporation:

Management has prepared the information and representations in this interim report. The unaudited condensed consolidated financial statements of Caledonia Mining Corporation ("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 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 March 31, 2015, 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 financial statements have not been reviewed by the Group's auditor.

The unaudited condensed consolidated financial statements for the period ended March 31, 2015 were approved by the Board of Directors and signed on its behalf on May 11, 2015.

(Signed) S. R. Curtis

Chief Executive Officer

(Signed) M. Learmonth

Chief Financial Officer

## Caledonia Mining Corporation

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

(In thousands of Canadian dollar)

For the three months ended March 31,

Unaudited

	<i>Note</i>	2015	2014
Revenue		15,994	17,063
Less: Royalty		(801)	(1,195)
Production costs	6	(9,514)	(8,788)
Depreciation		(1,038)	(1,058)
<b>Gross profit</b>		<b>4,641</b>	<b>6,022</b>
Other income		10	-
Administrative expenses	7	(2,019)	(1,847)
Foreign exchange gain		625	257
<b>Operating profit</b>		<b>3,257</b>	<b>4,432</b>
Finance income		-	-
Finance cost		(44)	(41)
<b>Net finance costs</b>		<b>(44)</b>	<b>(41)</b>
<b>Profit before tax</b>		<b>3,213</b>	<b>4,391</b>
Tax expense		(1,199)	(1,300)
<b>Profit for the period</b>		<b>2,014</b>	<b>3,091</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign currency translation differences for foreign operations		4,677	2,134
<b>Other comprehensive income for the period, net of income tax</b>		<b>4,677</b>	<b>2,134</b>
<b>Total comprehensive income for the period</b>		<b>6,691</b>	<b>5,225</b>
<b>Profit attributable to:</b>			
Shareholders of the Company		1,554	2,425
Non-controlling interests		460	666
<b>Profit for the period</b>		<b>2,014</b>	<b>3,091</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		6,151	4,558
Non-controlling interests		540	667
<b>Total comprehensive income for the period</b>		<b>6,691</b>	<b>5,225</b>
<b>Earnings per share</b>			
Basic earnings per share (\$)		0.03	0.05
Diluted earnings per share (\$)		0.03	0.05

The accompanying notes on pages 6 to 17 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

## Condensed consolidated statements of financial position

(In thousands of Canadian dollar)

### Unaudited

<i>As at</i>	<i>Note</i>	<b>March 31, 2015</b>	December 31, 2014
<b>Assets</b>			
Property, plant and equipment	8	<b>47,001</b>	40,388
<b>Total non-current assets</b>		<b>47,001</b>	40,388
Inventories	9	<b>7,998</b>	7,571
Prepayments		<b>684</b>	348
Trade and other receivables	10	<b>4,348</b>	2,040
Income tax receivable		-	111
Cash and cash equivalents		<b>26,094</b>	26,838
<b>Total current assets</b>		<b>39,124</b>	36,908
<b>Total assets</b>		<b>86,125</b>	77,296
<b>Equity and liabilities</b>			
Share capital		<b>57,607</b>	57,607
Reserves		<b>164,480</b>	159,883
Retained loss		<b>(158,987)</b>	(159,759)
Equity attributable to shareholders		<b>63,100</b>	57,731
Non-controlling interests		<b>1,344</b>	804
<b>Total equity</b>		<b>64,444</b>	58,535
<b>Liabilities</b>			
Provisions		<b>3,157</b>	2,888
Deferred tax liability		<b>11,825</b>	10,092
<b>Total non-current liabilities</b>		<b>14,982</b>	12,980
Trade and other payables		<b>4,969</b>	3,791
Income tax payable		<b>1,730</b>	1,990
<b>Total current liabilities</b>		<b>6,699</b>	5,781
<b>Total liabilities</b>		<b>21,681</b>	18,761
<b>Total equity and liabilities</b>		<b>86,125</b>	77,296

The accompanying notes on pages 6 to 17 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**  
**Condensed consolidated statements of changes in equity**  
*(expressed in thousands of Canadian dollar)*

<b>Unaudited</b>	<b>Share Capital</b>	<b>Foreign Currency Translation Reserve</b>	<b>Contributed Surplus</b>	<b>Share based Payment Reserve</b>	<b>Retained loss</b>	<b>Total</b>	<b>Non- controlling interests (NCI)</b>	<b>Total Equity</b>
Balance at December 31, 2013	57,607	319	140,000	15,750	(161,651)	52,025	(51)	51,974
<i>Transactions with owners:</i>								
Dividends paid	-	-	-	-	(3,127)	(3,127)	(847)	(3,974)
<i>Total comprehensive income:</i>								
Profit for the year	-	-	-	-	4,897	4,897	1,668	6,565
Other comprehensive income for	-	3,814	-	-	122	3,936	34	3,970
Balance at December 31, 2014	57,607	4,133	140,000	15,750	(159,759)	57,731	804	58,535
<i>Transactions with owners:</i>								
Dividend paid	-	-	-	-	(782)	(782)	-	(782)
<i>Total comprehensive income:</i>								
Profit for the period	-	-	-	-	1,554	1,554	460	2,014
Other comprehensive income	-	4,597	-	-	-	4,597	80	4,677
<b>Balance at March 31, 2015</b>	<b>57,607</b>	<b>8,730</b>	<b>140,000</b>	<b>15,750</b>	<b>(158,987)</b>	<b>63,100</b>	<b>1,344</b>	<b>64,444</b>

The accompanying notes on pages 6 to 17 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**  
**Condensed consolidated statements of cash flows**

*(In thousands of Canadian dollar)*

*For the three months ended March 31,*

**Unaudited**

<b>Cash flows from operating activities</b>	<i>Note</i>	<b>2015</b>	2014
Cash generated by operating activities	<i>11</i>	<b>3,927</b>	6,868
Finance cost paid		<b>(31)</b>	(41)
Tax paid		<b>(520)</b>	(600)
<b>Cash from operating activities</b>		<b>3,376</b>	6,227
<b>Cash flows from investing activities</b>			
Acquisition of Property, plant and equipment		<b>(3,944)</b>	(2,032)
Proceeds with disposal of Property, plant and equipment		<b>54</b>	-
<b>Net cash used in investing activities</b>		<b>(3,890)</b>	(2,032)
<b>Cash flows from financing activities</b>			
Dividend paid		<b>(782)</b>	(907)
<b>Net cash used in financing activities</b>		<b>(782)</b>	(907)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(1,296)</b>	3,288
Cash and cash equivalents at beginning period		<b>26,838</b>	23,426
Effect of exchange rate fluctuations on cash held		<b>552</b>	-
<b>Cash and cash equivalents at end of period</b>		<b>26,094</b>	26,714

The accompanying notes on pages 6 to 17 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**

## **Notes to the Condensed Consolidated Financial Statements**

*(expressed in thousands of Canadian dollar)*

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### **1 Reporting entity**

Caledonia Mining Corporation (the “Company”) is a company domiciled in Canada. The address of the Company’s registered office is Suite 4009, 1 King Street West, Toronto, Ontario, M5H 1A1, Canada. These consolidated financial statements of the Group as at and for the period ended March 31, 2015 comprises 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, 2014.

#### **(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for equity-settled share-based payment arrangements measured at fair value on grant date.

#### **(c) Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

### **3 Use of estimates and judgements**

Management makes estimates and assumptions about the future that effect 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. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income.

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

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**3 Use of estimates and judgements - (continued)**

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 to the consolidated financial statements as at December 31, 2014.

The condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2014.

**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 interim financial statements as compared to the Group's annual financial statements for the year ended December 31, 2014. In addition, the accounting policies have been applied consistently by the Group entities.

**(i) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market risk free rate applicable to the currency in which the liability will be incurred. The unwinding of the discount is recognised as finance cost.

**(ii) Site restoration**

The site restoration provision has been calculated for the Blanket Mine based on an independent analysis of the rehabilitation costs as performed in 2012 and based on the internal assessment for Eersteling Gold Mining Company Limited. Estimates and assumptions are made when determining the inflationary effect on current restoration costs and the discount rate to be applied in arriving at the present value of the provision where the time value of money effect is significant. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized site rehabilitation provisions may be higher or lower than currently provided for.

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

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**5 Blanket Zimbabwe Indigenisation Transaction**

On February 20, 2012 the Group announced 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 US\$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 US\$11.74 million.
- A 15% interest was sold to Fremiro, which is owned by Indigenous Zimbabweans, for US\$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 US\$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 US\$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 the 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 has been placed on interest until dividends are resumed.

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

**Accounting treatment**

The directors of Caledonia Holdings Zimbabwe (Private) Limited (“CHZ”) a wholly owned subsidiary of the Company, performed an assessment, using the requirements of IFRS 10: *Consolidated Financial Statements* (IFRS 10), and concluded that CHZ should continue to consolidate Blanket Mine and accordingly the subscription agreements will be accounted for as a transaction with non-controlling interests and share based payments.

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

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

Accordingly, on the effective date of the transaction, the subscription agreements 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 March 31, 2015 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.

USD	Shareholding	NCI Recognised	NCI subject to facilitation loan	Balance of facilitation loan at	Dec, 31 2014
				March 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, 2014</b>	31,336
Interest accrued &	-
Dividends used to repay loans	-
<b>Balance at March 31, 2015</b>	<u>31,336</u>

& A moratorium has been placed on interest 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*.

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

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

# 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 underlying subscription agreements, Blanket Mine agreed to an advance dividend arrangement with NIEEF and the Community Trust as follows:

- (a) Advances to the Community Trust against their right to receive dividends declared by Blanket Mine on their shareholding 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.

- (b) An advance payment of US\$1.8 million to NIEEF against their right to receive dividends declared by Blanket Mine on their shareholding. The advance payment has been debited to an interest-free loan account and is repayable by way of set off of future dividends on the Blanket Mine shares owned by NIEEF. Whilst any amount remains outstanding on the NIEEF dividend loan account, interest on the NIEEF facilitation loan is suspended.

The movement in the advance dividend loans is reconciled as follows in USD 000's:

	NIEEF	Community Trust	Total
	US\$	US\$	US\$
Balance at December 31, 2013	358	3,507	3,865
Interest accrued	-	334	334
Dividends used to repay advance dividends	(358)	(604)	(962)
Balance at December 31, 2014	-	3,237	3,237
Interest accrued <sup>&amp;</sup>	-	-	-
Dividends used to repay advance dividends	-	-	-
Balance at March 31, 2015	-	3,237	3,237

<sup>&</sup> A moratorium has been placed on interest until dividends are resumed by Blanket Mine.

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

<b>6</b>	<b>Production costs</b>	<b>2015</b>	2014
	Salaries and wages	<b>3,602</b>	2,749
	Consumable materials	<b>4,792</b>	5,160
	Site restoration	-	9
	Exploration	<b>106</b>	120
	Safety	<b>189</b>	125
	On mine administration	<b>825</b>	625
		<b>9,514</b>	<b>8,788</b>

<b>7</b>	<b>Administrative expenses</b>	<b>2015</b>	2014
	Investor relations	<b>120</b>	82
	Management contract fee	-	260
	Professional consulting fees	<b>41</b>	325
	Audit fee	<b>101</b>	67
	Legal fee and disbursements	<b>24</b>	51
	Accounting services fee	<b>112</b>	8
	Listing fees	<b>41</b>	58
	Travel	<b>82</b>	86
	Directors fees	<b>120</b>	138
	Salaries and wages	<b>923</b>	483
	Zambia costs	<b>247</b>	260
	Other	<b>208</b>	29
		<b>2,019</b>	<b>1,847</b>

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

**8 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>Assets under construction</b>	<b>Fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost</b>								
Balance at January 1, 2014	8,152	14,991	16,320	21,476	-	1,306	2,219	64,464
Additions	592	3,390	1,864	1,921	-	122	19	7,908
Reallocations between asset classes	(640)	1,834	-	(1,197)	-	3	-	-
Disposals	-	-	-	(304)	-	-	(9)	(313)
Foreign exchange movement	742	1,689	(2,763)	2,482	-	(44)	61	2,167
<b>Balance at December 31, 2014</b>	<b>8,846</b>	<b>21,904</b>	<b>15,421</b>	<b>24,378</b>	<b>-</b>	<b>1,387</b>	<b>2,290</b>	<b>74,226</b>
Additions	<b>47</b>	<b>1,892</b>	<b>519</b>	<b>6</b>	<b>*1,385</b>	<b>43</b>	<b>52</b>	<b>3,944</b>
Disposals	-	-	-	-	-	-	(57)	(57)
Foreign exchange movement	<b>462</b>	<b>2,251</b>	<b>(780)</b>	<b>2,298</b>	<b>(11)</b>	<b>94</b>	<b>213</b>	<b>4,527</b>
<b>Balance at March 31, 2015</b>	<b>9,355</b>	<b>26,047</b>	<b>15,160</b>	<b>26,682</b>	<b>1,374</b>	<b>1,524</b>	<b>2,498</b>	<b>82,640</b>

\* Two winders were purchased by Greenstone Management Services Proprietary Limited and are currently in the process of refurbishment. The winders are earmarked for installation at the Blanket Mine as part of the Revised plan.

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

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

	Land and buildings	Mineral properties being depreciated	Mineral properties not depreciated	Plant and equipment	Assets under construction	Fixtures and fittings	Motor vehicles	Total
<b>Accumulated depreciation and Impairment losses</b>								
Balance at January 1, 2014	1,734	2,826	14,333	9,886	-	1,063	1,174	31,016
Depreciation for the year	567	810	-	2,088	-	86	357	3,908
Disposals	-	-	-	(236)	-	-	(9)	(245)
Impairment	-	-	-	180	-	16	-	196
Foreign exchange movement	(252)	358	(930)	(140)	-	(65)	(8)	(1,037)
<b>Balance at December 31, 2014</b>	<b>2,049</b>	<b>3,994</b>	<b>13,403</b>	<b>11,778</b>	<b>-</b>	<b>1,100</b>	<b>1,514</b>	<b>33,838</b>
Depreciation for the 3 month period	173	139	-	592	-	26	108	1,038
Disposals	-	-	-	-	-	-	(30)	(30)
Foreign exchange movement	182	353	(963)	1,066	-	31	124	793
<b>Balance at March 31, 2015</b>	<b>2,404</b>	<b>4,486</b>	<b>12,440</b>	<b>13,436</b>	<b>-</b>	<b>1,157</b>	<b>1,716</b>	<b>35,639</b>
<b>Carrying amounts</b>								
At December 31, 2014	6,797	17,910	2,018	12,600	-	287	776	40,388
<b>At March 31, 2015</b>	<b>6,951</b>	<b>21,561</b>	<b>2,720</b>	<b>13,246</b>	<b>1,374</b>	<b>367</b>	<b>782</b>	<b>47,001</b>

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

**9 Inventories**

	2015	December 31 2014
Consumable stores	7,998	6,932
Gold in progress	-	639
	<u>7,998</u>	<u>7,571</u>

Inventory is comprised of gold in circuit at Blanket and consumable stores utilised by Blanket Mine. Consumables stores are disclosed net of any write downs or provisions of obsolete items.

**10 Trade and other receivables**

	2015	December 31 2014
Bullion sales receivable	1,822	-
VAT receivables	1,542	1,169
Deposits for stores and equipment and other receivables	984	871
Current portion	<u>4,348</u>	<u>2,040</u>

The bullion receivable is received shortly after the delivery of the gold and no provision for non-recovery is required.

**11 Cash flow information**

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

	2015	2014
	\$	\$
Operating profit	3,257	4,432
Adjustments for:		
Profit of sale of property, plant and equipment	(27)	-
Site restoration	-	76
Depreciation	1,038	1,058
<b>Cash generated by operations before working capital changes</b>	<u>4,268</u>	<u>5,566</u>
Inventories	65	53
Prepayments	(85)	(5)
Trade and other receivables	(604)	96
Trade and other payables	283	1,158
<b>Cash generated by operating activities</b>	<u>3,927</u>	<u>6,868</u>

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

**12 Related parties**

**Transactions with key management personnel**

Key management personnel compensation:

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	<i>Note</i>	<b>Balance</b>			
		<b>3 months to Mar 31,</b>		<b>As at March 31,</b>	
		<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Management fees, allowances and bonus paid or accrued to a company for management services provided by the Group's former President	(i)	-	227	-	-
Rent for office premises paid to a company owned by members of the former President's family.	(ii)	-	9	-	-

- (i) On July 15, 2014 Caledonia served a six month notice to Epicure Overseas S.A. for the termination of the contract between Caledonia and Epicure for the provision of the services of Mr. Stefan Hayden, who was at that time Caledonia's President and Chief Executive Officer ("CEO"). Negotiations for alternative arrangements to secure the continued services of Mr. Hayden as President and CEO failed to reach agreement. Accordingly, on November 18, 2014 Mr. Hayden stepped down as President and CEO and on December 6, 2014, Mr. Hayden resigned as a director of Caledonia. No payments other than the contractual payments that were due to Epicure Overseas SA for the provision of the services of Mr. Hayden during the notice period were made.
- (ii) The contract expires September 2015. Costs relating to the rental for the period amounted to \$19,384. The Group's former president is not considered a related party in terms of IAS 24 for the 3 month period ended March 31, 2015.

**13 Operating Segments**

The Group's operating segments have been identified based on geographic areas. The Group has four reportable segments as described below, which are the Group's strategic business units. The strategic business units are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following geographical areas describe the operations of the Group's reportable segments: Corporate, Zimbabwe, South Africa and Zambia. The accounting policies of the reportable segments are the same as described in note 4.

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

**13 Operating Segments – (continued)**

The Zimbabwe operating segments comprise an operating gold mine. The Zambia segments consist of Nama copper project and cobalt project. The South Africa geographical segment comprise a gold mine under care and maintenance as well as sales made by Greenstone Management Services (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 report that are reviewed by the Group's CFO. 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.

**Information about reportable segments**

<b>2015</b>	<b>Corporate</b>	<b>Zimbabwe</b>	<b>South Africa</b>	<b>Zambia</b>	<b>Inter-group eliminations adjustments</b>	<b>Total</b>
External Revenue	-	15,994	2,615	-	(2,615)	15,994
Royalty	-	(801)	-	-	-	(801)
Production costs	-	(9,755)	(2,277)	-	2,518	(9,514)
Management fee	-	(1,449)	1,449	-	-	-
Other income	-	8	2	-	-	10
Administrative expenses	(469)	(33)	(1,270)	(247)	-	(2,019)
Depreciation	-	(1,092)	(9)	-	63	(1,038)
Foreign exchange gain/(loss)	120	-	505	-	-	625
Finance expense	-	(44)	-	-	-	(44)
Segment profit before income tax	(349)	2,828	1,015	(247)	(34)	3,213
Income tax expense	-	(950)	(249)	-	-	(1,199)
Segment profit after income tax	(349)	1,878	766	(247)	(34)	2,014
<b>Geographic segment assets:</b>						
Current assets	11,641	16,107	13,945	51	(2,620)	39,124
Non-Current (excluding intercompany)	55	46,784	1,830	-	(1,668)	47,001
Expenditure on property, plant and equipment – cash	-	2,585	*1,416	-	(57)	3,944
Intercompany balances	-	-	-	-	-	-
<b>Geographic segment liabilities :</b>						
Current liabilities	(835)	(4,411)	(1,453)	-	-	(6,699)
Non-current (excluding intercompany)	-	(14,266)	(716)	-	-	(14,982)
Intercompany balances	(42,467)	(2,118)	(87,749)	(32,056)	164,390	-

\* Two winders amounting to 1,385,000 were purchased by Greenstone Management Services Proprietary Limited and are currently in the process of refurbishment. The winders are earmarked for installation at the Blanket Mine as part of the Revised plan.

**Caledonia Mining Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
*(expressed in thousands of Canadian dollar)*

**13 Operating Segments – (continued)**

<b>2014</b>	<b>Corporate</b>	<b>Zimbabwe</b>	<b>South Africa</b>	<b>Zambia</b>	<b>Inter-group eliminations adjustments</b>	<b>Total</b>
External Revenue	-	17,063	2,173	-	(2,173)	17,063
Royalty	-	(1,195)	-	-	-	(1,195)
Production costs	-	(8,760)	(1,960)	(64)	1,996	(8,788)
Management fee	-	(1,289)	1,289	-	-	-
Administrative expenses	(974)	(95)	(686)	(92)	-	(1,847)
Depreciation	-	(1,013)	(3)	(104)	62	(1,058)
Foreign exchange gain/(loss)	195	-	282	-	(220)	257
Finance expense	-	(41)	-	-	-	(41)
Segment profit before income tax	(779)	4,670	1,095	(260)	(335)	4,391
Income tax expense	(56)	(971)	(273)	-	-	(1,300)
Segment profit after income tax	(835)	3,699	822	(260)	(335)	3,091
<b>Geographic segment assets:</b>						
Current	12,520	12,148	13,700	51	(1,511)	36,908
Non-Current (excluding intercompany)	56	41,646	356	-	(1,670)	40,388
Expenditure on property, plant and equipment – cash	-	6,627	52	107	-	6,786
Intercompany balances	118,502	1,748	33,788	-	(154,038)	-
<b>Geographic segment liabilities :</b>						
Current	(1,146)	(2,804)	(1,831)	-	-	(5,781)
Non-current (excluding intercompany)	-	(12,291)	(689)	-	-	(12,980)
Intercompany balances	(39,479)	(1,049)	(84,187)	(29,323)	154,038	-

**Major customer**

Revenues from Fidelity printers and Refiners in Zimbabwe amounted to \$15,994 (2014:\$17,063) for the 3 months ended March 31.

## Directors and Management at May 11, 2015

<b>BOARD OF DIRECTORS</b>	<b>OFFICERS</b>
L.A. Wilson (1) (2) (3) (4) (5) (7) - Chairman	S. R. Curtis
<i>Non- executive Director</i>	<i>Chief Executive Officer</i>
<i>New York, United States of America</i>	<i>Johannesburg, South Africa</i>
S. R. Curtis (5) (7)	M. Learmonth (5) (7)
<i>Chief Executive Officer</i>	<i>Chief Financial Officer Vice-President Finance</i>
<i>Johannesburg, South Africa</i>	<i>and Investor Relations and Corporate</i>
	<i>Development</i>
	<i>Johannesburg, South Africa</i>
J. Johnstone (2) (5) (6) (7)	D. Roets (6) (7)
<i>Non-executive Director</i>	<i>Chief Operating Officer</i>
<i>Gibsons, British Columbia, Canada</i>	<i>Johannesburg, South Africa</i>
J. L. Kelly (1) (2) (3) (7)	Dr. T. Pearton (6) (7)
<i>Non- executive Director</i>	<i>Vice-President Exploration</i>
<i>New York, United States of America</i>	<i>Johannesburg, South Africa</i>
R. Patricio (2) (3) (7)	
<i>Non- executive Director</i>	DSA Corporate Services Inc.
<i>Toronto, Ontario, Canada</i>	<i>Company Secretary</i>
	<i>36 Toronto Street – Suite1000</i>
J. Holtzhausen (1) (2) (5) (6) (7) - Chairman Audit Committee	<i>Toronto, Ontario, M5C 2C5</i>
<i>Non- executive Director</i>	
<i>Cape Town, South Africa</i>	
	<b>Board Committees</b>
	(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 May 11, 2015**

**CORPORATE OFFICES**

**Canada - Head Office**

**Caledonia Mining Corporation**

Suite 4009, 1 King West  
Toronto, Ontario M5H 1A1  
Tel:(1)(416) 369-9835 Fax:(1)(416) 369-0449  
info@caledoniamining.com

**South Africa – Africa Office**

**Greenstone Management Services (Pty) Ltd.**

P.O. Box 834  
Saxonwold 2132  
South Africa  
Tel: (27)(11) 447-2499 Fax: (27)(11) 447-2554

**Zambia**

Caledonia Mining (Zambia) Limited  
P.O. Box 36604  
Lusaka, Zambia  
Tel:(260)(1) 29-1574 Fax(260)(1) 29-2154

**Zimbabwe**

**Caledonia Holdings Zimbabwe (Limited)**

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

**CAPITALIZATION** at March 24, 2015

Authorised: Unlimited

**Shares, Warrants and Options Issued:**

Common Shares: 52,117,908  
Warrants: Nil  
Options: **2,125,920** (March, 31 2015)

**SHARES LISTED**

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

**SOLICITORS**

**Borden Ladner Gervais LLP**

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**REGISTRAR & TRANSFER AGENT**

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**BANKERS**

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**JOINT BROKERS (AIM)**

Numis Securities Limited

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24 Martin Lane  
London EC4R ODR  
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