2014 Annual Results Review

March 2015

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Profit and Loss

Summary P&L

	3 Months to 31 December		12 Months to 31 December	
	2013	**2014**	2013	**2014**
Revenues	12.1	**13.0**	65.1	**59.1**
Royalty	(0.9)	**(0.7)**	(4.5)	**(3.9)**
Operating costs	(5.9)	**(7.1)**	(27.4)	**(30.8)**
Gross Profit	5.3	**5.2**	33.2	**24.4**
G & A	(2.1)	**(2.8)**	(7.8)	**(8.2)**
EBITDA	3.2	**2.4**	25.4	**16.2**
Depreciation	(0.8)	**(0.8)**	(3.3)	**(3.9)**
Other	(12.6)	**0.4**	(12.6)	**1.0**
Operating Profit	(10.2)	**2.1**	9.5	**13.3**
Finance charges	0.1	**(0.1)**	(0.1)	**(0.2)**
Profit before tax	(10.1)	**2.0**	9.4	**13.2**
Tax	(4.3)	**(2.3)**	(9.9)	**(6.6)**
Profit/(loss) after tax	(14.4)	**(0.3)**	(0.5)	**6.6**
- attrib. To Cal. shareholders	(14.4)	**(0.5)**	(3.1)	**4.9**
- attrib to NCI (i.e. IZ's)	0.1	**0.2**	2.6	**1.7**
Attributable profit	(14.4)	**(0.3)**	(0.5)	**6.6**
EPS (cents)	(27.7)	**(1.1)**	(6.1)	**9.3**
Adjusted EPS (cents)*	(0.5)	**1.6**	27.7	**12.1**

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

- 2014 revenues adversely affected by lower gold price received and lower gold sales
- Lower royalty in 2014 reflects the lower gold price and the reduction in royalty rate from 7% to 5% effective October 1 2014
  - average royalty rate in 2014 was 6.6% compared to 7.0% in 2013
- Opex increase in C$ terms, but almost flat in US$
- G&A falls in US$ terms, but still too high: initiatives in place to reduce costs in 2015 and 2016
- "Other" comprises FX gain on cash balances, impairment of assets mainly in Zambia and proceeds of asset disposals
- Taxation reflects complex group structure: measures in place to reduce future tax burden
- NCI interest represents IZ's 16.2% of Blanket's profit
- IFRS EPS below consensus (11.1 cents); adjusted EPS exceeds consensus

Revenues
Effect of changes in production, gold price, FX etc.

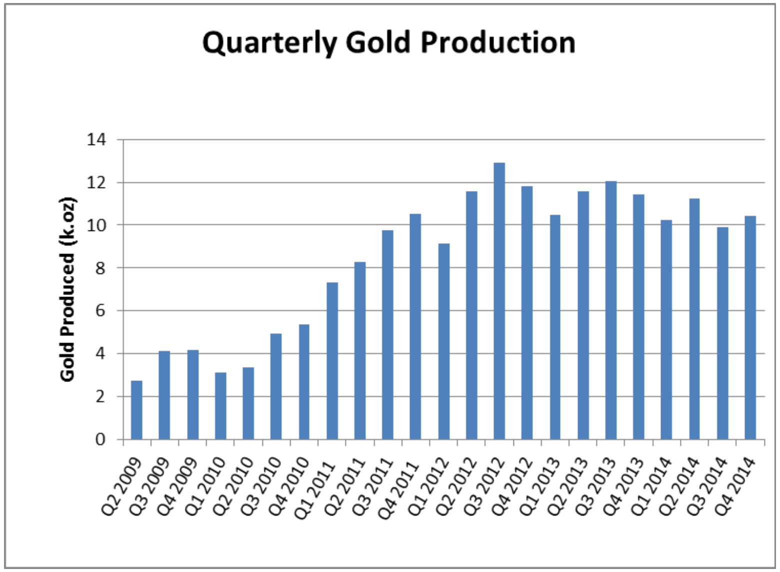
Production and Revenues

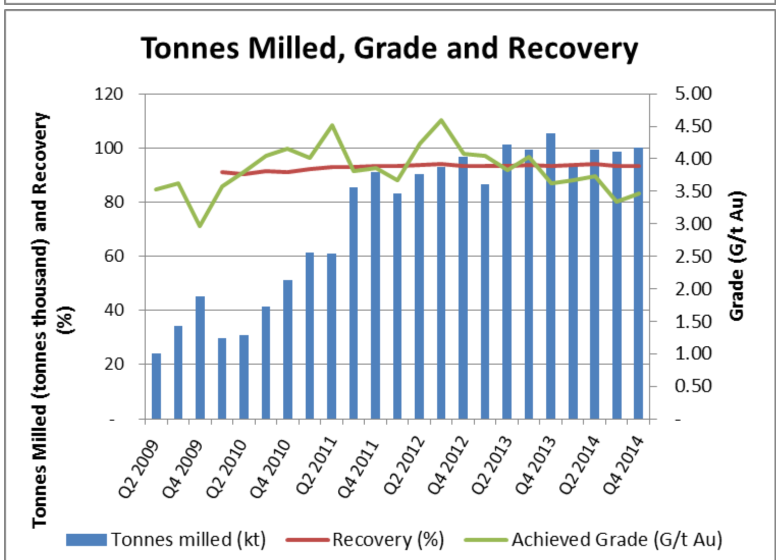
	2013	2014	Dif (%)	Revenue effect (C$'m)
Tonnes milled (K.tonnes)	392	**391**	-0.4%	(0.3)
Average grade (g/t)	3.88	**3.55**	-8.5%	(5.5)
Average recovery (%)	93.3%	**93.4%**	0.1%	0.4
Gold produced (oz)	*45,527*	**41,771**	**-8%**	(5.3)
Net WIP movement (oz)	*-479*	***1,156***		2.3
Gold Sold (oz)	*45,048*	**42,927**	**-5%**	(3.0)
Av. realised gold price (i)	1,402	**1,245**	-11%	(6.8)
Gold revenues (US$'m)	63.1	**53.5**	-15%	(9.8)
Silver revenues (US$'m)	0.1	**0.1**	-21%	(0.0)
Total PM Revenues (US$'m)	63.2	**53.5**	-15%	(9.8)
X-rate (1US$: C$)	1.02	1.10	9%	4.8
Total PM revenues (C$'m)	64.2	**59.1**	-8%	(5.1)
Other Revenues (C$'m)	0.9	**0.0**	-100%	(1.0)
Total revenues (C$'m)	65.1	**59.1**	-9%	(6.0)

(i) Realised gold price is net of Fidelity discount (1.5% in 2014; 2013 zero), refining, transport and freight insurance

- Lower grade and the lower realised US$ gold price have significant adverse effects on revenues
- Effect of the lower international gold price was exacerbated by the Fidelity discount (1.5%, which cost approx US$800,000 of revenue)
- Adverse effect of grade and gold price was mitigated somewhat by lower working capital and the devaluation of the Canadian dollar

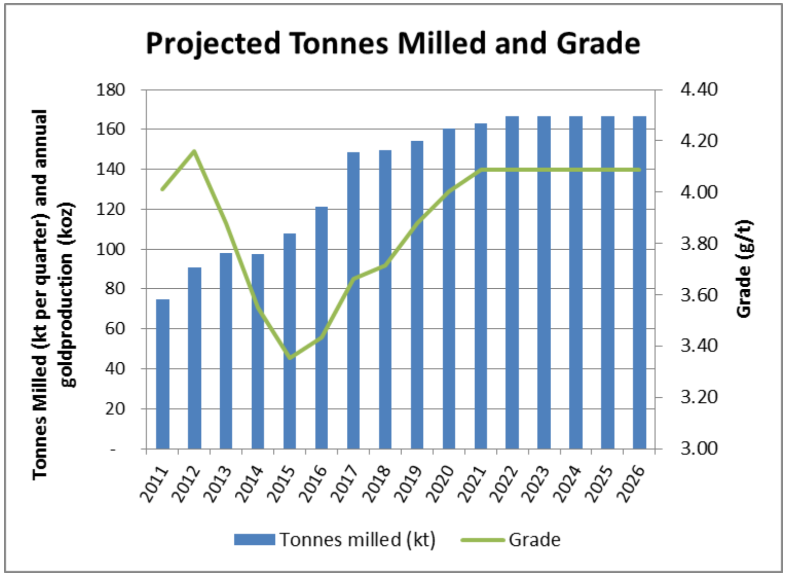
Gold Production

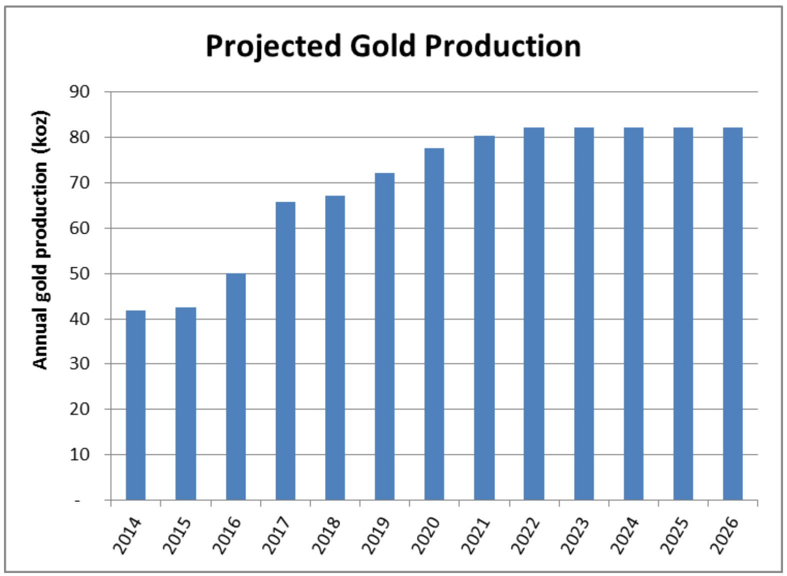




- Quarterly production is now approx. 10,000 ounces per quarter compared to over 12,000 ounces per quarter in mid-2012
  - Lower production is primarily due to lower grades which have fallen from a peak of 4.5g/t to 3.4g/t in Q4 2014.
- Lower grades are due to a drop in the average grade of immediately available proven reserves that are currently at 3.3 g/t from the previous 3,8 g/t. The average grade will only start to improve back to 3.8 g/t once the build-up in production from below 750m starts.
- Constraints on underground logistics on 22-Level prevent rapid build-up in tonnes to compensate for lower grades
- Lower-grade ore has an adverse effect on production costs
- 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

Gold Production Outlook





- The Revised Plan projects increasing production from 2016 onwards
- No. 6 Winze provides access below 750m from January 2016
- Central Shaft commences production from mid-2018
- Modest improvement in grades as production from new, higher grade areas are blended with production from lower grade areas
- Metallurgical recovery (not shown in graphs) is also projected to increase from 93.5% to 94.0% as grades improve
  - At approx. 4g/t, recoveries have already exceeded 94% following the introduction of oxygenation into the CIL process

Source: Preliminary Economic Analysis

Operating Costs

Operating Costs	2013	2014	Movt
On-mine costs (US$'m)	27.60	**27.97**	1.3%
X-rate (1US$: C$)	1.03	**1.10**	
On-mine cost (C$'m)	26.45	**30.66**	15.9%
Adjustments (i)	0.97	**0.15**	
IFRS Production costs (C$'m)	27.41	**30.81**	12.4%
Cost per tonne (US$/t)	70.35	**71.58**	1.7%
Cost per ounce (US$/oz)	613	**652**	6.3%

(i) Adjustments include intercompany profits, re-allocated administration charges and removal of costs not relating to production

- On mine costs (labour, electricity, consumables) increase by 1.3% y-on-y in US$ terms
  - Operating costs benefit from: deflationary environment in Zimbabwe; Rand devaluation against the US$ (usually short term benefit); reduced cyanide consumption resulting from oxygenation of CIL circuit
  - However some increase in costs resulted from increased production in Lima and Eroica (lower grade; increased tramming and underground travel times) and changes in mining methodology at AR Main to improve grade control
- Mine costs (after inter-company) in C$ increase by 12.9% due to the devaluation of the Canadian dollar
- Modest increase in cost per tonne (US$/t) reflects generally good cost control and increased costs associated with changed mining methodology
- Higher cost per ounce in US$ terms due to lower grades: average grade falls from 3.88g/t in 2013 to 3.55g/t

G&A

General and Administrative Costs	2013 (C$'m)	**2014 (C$'m)**	Movt
Investor Relations	0.7	**0.6**	-22%
Man. Contract fee	0.9	**0.9**	7%
Audit	0.3	**0.4**	18%
Legal	0.4	**0.8**	82%
Listings	0.3	**0.4**	3%
Directors fees	0.4	**0.4**	2%
Salaries and wages	1.8	**2.5**	42%
Zambia	0.0	**1.0**	n/a
Indigenisation (BETS)	0.2	**0.2**	-28%
Donation	2.1	**0.0**	-100%
Professional consulting	0.0	**0.5**	n/a
Other	0.6	**0.5**	-14%
Total (C$'m)	**7.8**	**8.2**	**5%**
X-rate	1.03	1.10	
Total (US$'m)	**7.5**	**7.4**	**-2%**

- 5% increase in C$ terms; 2% decrease in US$ terms
- Measures in-hand to further reduce G&A in 2015
  - Termination of management contract (offset somewhat by external consulting fees)
  - Legal fees reflect expenditure on corporate affairs in 2014 (further expenditure expected in 2015, but at a lower level)
  - Zambian costs reflect the cost of the Lusaka office which were expensed in 2014, whereas capitalised in 2013. Closure process commenced
- BETS adjustment adds back employee dividend participation via IZ ownership (IFRS 2)
- Increase in wages and salaries in 2014 reflect strengthening of the management team (COO plus support staff) and rebasing of salaries to market rates

Other Income/Expense

Other income/expense	
	C$'000
Foreign exchange gain	
GMS SA - US$ bank	467
GMS SA US$-denominated Blanket receivable	626
CMC US$-denominated bank	59
consol adj	(24)
	1,176
Impairment	(196)
Proceeds of asset sales	28
	1,008

- FX gain on movement in monetary assets (i.e. cash and receivables) held in another currency by entities that do not have C$ as their functional currency i.e. GMS SA: US$ bank account and US$-denominated receivable from Blanket and CMC's US$ bank account.
  - C$ devalues by 8.5% from C$1.069/US$1 at Dec 31, 2013 to CS$1.16/US$1 at Dec 31, 2014
- Impairment reflects write off of fixed assets at Blanket and Zambia

Taxation

Taxation	C$'000
Zimbabwe income tax	3,125
SA Income Tax	745
UK Income tax	974
Total income tax	**4,844**
Zimbabwe withholding tax	980
Deferred tax	780
Total taxation charge	**6,604**
Total tax paid in 2014	**4,999**
Total effective tax rate	*50%*
Income tax as % of IFRS PBT	*37%*

- Zimbabwe income tax @ 25% on profit adjusted for capital investment and royalty
  - Taxable profit in 2015 and 2016 will be shielded by higher capex (although still deferred tax charge)
- SA income tax at 28% on intercompany profit arising on procurement, FX gains and management fee
- UK income tax on interest arising in UK on facilitation loans includes $375k in respect of 2013
  - Suspension of Blanket dividend in 2015 means no interest income in UK, hence no UK income tax
- Zimbabwean withholding tax:
  - 5% on Blanket dividends paid to GMS (UK)
  - 15% on management fee paid to GMS (SA),offset against SA income tax liability
- Deferred tax arising on timing differences e.g. 100% tax allowance for capital expenditure in Zimbabwe compared to depreciation over several years for financial accounting
- Management is reviewing the scope to improve tax efficiency

Earnings per Share: IFRS

Earnings Per Share (IFRS)		
	2013	**2014**
	C$'m	**C$'m**
Attrib earnings	(3.1)	4.9
BETS adj	(0.1)	(0.1)
Attrib earnings for EPS	(3.2)	4.8
W. av shares in issue (m)	52.0	52.1
Basic eps (cents)	(6.1)	9.3

- 2013 earnings adversely affected by Nama impairment ($14.2m)
- BETS adjustment adds back the attributable dividends paid to Blanket employees from the indigenisation structure (per IFRS 19)
- Weighted average shares slightly higher in 2014 as 540k shares were issued in 2013 as a result of option exercises
- Very few options in the money – diluted EPS same as basic

Earnings per Share: Non IFRS

Adjusted Earnings per share (Non IFRS)		
	2013	**2014**
	C$'m	**C$'m**
Attrib earnings (IFRS)	(3.2)	**4.8**
Donations	1.6	**0.0**
Fx	(1.7)	**(1.2)**
Impairments	14.2	**0.2**
Deferred tax	2.2	**0.8**
WHT on distributions in specie	1.5	**0.0**
Reversal of Zambian costs	0.0	**1.0**
Adjustment i.r.o. GMS UK tax	(0.4)	**0.4**
Adjustment i.r.o GMS SA tax	(0.1)	**0.3**
Adjusted earnings	14.2	**6.3**
W. av shares in issue	52.0	**52.1**
Adjusted eps (cents)	27.4	**12.1**

- No unusual donations in 2014 (2013: US$2m donation to Presidential Fund, less tax relief)
- Foreign exchange gains in P&L are reversed out
- 2013 Impairment i.r.o Nama; 2014 impairment re Zimbabwean and Zambian PPE
- Deferred tax reversed as non-cash
- 2013 WHT on distribution of $30m facilitation receivable to GMS UK
- In 2013 Zambian admin costs were capitalised; they are expensed in 2014 due to impairment of Zambia. These costs are reversed to give an accurate picture of sustaining operations
- Adjustment for UK tax on Facilitation loan interest at GMS UK which relates to 2013, but is absorbed into the 2014 taxation charge
- Total net 2014 adjustments: $1.2m

Earnings: Analysts Forecasts

Analyst forecasts	EPS (C. Cents)	PBT C$'m	Cash C$'m
Numis (Nov 2014)	11.0	12.2	23.4
WH Ireland (Nov 2014)	10.0	12.0	27.0
Edison (Jan 2015)	12.3	10.5	22.3
Average	**11.1**	**11.6**	**24.2**
IFRS actual	**9.3**	**13.2**	**26.8**
Adjusted eps	**12.1**	**n/a**	**n/a**

- IFRS earnings are at the bottom end of the forecast range: analysts do not forecast deferred tax expense, FX gains, tax leakage in UK and SA and were unaware of the Zambian expenses
- On an adjusted basis, EPS is at the top end of analysts range
- Actual PBT exceeded analysts expectations – which confirms their difficulty in assessing accurately the effective tax charge
- Cash generation was also at the top end of expectations: production in Q4 was slightly higher than they had expected, but the realised gold price was lower.

Earnings: Outlook

- Stable production for 2015 (approx. 42koz) with first production increases expected from 2016 in terms of the Revised Plan
  - Production guidance has been provided 2015 to 2021
- On-mine costs are stable in overall terms – little inflation on input prices
- Production costs per ounce are not expected to fall significantly until rising production spreads fixed costs over more ounces
  - Approx 60% of Blanket's costs are fixed
  - Group G&A costs (including South African procurement costs) are fixed
- However, modest earnings improvement is anticipated in 2015 as a result of:
  - Reduced head office G&A; every $1m reduction adds 2 cents per share to earnings
  - Lower tax charge as higher investment in Zimbabwe shields Blanket's profits; lower income tax leakage in UK
- Further earnings improvements expected from 2016 onwards as production increases

Balance Sheet

Summary Balance Sheet (C$'m)	31 Dec 2013	**31 Dec 2014**
Fixed Assets	33.4	40.4
Inventories	6.9	7.6
Prepayments	0.2	0.3
Trade receivables	3.9	2.0
Tax receivable	0.0	0.1
Cash and equivalents	25.2	26.8
Total Assets	69.6	77.3
Long term liabilities	10.1	13.0
Trade creditors	4.6	3.8
Overdraft	1.8	0.0
Income taxes payable	1.1	2.0
Total liabilities	17.6	18.8
Capital and reserves	52.0	58.5
Total equity and liabilities	69.6	77.3

- Increase in PPE largely reflects the devaluation of the C$ against the US$
  - In US$ terms fixed assets at Blanket increase by approx. US$2.5m
- Significant capital expenditure to implement the Revised Plan commences in 2015
  - Adverse effect on RoE until related increase in production and profitability from 2016 onwards
- Lower trade receivables reflect the shorter payment period offered by Fidelity, the Zimbabwean purchaser of Blanket's gold, compared to the previous Swiss-based purchaser
- Blanket overdraft facility remains at $2.5m, but undrawn at December 31.
  - Negotiations are in progress to increase the Zimbabwean debt facility to provide greater flexibility and allow Blanket to address further internal investment opportunities

Cash Flow

Summary Cash Flow (C$'m)	2013 Year	**2014 Q1**	**2014 Q2**	**2014 Q3**	**2014 Q4**	**2014 Year**
Cash flow from operations	22.8	6.9	3.5	5.1	3.4	**18.8**
Taxation paid	(8.0)	(0.6)	(1.8)	(1.4)	(1.1)	**(5.0)**
Interest	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	**(0.1)**
Cash from operating activities	14.7	6.2	1.7	3.6	2.2	**13.7**
Net capital investment	(11.7)	(2.0)	(1.6)	(1.3)	(1.9)	**(6.8)**
Issue of shares	0.5	0.0	0.0	0.0	0.0	**0.0**
Advance dividend payments	(2.0)	0.0	0.0	0.0	0.0	**0.0**
Dividend paid	(5.9)	(0.9)	(1.0)	(1.3)	(0.8)	**(4.0)**
Change in cash	(4.5)	3.3	(0.9)	1.0	(0.5)	**2.9**
Cash b/fwd	27.9	23.4	26.7	25.8	26.9	**23.4**
Exchange gain					0.5	**0.5**
Cash c/fwd	23.4	26.7	25.8	26.9	26.8	**26.8**

- Cash flows remain robust throughout 2014, despite fluctuations in production and the gold price
- Capex was subdued in 2014, but will increase in 2015 due to investment in the Central Shaft e.g. $1.3m spend on winders in Feb 2015
- $4.0m dividend comprises the Caledonia dividend (6 cents per share) plus the 20% of Blanket dividends that were paid to Blanket's IZ shareholders after servicing their facilitation loans

Cash Flow Outlook

- Blanket and Group cash flows remain robust, despite lower gold price
- Operating cash flows at Blanket are expected to remain robust in 2015, subject to variations in gold price
- Capex will increase in 2015 due to investment in the Central Shaft e.g. $1.3m spent on winders in Feb 2015
  - Anticipated capex in 2015 is approx. US$16m
- At **Blanket**, dividends have been suspended for 2015 so that cash can be fully deployed into increased capital investment
  - In 2015 Caledonia will not receive its 49% share of Blanket dividends or repayments of facilitation loans
  - Interest on the facilitation loans has been suspended for 2015 (reduces UK tax leakage)
  - Blanket has opened discussions with Zimbabwean debt providers to provider greater funding flexibility
  - Caledonia will continue to receive management fees from Blanket and will continue to make modest margin on South African procurement
- At **Caledonia** level:
  - The board remains committed to maintaining the Caledonia dividend, subject to the usual commercial judgements
  - It is anticipated that Caledonia's cash position will reduce in 2015, stabilise in 2016, and start to increase in 2017

Operational Update

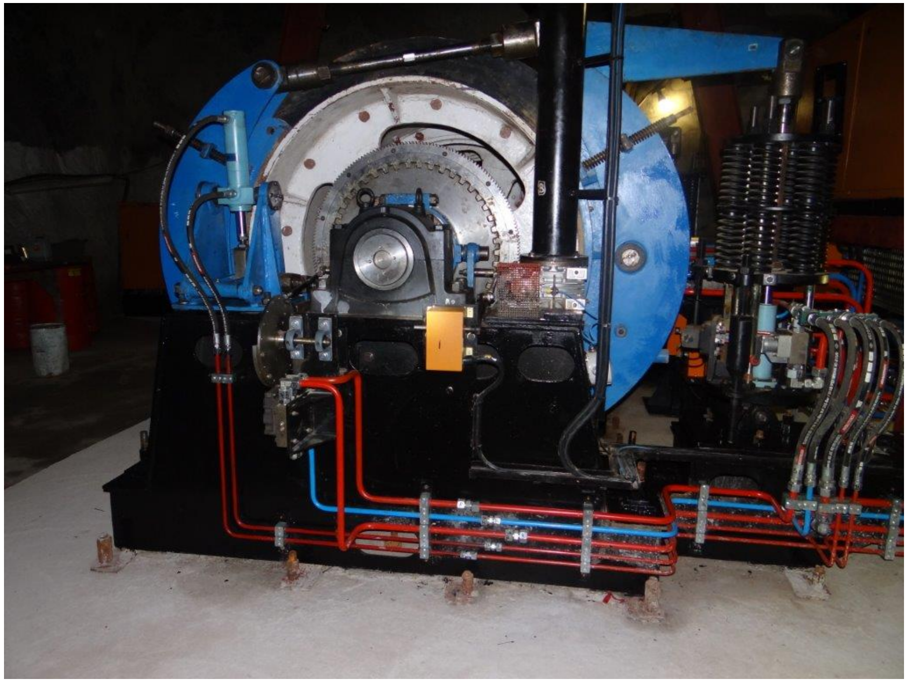
- No significant operational issues in 2014 or post year-end
  - New compressor commissioned in late February after we resolved issues with ZESA's equipment
  - Re-affirm 42koz production target for 2015: H2 likely to be better than H1 due to higher number of production days

- Improving Zimbabwe environment
  - Royalty rate reduced from 7% to 5% with effect from October 1, 2014
  - Fidelity buying discount reduced from 1.5% to 1.25% effective February 2015
    - Switch to selling gold to Fidelity has reduced working capital requirement due to rapid payment
  - Good relations with relevant Ministers: clear desire to support growth of the Zimbabwean gold sector
  - Increasing local debt capacity at lower pricing
  - Stable labour relations and electricity supply

Operational Update
Implementation of the Revised Plan on-track

- Tramming Loop on schedule for completion at mid-year: over 60% complete at end February
- Sinking of Central Shaft to commence earlier than planned:
    - Sinking plan revised to single-stage blind sink – no effect on projected production profile per PEA
    - Two winders have been purchased: #1 required for the sinking phase; #2 needed for eventual production
- No. 6 Winze on schedule
    - Station completed on 870 level
    - Remaining 40 meters to sink to accommodate material handling – expected shaft completion end of July 2015
    - Production winder installed
    - Equipping in H2 2015 with first production scheduled for January 2016

Operational Update
No. 6 Winze – Production Winders installed



- Double drum rock winder installed with capacity of 600t/day (500t ore and 100t waste)
- No 6 Winze from 750m to 930m
  - Shaft to be deepened further after Central Shaft is operational
  - Production build-up will commence early 2016 with full production at 500t/day second half of 2017

Operational Update
Central Shaft – Site Preparation