



Caledonia Mining
Corporation

H1 2016 Results Overview





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Profit and Loss Overview

Summary P&L (US\$m)	3 months ended June 30		6 months ended June 30	
	2015	2016	2015	2016
Revenue	12.2	15.7	25.1	29.1
Royalty	(0.6)	(0.8)	(1.3)	(1.5)
Production costs	(7.5)	(8.1)	(15.2)	(16.1)
Gross profit	4.1	6.8	8.7	11.5
G&A costs	(1.9)	(1.8)	(3.5)	(3.2)
EBITDA	2.2	5.0	5.2	8.3
Depreciation	(0.8)	(0.9)	(1.7)	(1.7)
Other income	0.0	0.0	0.0	0.1
Foreign exchange gain/(loss)	0.1	(0.2)	0.6	(0.2)
Cash settled share based payment	-	(0.2)	-	(0.3)
Profit on sale of Blanket Mine treasury bills	-	3.2	-	3.2
Margin call on gold hedge	-	-	-	(0.4)
Operating Profit	1.5	7.0	4.1	9.0
Finance Charges	(0.0)	(0.1)	(0.1)	(0.1)
Profit before tax	1.5	6.9	4.1	8.9
Tax	(1.0)	(2.4)	(2.0)	(3.5)
Net Profit	0.5	4.5	2.1	5.4
Attributable to:				
Caledonia Shareholders	0.3	3.6	1.5	4.2
NCI	0.2	0.9	0.6	1.2
Attributable profit	0.5	4.5	2.1	5.4
Earnings per share (cents)				
EPS (cents)	0.4	6.7	2.7	7.7
Adjusted EPS (cents)*	1.5	6.1	4.1	8.6

- Increased revenues reflected higher production and a higher gold price
- Costs remain under control and trending downwards with on mine costs of \$629 per ounce and AISC of \$936 per ounce
- Results include exceptional gain of \$3.2m on the sale of treasury bills that had previously been written off
- Tax includes tax paid on the sale of treasury bills which has previously been written off and deferred tax
- Zimbabwe income tax reduced due to high capex; withholding tax reduced due to no Blanket dividends
- Adjusted EPS excludes gains on sale of treasury bills, deferred tax and foreign exchange gains and losses.

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



Production and Revenues

Effect of Changes in Production, Gold Price

Production and Revenues	Q2 2015	Q2 2016	% change
Tones Milled (000's)	103,551	120,590	16%
Average grade (g/t)	3.35	3.47	4%
Average recovery (%)	93.3	93.1	-0.2%
Gold Production (oz)	10,401	12,510	20%
Average realised gold price (\$/oz)	1,173	1,252	7%
Gold revenues (\$m)	12.2	15.7	28%

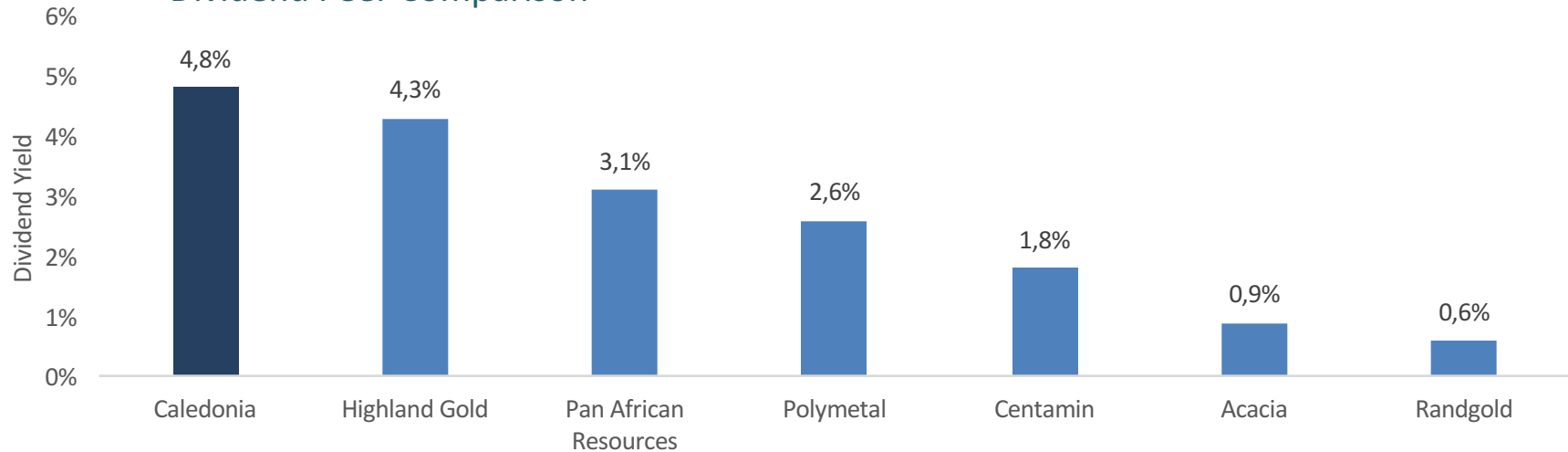
- Gold production and sales were 20% higher year on year, mainly due to increased production rates and the extraction of ore from below 750m level and a modest recovery in mined grade
 - Over 120,000 tonnes mined and milled in the quarter: a new record from underground and reflects the recent investment in infrastructure
 - Grade is expected to continue to trend gradually upwards towards 4g/t as production from below 750m increases
- The average realised gold price was also 7% higher year on year which combined with a 16% increase in tonnes milled contributed to a 28% increase in revenue for the quarter



Dividend

A track record of sustainable and increasing dividends

Dividend Peer Comparison

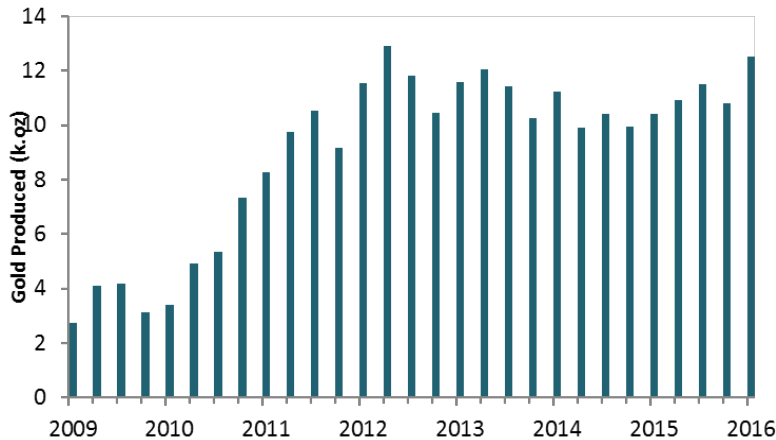


- Caledonia increased its quarterly dividend by 22% from 1.125 US cents per quarter to 1.375 US cents per quarter delivering a dividend yield of over 4.8%
- Caledonia's dividend is more than 4 times covered by earnings and 10 times covered by operating cash flow
- Dividends remain a vital component of the Caledonia strategy for delivering shareholder value
- Dividends have been paid each quarter since January 2014 over a period of sustained weakness in the gold price and a significant capital investment program – a strong testament to the cash generating potential of Caledonia

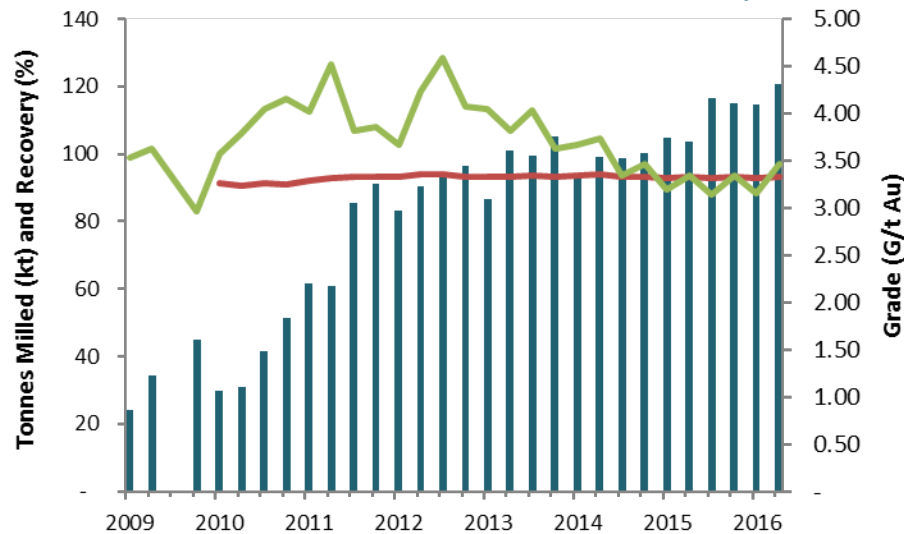


Gold Production

Quarterly Production



Tonnes Milled, Grade and Recovery



■ Tonnes milled (kt) ■ Recovery (%) ■ Achieved Grade (G/t Au)

- Quarterly production increased significantly to over 12k ounces as a result of increased tonnes milled and grade improvements
 - Production was boosted by improved access to resources below 750m in depth
- Guidance remains on track for 2016
- Management is increasingly confident of delivering the longer term target of 80k ounces as development below 750m continues to progress and the Central Shaft project remains on track
- Improved underground logistics: completion of the tramming loop and decline development have boosted operational flexibility
- Grade is anticipated to continue to improve gradually towards 4g/t as deeper resources are accessed



Resource Upgrade

Exploration activities continue to bear fruit

Resource Statement

Category	Tonnes	Grade (g/t)	Contained Gold (oz)
Measured	1,177,079	4.01	151,657
Indicated	3,677,828	4.31	509,222
Total M&I	4,854,907	4.23	660,879
Inferred Resources	3,862,991	5.01	622,613

Ounces added in the Quarter

Orebody	Tonnes	Ave Width (m)	Grade (g/t)	Contained Gold (oz)
Blanket Quartz Reef	611,000	3.82	5.80	103,000
No. 1 Orebody	326,000	6.07	5.58	50,000
No. 2 Orebody	281,000	4.28	3.70	35,000
No. 4 Orebody	58,000	3.65	4.80	14,000
Total	1,276,000	4.47	5.00	202,000

- Exploration at Blanket continues to bear fruit with the reclassification of 343,000 tonnes from Inferred to Indicated and an additional 1,276,000 tonnes of new inventory has been added to Inferred Resources
- Management remain confident that the investment in infrastructure at depth will enable continued exploration drilling and resource delineation in the future
- Grade continues to improve with depth with the inferred resources grading 5g/t. This trend is anticipated to lead to higher grade operations as Blanket progresses deeper



Production Costs

	<u>H1 2016</u>	<u>H1 2015</u>	<u>Change</u>
Gold produced (oz)	23,332	20,360	15%
On-mine cost (\$/oz)	658	718	-8%
All-in Sustaining Cost (\$/oz)	943	1,007	-6%
Average realised gold price (\$/oz)	1,211	1,186	2%
Tonned Milled (kt)	235	208	13%
Cost per tonne milled (\$/t)	69	73	-6%
Salaries, wages and bonuses	6,321	5,820	9%
Consumable materials	8,046	7,569	6%
Site restoration	1	3	-67%
Exploration	189	169	12%
Safety	248	278	-11%
On mine administration	1,318	1,359	-3%
	16,123	15,198	6%

- Blanket did not experience significant inflationary pressure on input costs
- Unit operating costs per ounce and per tonne milled benefitted from increased mine and plant throughput.
- Further throughput improvements are expected to yield additional cost reductions:
 - approximately 65% of Blanket's on-mine costs are fixed
- Increase total production costs corresponds to increased tonnes mined and milled

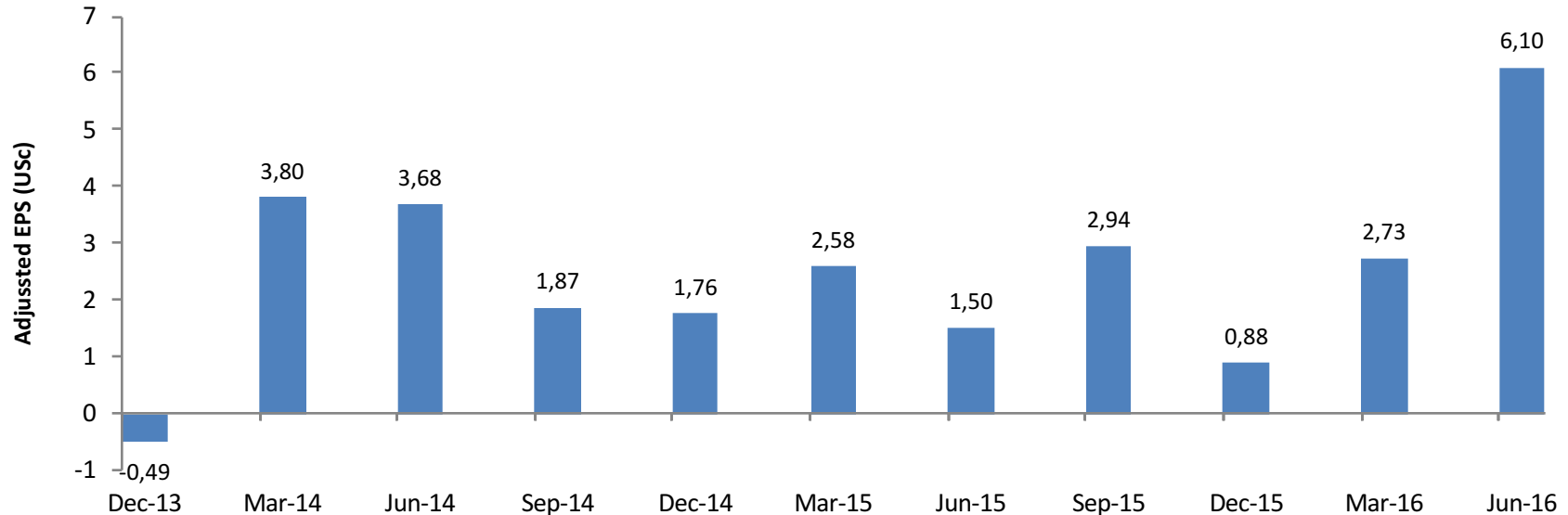
	<u>H1 2016</u>	<u>H1 2015</u>	<u>Change</u>
Investor relations	269	228	18%
Eersteling gold mine holding costs	56	60	-7%
Professional consulting fees	510	266	92%
Audit fee	174	172	1%
Legal fee and disbursements	412	109	278%
Advisory services fee	80	95	-16%
Listing fees	226	129	75%
Travel	216	136	59%
Directors fee - Company	113	113	0%
Directors fee - Blanket	16	36	-56%
Employee costs	1,118	1,254	-11%
Zambian holding costs	0	668	-100%
Other	46	253	-82%
	3,236	3,519	-8%

- Higher IR reflects increased coverage in UK and Europe
- Management continue to investigate options for the disposal of Eersteling Gold mine
- Zambia office closed with effect end of May 2015, no further costs incurred in 2016
- Accounting services includes fees in respect of tax compliance and re-structuring
- The other largest component of administrative costs is legal and other costs relating to Caledonia's general corporate affairs including regulatory and tax compliance in all relevant jurisdictions



Earnings per Share

Quarterly Adjusted EPS



	<u>Q2 2016</u>	<u>Q2 2015</u>
Attributable Profit (IFRS)	3,607	266
Adjustments for:		
Foreign exchange	228	-114
Deferred tax	1,361	318
Reversal of Zambian G&A	-	330
Post-tax proceeds of treasury bill sale	-1,993	-
Adjusted profit	3,203	800
Weighted average shares in issue (m)	52.1	52.1
Adjusted EPS (cents)	6.1	1.5

- Q2 2016 represents Caledonia's strongest results in almost 3 years
- IFRS EPS affected by forex gains, deferred tax and once off gains on the sale of treasury bonds and losses on the hedge implemented in the first quarter
- Adjusted EPS for H2 2016 of 6.1 cents



Cash Flow

	<u>H1 2016</u>	<u>H1 2015</u>
Operating Cash Flow		
Cash generated by operating activities	9,835	3,874
Net finance cost paid	-90	-49
Net tax paid	-781	-639
Cash from operating activities	8,964	3,186
Investing Cash Flow		
Acquisition of Property, plant and equipment	-8,230	-5,800
Proceeds from Property, plant and equipment	59	-
Net cash used in investing activities	-8,171	-5,800
Financing Cash Flow		
Dividend paid	-1,197	-1,298
Shares issued	105	-
Net cash used in financing activities	-1,092	-1,298
Change in cash and cash equivalents	-299	-3,912
Cash and cash equivalents at beginning of period	10,880	23,082
Cash and cash equivalents at end of period	10,581	19,170

- Cash from operating activities remains robust, boosted by higher production volumes and a stronger gold price
- The sale of treasury bonds in the quarter reflects a once off gain in operating cash flow of \$2.4m
- Significant increase in capital investment is anticipated in 2016 with peak Capex for the year of \$18m, capex is anticipated to decline from 2017 onwards
- Zimbabwe debt facilities of US\$5m are currently undrawn and provide adequate liquidity
- At 30 June 2016 net cash was approx. \$10.5m, the resumption of dividend payments from Blanket in August 2016 will support further cash accumulation at Caledonia as investment in the expansion of Blanket continues



Balance Sheet

	<u>Jun-16</u>	<u>Dec-15</u>
Fixed Assets	55,817	49,276
Current Assets		
Inventories	6,440	6,091
Prepayments	457	667
Income tax receivable	233	397
Trade and other receivables	5,134	3,839
Cash and cash equivalents	10,581	12,568
Total assets	78,662	72,838
 Total non-current liabilities	 16,899	 14,080
Current Liabilities		
Trade and other payables	7,035	6,656
Income taxes payable	102	53
Bank overdraft		1,688
Total liabilities	24,036	22,477
Total equity	54,626	50,361
Total equity and liabilities	78,662	72,838

- Caledonia mining remains debt free with adequate cash resources and strong operating cash flow
- Dividends are comfortably covered by cash resources and operating cash flows
- Increase in PPE includes investment of \$8.2m for the 6 months to June 2016
 - 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
 - Capex is anticipated to peak in 2016
- Blanket overdraft facility increased to \$5m, but undrawn at period close

- 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
- The resumption of dividends from Blanket is likely to see an improvement in Caledonia's cash position going forward
- Guidance of 50koz for 2016 maintained with long term growth plans for 80koz by 2021
- Costs are anticipated to continue to trend downwards as the benefit of increased throughput and low marginal costs are materialised
- Conservative approach to cash management
 - Retain the financial capacity to accommodate a lower gold price and maintain the current dividend
 - Recent 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