



CALEDONIA MINING CORPORATION



Results Presentation for Quarter and
Year to December 31, 2013

March 2014



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Results Highlights

Adjusted earnings in-line with consensus forecasts

Caledonia – Results Highlights

		Year 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Year 2013
Gold production (oz)	i	45,465	10,472	11,588	12,042	11,429	45,527
On-Mine Cash Costs (US\$/gold oz)	ii	570	653	587	558	666	613
All-in Sustaining Cost (US\$/gold oz)	iii	857	925	956	866	1,175	978
Attributable profit/(loss) after tax (C\$'m)	iv	8.7	4.6	3.1	3.7	(14.4)	(3.1)
Normalised basic earnings per share attrib. to Caledonia shareholders (cents)		49.9 ^v	11.9	9.1	7.2	0.2	28.3
Gross Cash in Treasury (C\$'m)		27.9	25.2	22.5	25.0	25.2	25.2
Gross cash per share (C\$/share)	vi	0.54	0.48	0.43	0.48	0.48	0.48

- i. Production relates to 100% of the Blanket Mine in Zimbabwe. Following the implementation of indigenisation in September 2012, Caledonia owns 49% of Blanket
- ii. On-mine cash costs comprise labour, electricity, consumables and on-mine G&A.
- iii. All-in Sustaining costs includes off-mine G&A and sustaining capital investment
- iv. 2012 attributable profit is after \$14.1m non-cash charge in respect of the implementation of indigenisation; Q4 2013 and Year 2013 is after \$14.3m impairment – primarily of the Nama Project in Zambia
- v. Normalised profit excludes indigenisation expenses, impairment, deferred tax and non-recurring withholding tax
- vi. Per share numbers have been adjusted for the 1-10 share consolidation effected on April 12 2013



Summary Profit and Loss

Summary Profit and Loss (C\$'m)

	2012	2013				
	Year	Q1	Q2	Q3	Q4	Year
Revenues	75.2	19.2	17.2	16.6	12.1	65.1
Royalty	-5.3	-1.3	-1.1	-1.2	-0.9	-4.5
Operating costs	-25.7	-8.0	-6.6	-6.9	-5.9	-27.4
Depreciation	-3.4	-0.8	-0.8	-0.8	-0.8	-3.3
Gross Profit	40.9	9.0	8.6	7.7	4.5	29.9
General & admin expenses	-4.1	-1.2	-3.4	-1.2	-2.1	-7.8
Share based payments	-14.6	-	-	-	-0.1	-0.1
Impairment	-	-	-	-	-14.2	-14.2
Other	-2.1	-	-	-	1.7	1.7
Operating Profit	20.2	7.9	5.3	6.6	-10.2	9.5
Finance charges	-0.1	-0.1	-0.1	-0.0	0.1	-0.1
Profit before tax	20.1	7.8	5.1	6.6	-10.1	9.4
Tax	-12.8	-2.3	-1.4	-2.0	-4.3	-9.9
Profit/(loss) after tax	7.3	5.5	3.8	4.6	-14.4	-0.5
Attributable profit	8.7	4.6	3.1	3.7	-14.4	-3.1
Adjusted EPS (basic) (cents)	41.2	9.0	5.8	7.2	0.2	28.3

* Adjusted EPS excludes any share based expense arising on the implementation of indigenisation, impairment, foreign exchange profit/loss, deferred taxation and non-recurring withholding tax. EPS has also been adjusted to reflect the share consolidation which was implemented on April 12, 2013

- Q4 production 11,429oz; Q4 sales 9,454oz; WIP at end 2013 1,978oz.
- Average realised gold price in Q4 2013, US\$1,277 – 25% lower than Q4 2012
- Q4 operating costs include 100% of December's on-mine administration costs (US\$700,000) although only 52% of December production was actually sold. On-mine production costs excl. WIP were approx US\$600/oz (Q3 2013, US\$558/oz)
- G&A includes \$2m CSI donation by Blanket (Q2); higher IR costs reflect increased marketing activity from January 2013; higher wages and salaries following the strengthening of the management team
- Impairment relates primarily to Nama copper and cobalt.
- Taxation: 2013 charge includes \$2.1m of deferred tax and \$1.5m withholding tax on the internal distribution of \$30m facilitation loans



Summary Profit and Loss

Reconciliation of Actual Results to Consensus Forecast

- After adjusting for non-recurring, non-cash items, Caledonia's 2013 earnings were in-line with analysts forecasts.

Reconciliation of Actual 2013 Results to Analyst Consensus		
		C\$'000's
Actual 2013 attributable profit		-3 160
Deduct foreign exchange gain		-1 677
CSR donation	i	1 640
Impairment	ii	14 203
Withholding tax on distribution of facilitation loans	iii	1 531
Deferred tax		2 185
Adjusted profit		14 722
EPS - canadian cents (52.1m shares)		28.3
Analyst forecasts (cents per share)		27-29

(i) Represents the portion attributable to Caledonia shareholders of the US\$ 2 million donation to the Presidential Scholarship Fund paid by Blanket in Q2

(ii) Impairment primarily relates to Nama copper and projects

(iii) Represents withholding tax at 5% on the inter-company distribution in specie of the approx. \$30m facilitation loans receivable by Blanket from its indigenous partners.



Summary Balance Sheet

Summary Balance Sheet (C\$'m)

	2012	2013			
	Year	Q1	Q2	Q3	Q4
Fixed Assets	36.5	38.0	42.2	43.7	33.4
Inventories	5.5	4.9	5.7	6.0	6.9
Prepayments	0.1	0.1	0.2	0.2	0.2
Trade receivables	1.7	5.2	4.6	5.1	3.9
Cash and equivalents	27.9	25.2	22.5	25.1	25.2
Total Assets	71.8	73.4	75.1	80.1	69.6
Long term liabilities	6.9	7.0	6.9	6.9	10.1
Trade creditors	5.8	5.5	4.9	4.8	4.6
Overdraft	-	-	-	1.2	1.8
Advanced dividend accrual	2.0	1.0	-	0.0	0.0
Income taxes payable	1.5	0.6	0.8	0.9	1.1
Total liabilities	16.2	14.1	12.6	13.8	17.6
Capital and reserves	55.6	59.3	62.5	66.2	52.0
Total equity and liabilities	71.8	73.4	75.1	80.1	69.6

- Strong balance sheet: \$25m of cash held outside Zimbabwe
 - Modest overdraft in Zimbabwe
- Fixed asset movement reflects \$14.2m write off and increased investment of \$11.7m in 2013 compared to \$7.9m in 2012
 - \$5.6m of sustaining investment at Blanket
 - \$3.5m of expansion investment
- Non-cash working capital increases from December 2012 reflecting the normalisation of receivables for metal sales (Dec 2012 bullion receivable was zero)
- Balance sheet excludes the US\$30million facilitation loans which are receivable from Blanket's indigenous shareholders



Summary Cash Flows

Summary Cash Flow (C\$'m)

	2012	2013				
	Year	Q1	Q2	Q3	Q4	YTD
Cash flow from operations	41.4	5.4	5.8	7.1	3.6	21.9
Advance dividend payments	-3.7	-1.0	-1.0	0.0	0.0	-2.0
Taxation paid	-11.6	-3.2	-1.3	-1.8	-0.9	-7.1
Net capital investment	-7.9	-1.3	-3.8	-3.4	-3.3	-11.7
Issue of shares	1.0	0.2	0.3	0.0	0.0	0.5
Interest	-0.1	-0.1	-0.1	0.0	0.1	-0.1
Dividend paid ⁽¹⁾	0.0	-2.8	-2.6	-0.5	0.0	-5.9
Change in cash	19.1	-2.8	-2.7	1.4	-0.5	-4.6
Cash b/fwd	9.3	27.9	25.2	22.5	23.9	27.9
x-rate movement	-0.4	0.0	0.0	0.0	0.0	0.0
Cash c/fwd	27.9	25.2	22.5	23.9	23.4	23.4

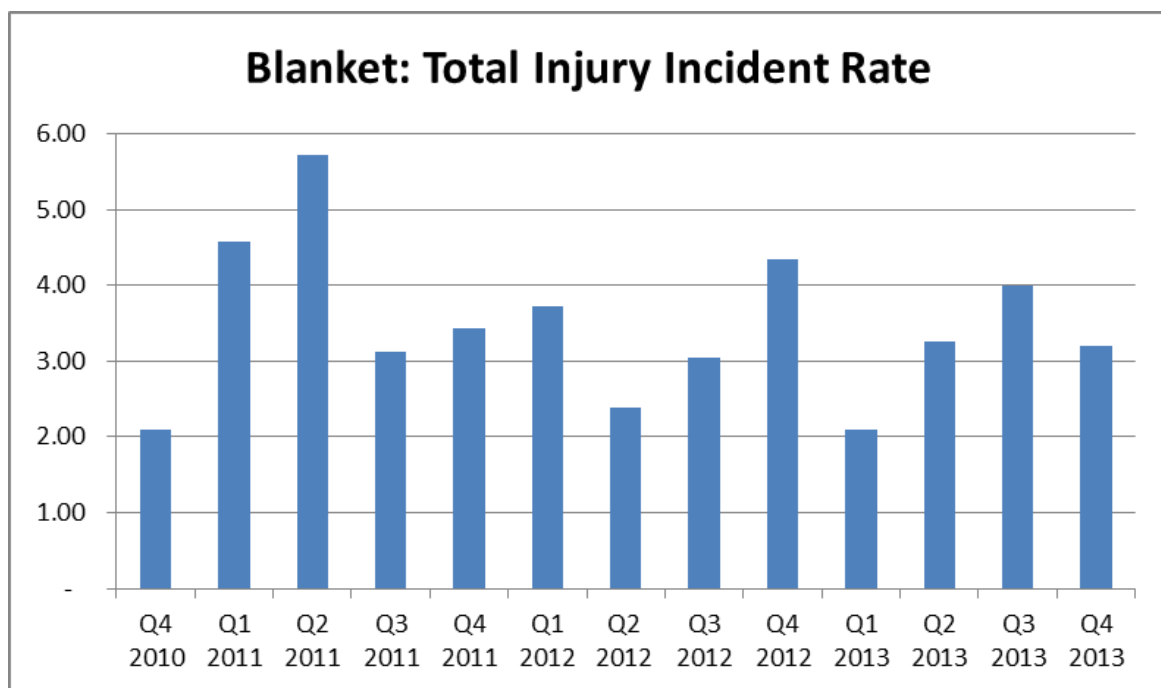
Cash is net of the Zimbabwean overdraft – C\$ 1.8m at December 31. 2013

- Operational cash flows reduced due to lower sales, lower gold price and \$3m increase in working capital from December 2012 as trade receivables are normalised.
- No further advance dividends payable
- Lower tax payment reflects reduced profit and effect of higher capex on taxable profit. Tax payment includes \$1.5m of withholding tax paid on the declaration of an in specie dividend from Blanket to CHZ in addition to normal withholding tax payments on remittances from Zimbabwe
- Higher capital investment in Q2, Q3 and Q4 reflects the increased rate of investment with a view to increasing production further
- Dividends paid reflect 2 Caledonia dividend payments in 2013 totalling 10 cents per share (total: C\$ 5.2m) plus dividends paid by Blanket to its indigenous shareholders after retention of amounts to repay the outstanding facilitation loans.



Safety

- Blanket's accident and injury rate is low by Zimbabwean and regional standards.



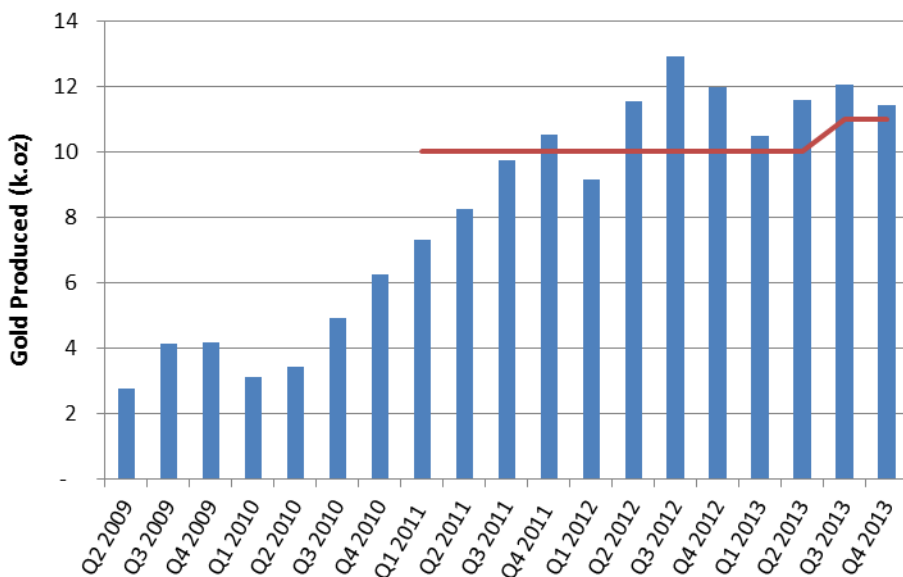
- Following an accident in Q3 2013 which resulted in the fatality of one employee. Blanket management has increased measures to ensure that the prescribed safe working procedures are adhered to
- NOSA, a South African-based health and safety specialist, has been engaged to review the SHE management system and to participate in staff training

Total Injury Incident Rate is a measurement of all accidents that have occurred regardless of injury or not, expressed per 200,000 man-hours worked. This includes accidents that could have caused injuries.



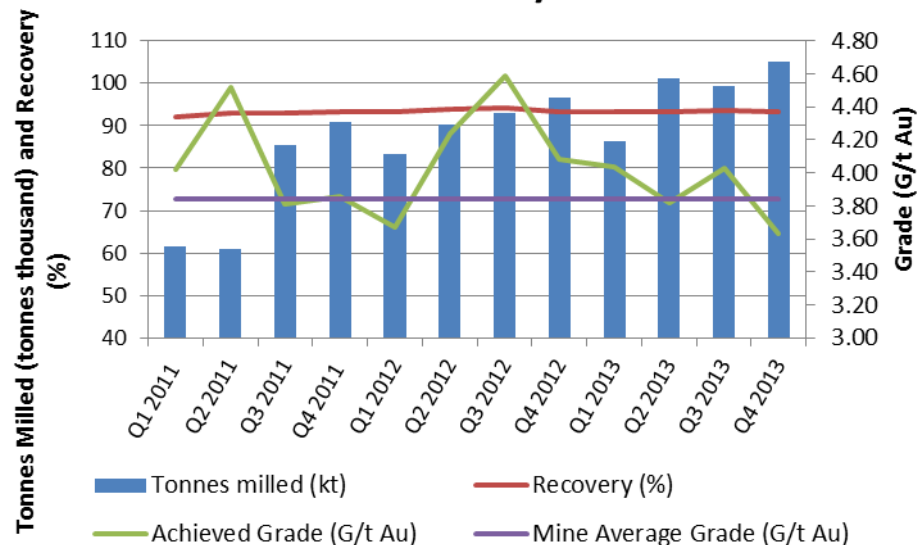
Gold Production

Blanket Mine: Quarterly Gold Production



Source: Caledonia MD&A's

Blanket Mine: Tonnes Milled, Grade and Recovery



Source: Caledonia MD&A's

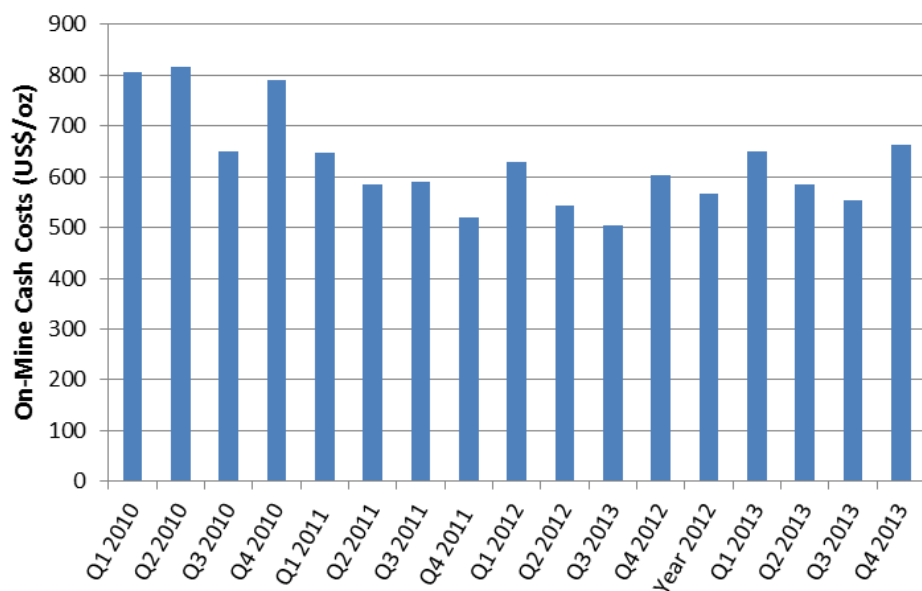
- Gold production has quadrupled since Q1 2010 and has largely exceeded guidance
- Increased production from 2010 following completion of the No. 4 Shaft: ore production target of 1,000tpd
- Increased gold production was also due to improved grades (often above the mine average grade of 3.84g/t Au). During 2013 the achieved grade returned towards the mine average
- Metallurgical recoveries remain consistently high
- Blankets' CIL plant has daily capacity of 3,800 tpd compared to 2014 target production of approx. 1,200 tpd



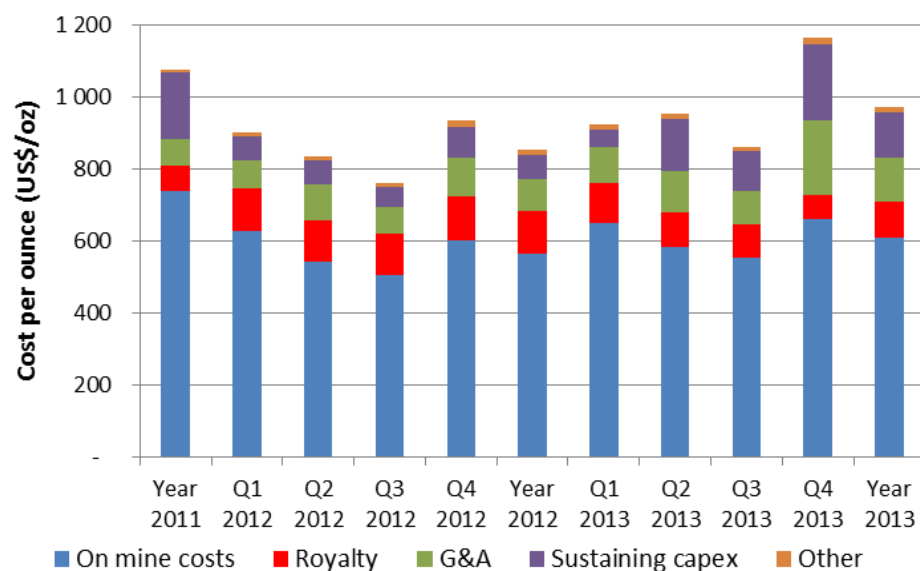
Costs

- Q4 2013 cash costs adversely affected by closing work-in-progress of 1,975 ounces
- If all Q4 production had been sold, Q4 on-mine cash cost would have been US\$600/oz (cf US\$666/oz) and All-in sustaining cost US\$970/oz (cf US\$ 1,175/oz)

Blanket Mine: On-Mine Cash Costs



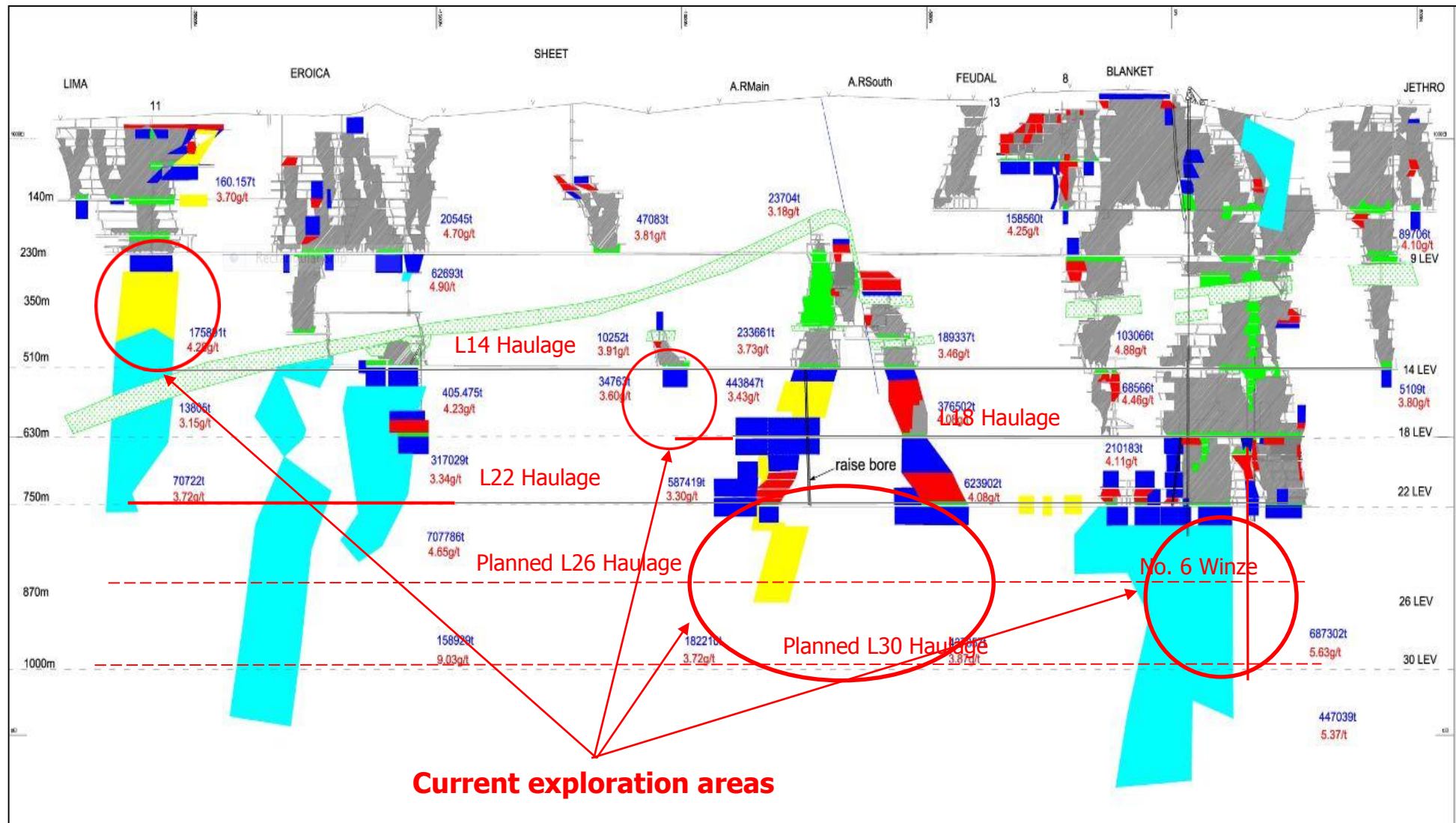
Blanket Mine: All-In Sustaining Costs





Blanket Gold Mine, Zimbabwe

Exploration and Development





Blanket Gold Mine, Zimbabwe

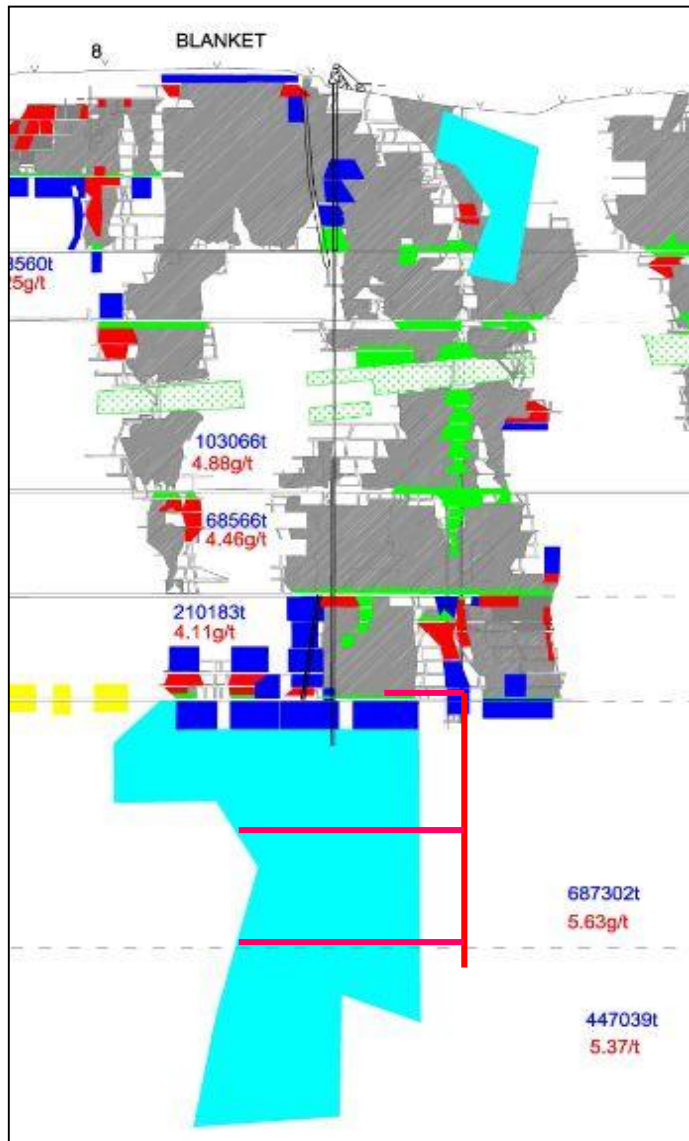
Exploration and Development: Blanket

- Extensions to the 14 and 18 Level Haulages will open up new mining areas
 - 14-Level haulage reached Lima in Q2 2013: exploration and development work is in progress to upgrade the existing resource base
 - 18 Level haulage reached its destination in Q2 of 2014: drilling has commenced to explore for a possible down-dip extension to the Sheet ore body
 - Drilling from 18 Level into the Blanket ore body below 750m: 8 holes drilled in 2013, all intersecting mineralised zones
- Level 22 Haulage will provide drill platforms for exploration drilling below 750m
 - Haulage advanced 559 meters towards Lima in 2013
 - Diamond cross cut toward AR Main advanced 326 meters
 - Exploration drilling commences at Eroica



Blanket Gold Mine, Zimbabwe

Exploration and Development: No. 6 Winze



- Exploration to improve our understanding of the inferred Blanket ore bodies below 750m
- Deepen existing No. 6 Winze Project to 1080m and develop new 26 & 28 Level Haulages
 - New winder chamber and sinking and stage winders installed, sinking stage installed, and material handling on 750m (22 Level) commissioned
 - High-speed shaft sinking crew has commenced clearing waste between 22 level and current shaft bottom.
 - Blind shaft sinking below 770m planned to commence on May 1, 2014
- Ore hoisted up No.6 Winze will be transferred into the No 4 shaft crushing and loading system for hoisting to surface using existing surplus hoisting capacity
- Target production: 600tpd
- Pre-production investment: US\$4m approx. of which approx. \$0.3 m has already been incurred to Dec 31, 2013.



Blanket Gold Mine, Zimbabwe

Exploration and Development - 6 Winze Project



Collar level for Stage
Winches before installation

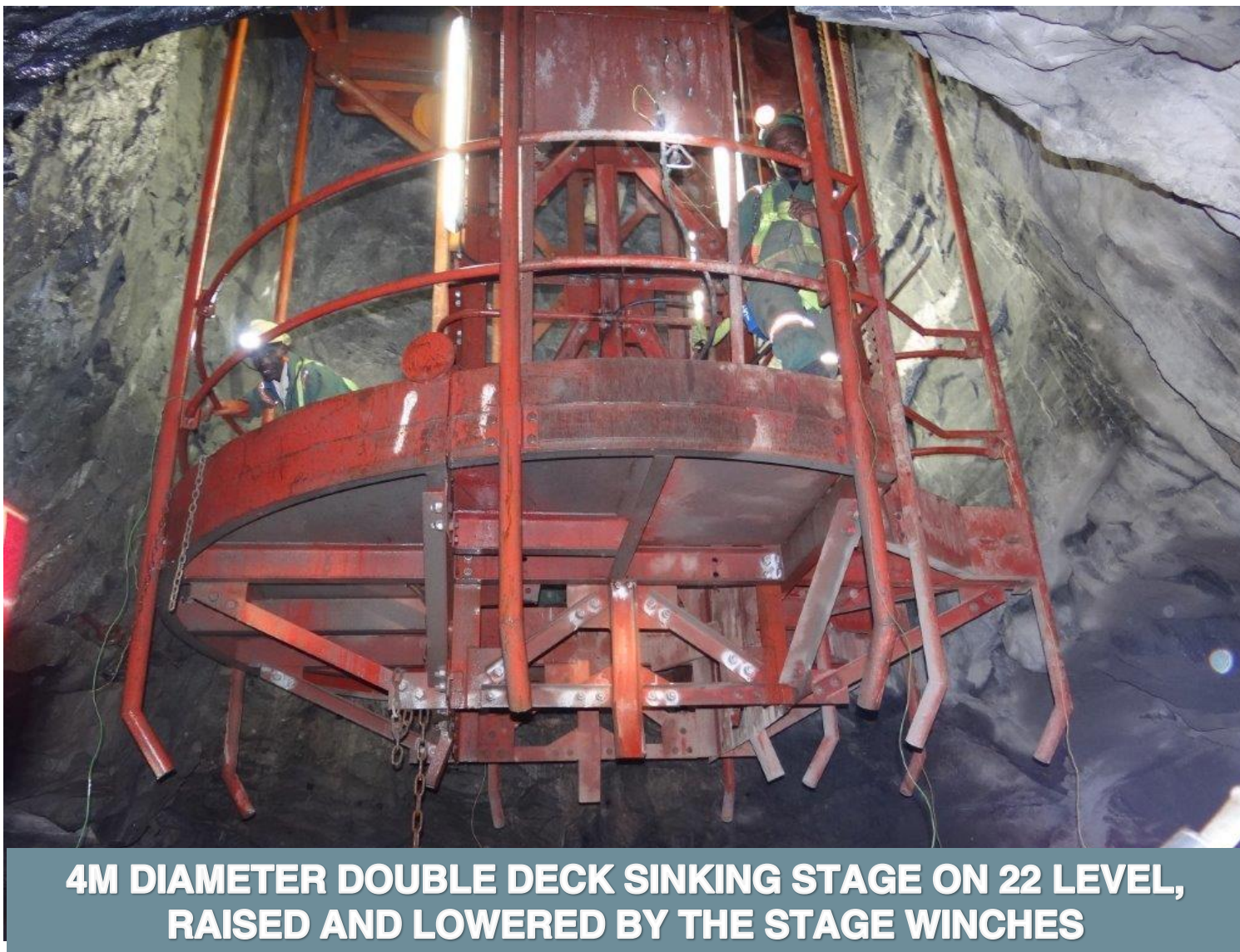


Collar level completed installation



Blanket Mine, Zimbabwe

Exploration and Development: No. 6 Winze Stage on 22 Level



**4M DIAMETER DOUBLE DECK SINKING STAGE ON 22 LEVEL,
RAISED AND LOWERED BY THE STAGE WINCHES**

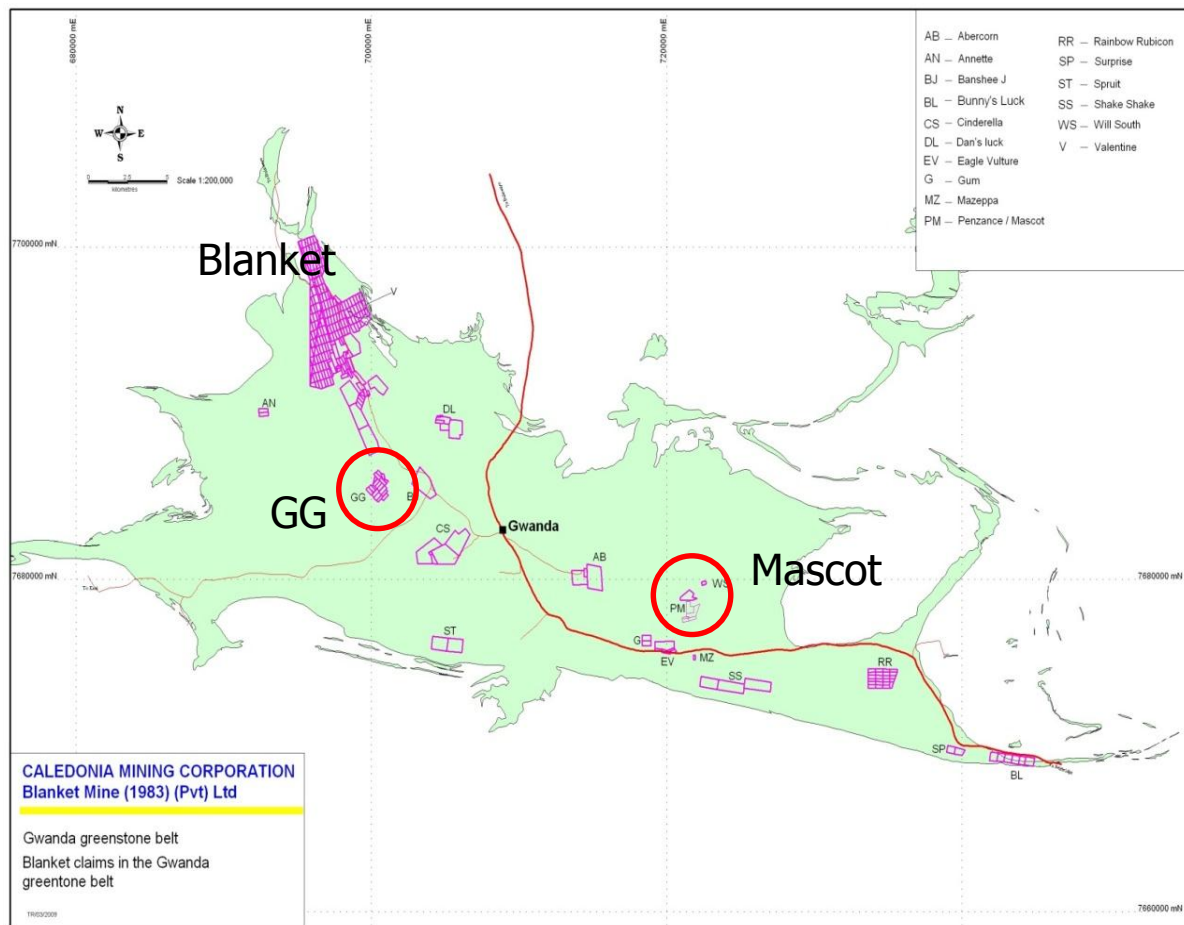


Blanket Gold Mine, Zimbabwe

Exploration and Development: Satellite Projects

18 exploration projects located on the Gwanda greenstone belt

- **GG Project** (7km from Blanket)
 - Exploration shaft sunk to 120m. Stations on 60m, 90m & 120m
 - Underground exploration and development continues
 - Metallurgical test work indicates material from GG is not compatible with the Blanket plant.
 - Exploration continues to identify a resource base so that we can assess optimal processing methodology
- **Mascot Project** (42km from Blanket)
 - Existing infrastructure refurbished
 - Underground development and exploration on 3 Levels
 - Exploration started on deeper levels below the old workings
 - Metallurgical test work commenced





Nama

Fully impaired in 2013

- Initial focus at Nama prior to 2009 was on the potential to be a major primary cobalt producer
- Metallurgical test work showed that only a small proportion of the identified resources (i.e. the “D-Type” ore) could be treated to produce cobalt hydroxide; the remainder could be smelted to produce a cobalt-enriched pig-iron, but this is not feasible given the existing regional infrastructure
 - In Q4 2009 the cobalt assets other than the D-type material was impaired.
- From 2010, the focus at Nama switched to copper exploration.
 - Traditional copper-belt mineralisation had been identified by Vale/ARM on an adjacent property and has subsequently been developed into a new copper mine (Lubambe).
- Exploration at Nama identified a low-grade copper resource which could support a small open- pit copper mine.
 - Caledonia’s board believes that the return on any resultant operation on this identified zone would be too small and absorb a disproportionate amount of management time.
- Deep level copper exploration remains inconclusive: although it identified copper the mineralisation was very deep (c 1,000m below surface) and the geology is highly complex. In light of the very large area and the required drilling depth, a comprehensive exploration programme would be beyond Caledonia’s financial resources.
 - Caledonia has been unable to identify a joint venture partner to fund further exploration.
- All remaining capitalised investment at Nama has been fully impaired, which gives rise to a charge in 2013 of \$13.9 million
- A further impairment of \$0.3m has also been made in respect of the Eerstelling gold property in South Africa, which has been on care and maintenance since 1997 pending the identification of a buyer.



Outlook

- The start to 2014 at Blanket has been difficult but development has been planned and is in progress which should allow mine production to catch up the likely shortfall in production in Q1 of 2014.
 - The 2014 production target remains at 48,000 ounces of gold
- The investment environment in Zimbabwe has become more challenging
 - Non tax deductability of the 7% royalty increases the effective rate to 9.3%
 - Requirement to sell gold to Fidelity:
 - Downside: credit risk; loss of 1.5% of gold value; Caledonia no longer able to optimise the realised gold price
 - Upside: reduced working capital due to accelerated payments; marginally reduced processing costs
 - **NB – Fidelity has, so far, paid in-full and on-time for all gold deliveries**
- Blanket will continue its existing investment programme as this is expected to result in a rapid increase in cash flow in the period to 2016
- Caledonia will use its assets which are held outside Zimbabwe to consider other suitable investment opportunities



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