



CALEDONIA MINING CORPORATION



Expanding, Low-Cost, Zimbabwean Gold Producer

European Gold Forum, May 2014



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Caledonia Group Overview

TSX: CAL. OTCQX: CALVF. AIM: CMCL.

Caledonia Group

- Robust cash position:
 - \$25m at December 31, 2013 held outside Zimbabwe
 - Excludes \$30m of receivables from Blanket's indigenous shareholders
- Enterprise value \$17m – approximately 1 times earnings

Blanket Gold Mine, Zimbabwe (49%)

- Low-cost:
 - 2013 Cash-cost \$613/oz
 - 2013 All-in sustaining cost ("AISC"): \$978/oz
- 2013 production 45,527oz; 2014 production guidance 48,000oz
- Internally funded expansion plans
- Fully indigenised

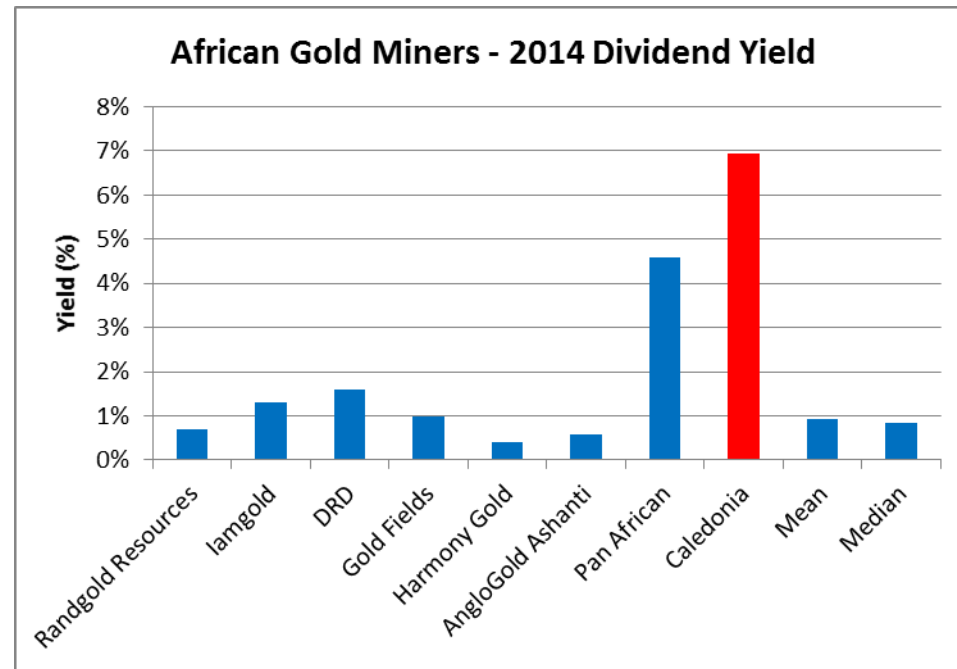
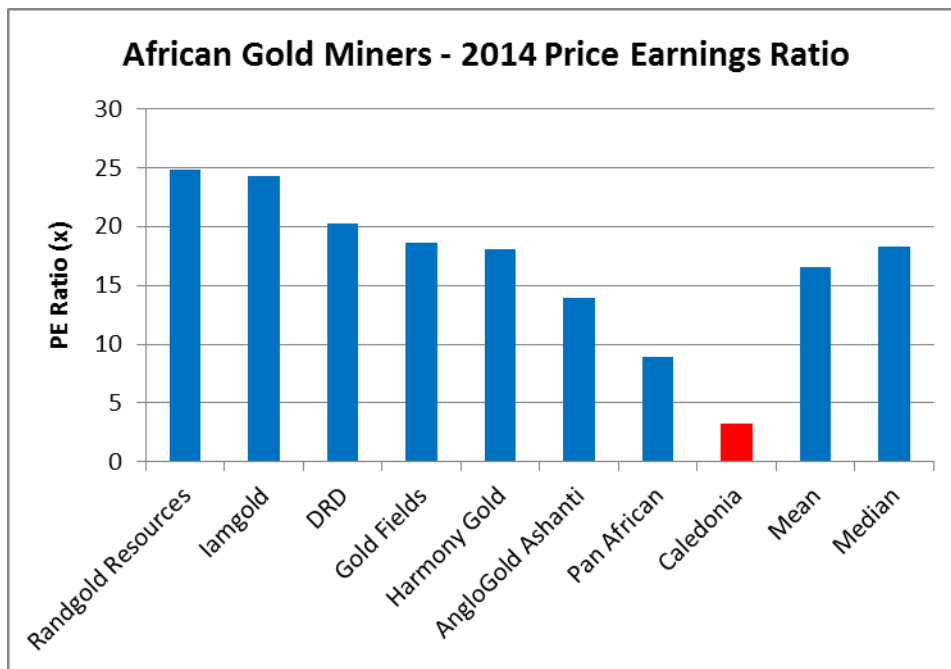
Caledonia dividend policy

- 1.5 cents Canadian per share per quarter from January 2014
- 7.5% yield at share price of 80 cents
- Dividend 8x covered by cash resources



Valuation Parameters

High Yield; Low PE Ratio



Source: Bloomberg

- Low rating is due largely to negative perceptions about Zimbabwe
- Blanket is fully indigenised and has a highly successful track record
- Investor concerns about Zimbabwe are over-done!



Zimbabwe – Background

Population and Economic Data

- Population (2012) 10.6m
- GDP/head \$693
- Zim dollar abolished Jan 2009, replaced by multicurrency system (US\$, SA Rand etc)
 - All transactions denominated in US\$; other than South Africa Rand procurement
 - Limited exchange rate risk for operations in Zimbabwe
- No more hyper-inflation: deflation of 0.5% y-o-y to February 2014
- Manageable exchange controls: no interruptions to cash remittances from Blanket:
 - Dividends
 - Management fee
 - South African procurement (also locks in a considerable cost saving for Blanket)

Indigenisation

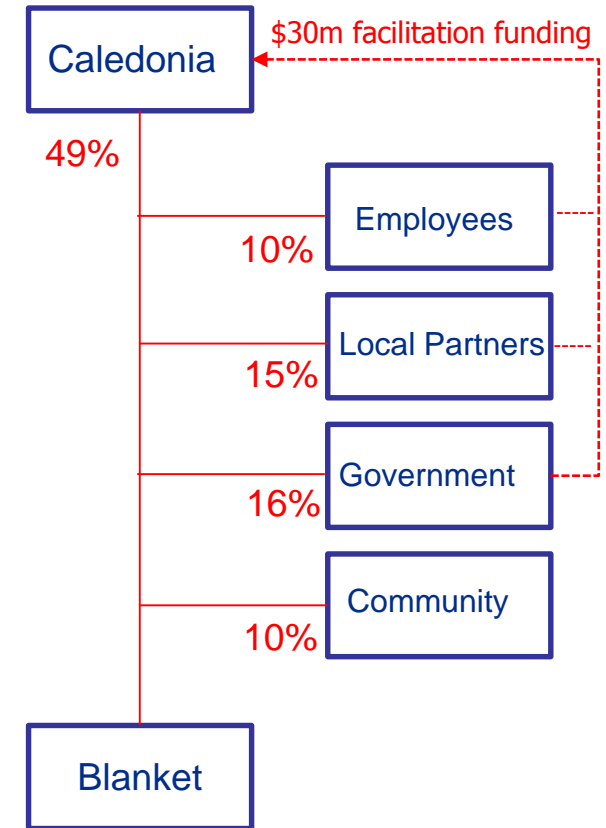
- 51% of all commercial enterprises to be owned by Zimbabweans
- Zimbabweans believe they are entitled to full value for “resources in the ground”
 - Blanket’s indigenisation transactions attributed full resource value to Indigenous Zimbabweans



Blanket Gold Mine, Zimbabwe

The First Indigenised Zimbabwean Gold Miner

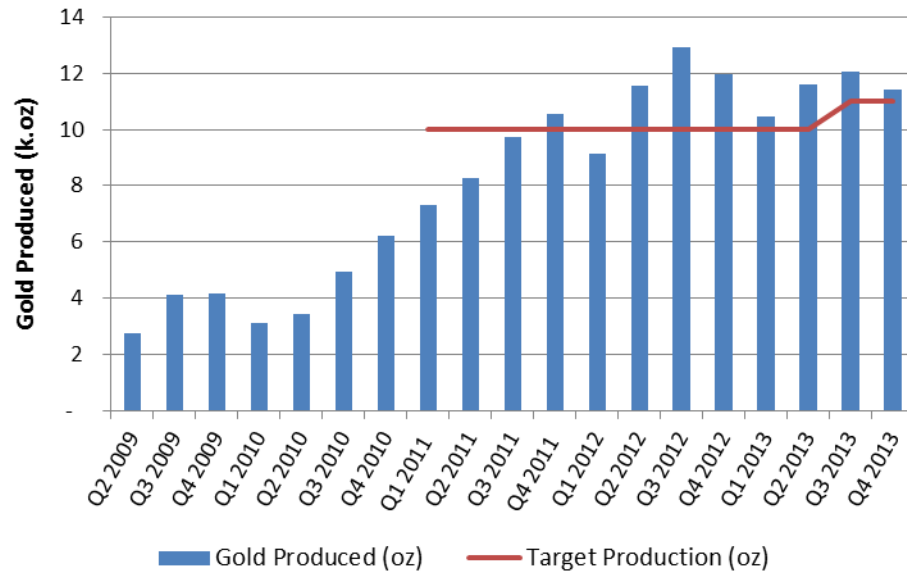
- Indigenisation completed and implemented in Q3 2012
 - 10% of Blanket donated to local community
 - 41% of Blanket sold to 3 parties for US\$30.09 million
 - Zimbabweans given full credit for resources in the ground
- Caledonia continues to consolidate Blanket
- US\$30.09M sale transaction is **vendor-financed** by Blanket
 - Purchasers repay their loans from 80% of their attributable Blanket dividends
 - \$30m vendor-finance receivable is not shown on Caledonia's balance sheet
- **Minimal effect on Caledonia's medium term net cash receipts from Blanket**
- **As an indigenised entity, Blanket can now implement its growth strategy**



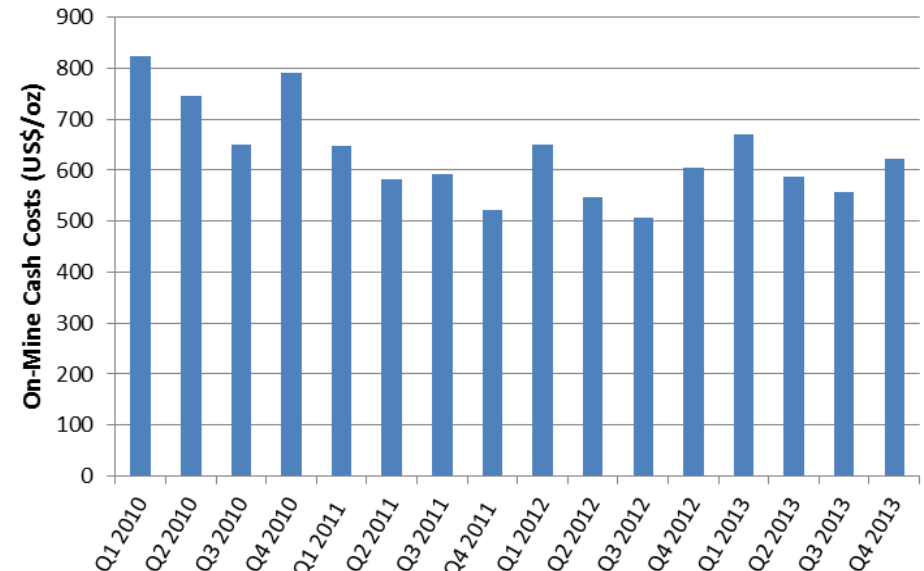


Track Record of Growth and Cost Control

Blanket Mine: Quarterly Gold Production



Blanket Mine: On-Mine Cash Costs



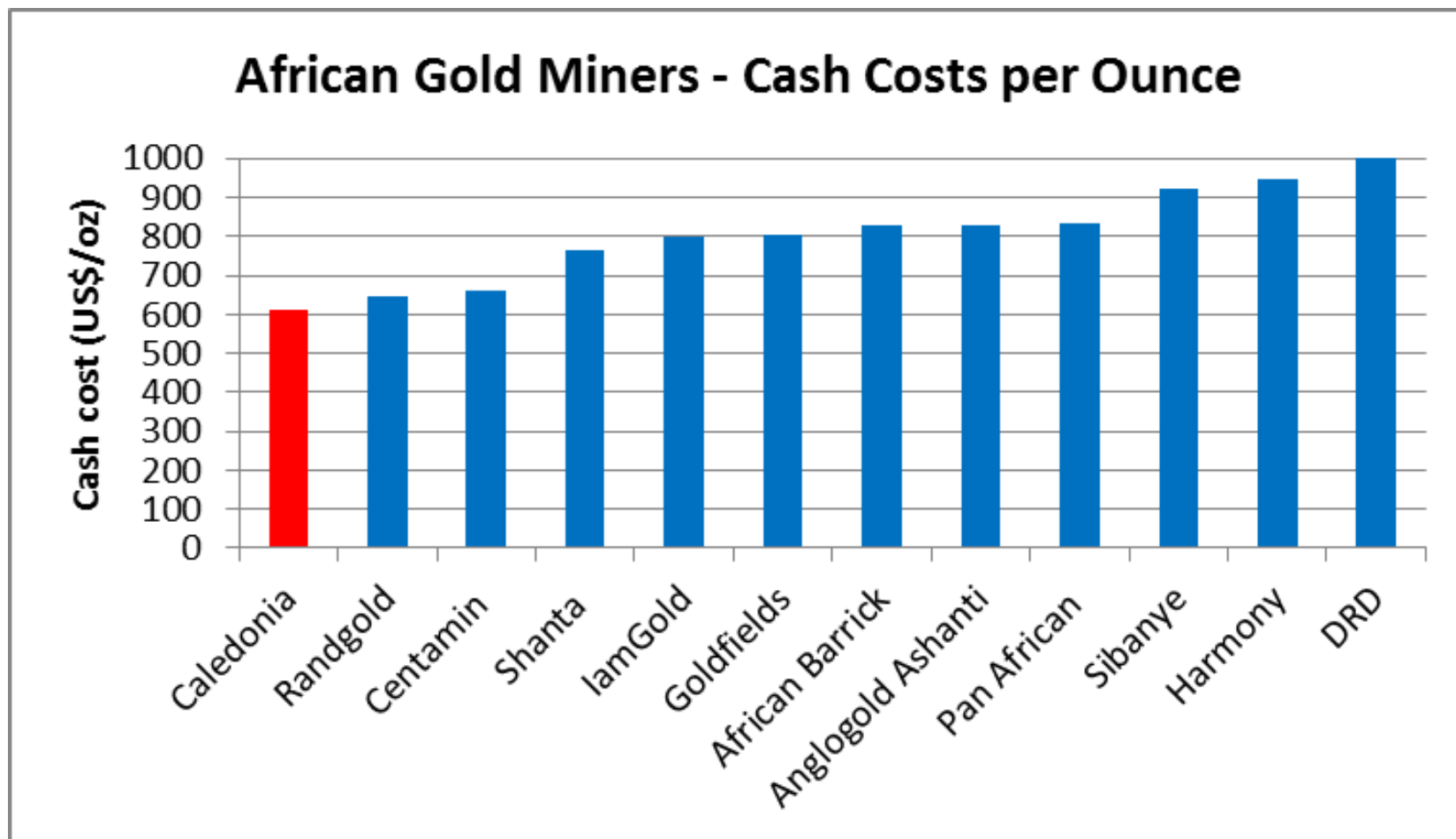
- Gold production quadrupled since early 2009 and has consistently exceeded guidance

- 2013 cash cost per ounce of **US\$613/oz**
- Q4 cash costs adversely affected by year end work in progress
- Good cost control, amenable mine environment, efficient metallurgical plant and labour structure



Blanket Gold Mine, Zimbabwe

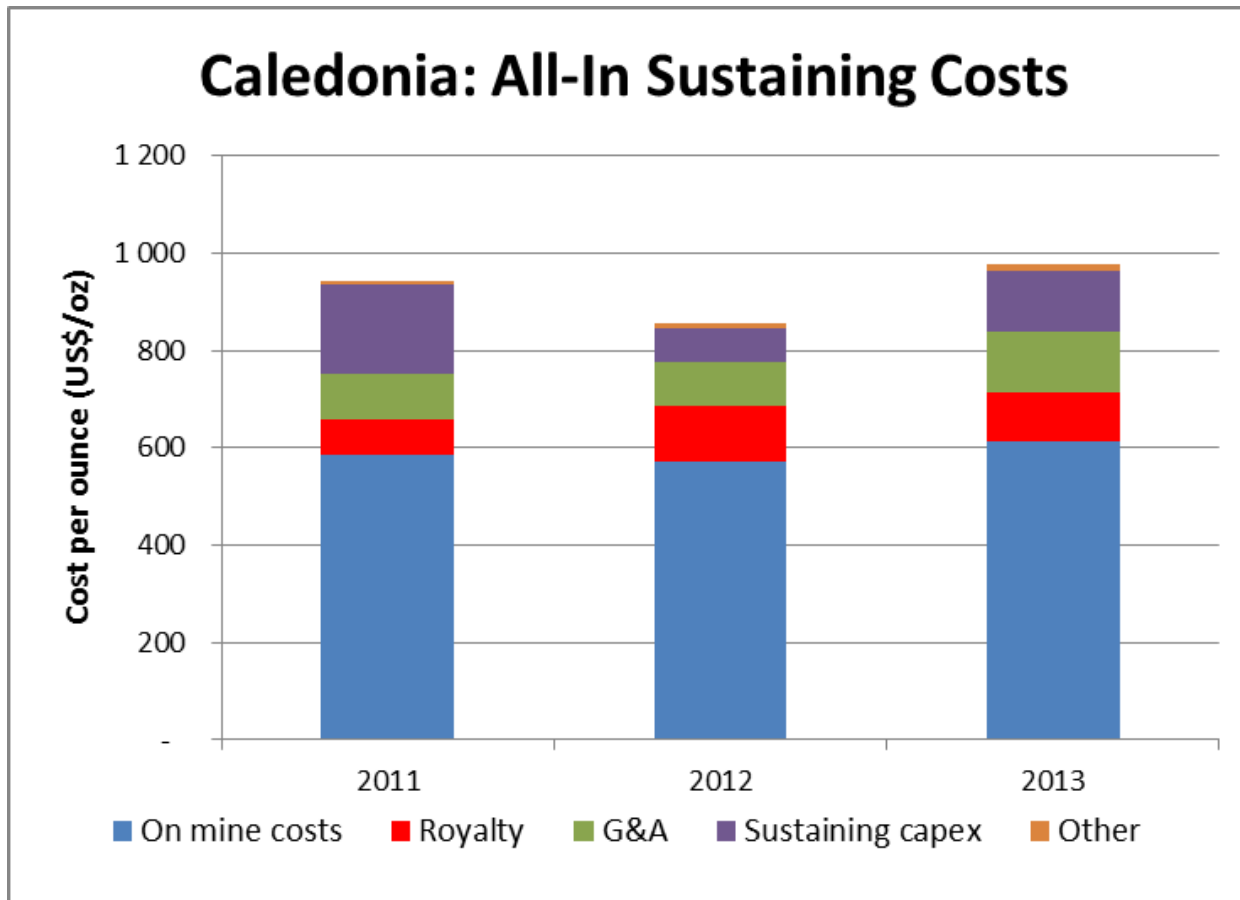
Africa's Lowest Cost Listed Gold Producer





Blanket Gold Mine, Zimbabwe

A Low-Cost African Gold Producer: All-Inclusive Sustaining Costs



- Industry average ASIC is estimated to be US\$1,150-1,200/oz

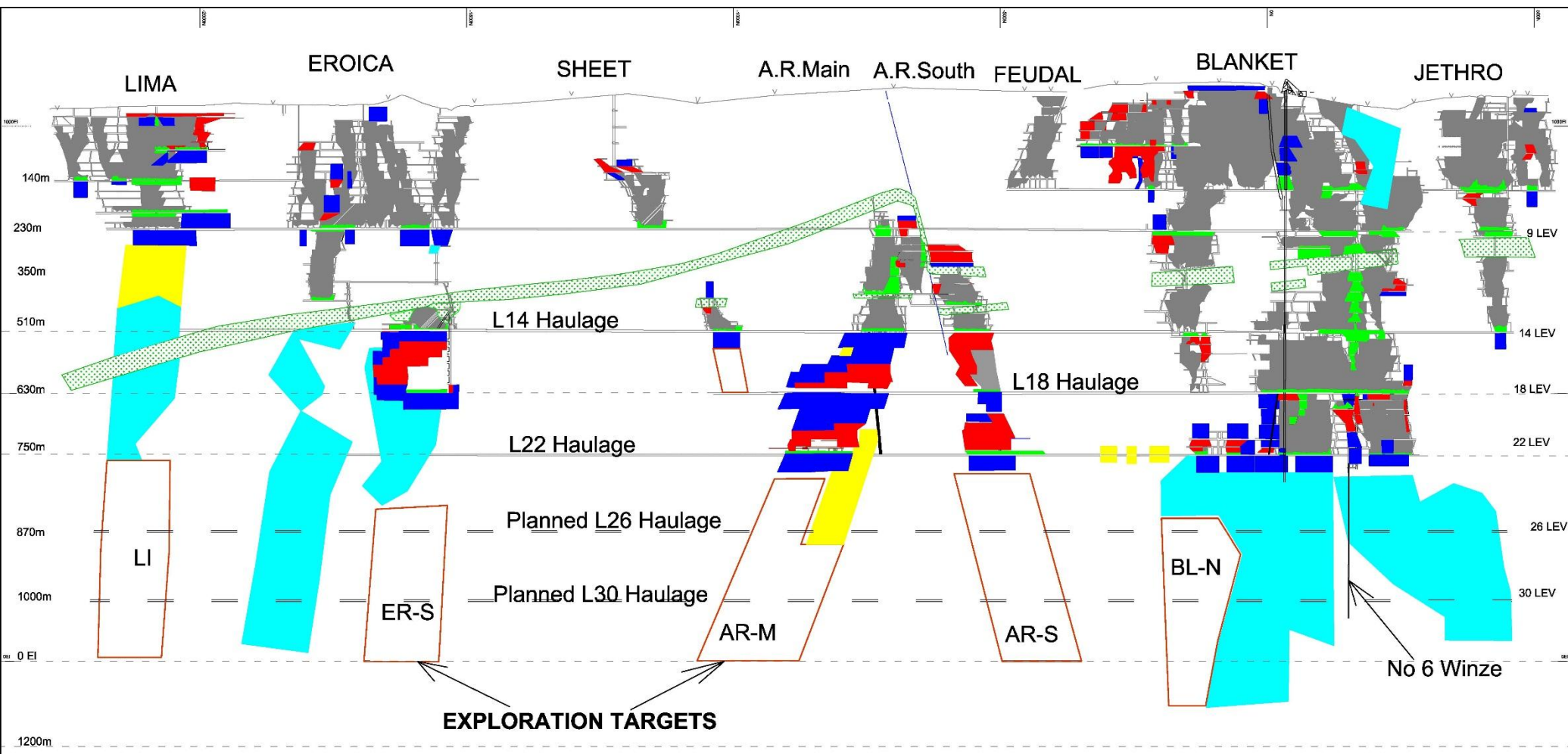
Source: Caledonia Q4 2013 MD&A.

AISC includes on-mine cash costs, sustaining capital investment, head office G&A and royalty



Blanket Gold Mine, Zimbabwe

Exploration and Development





Blanket Gold Mine, Zimbabwe

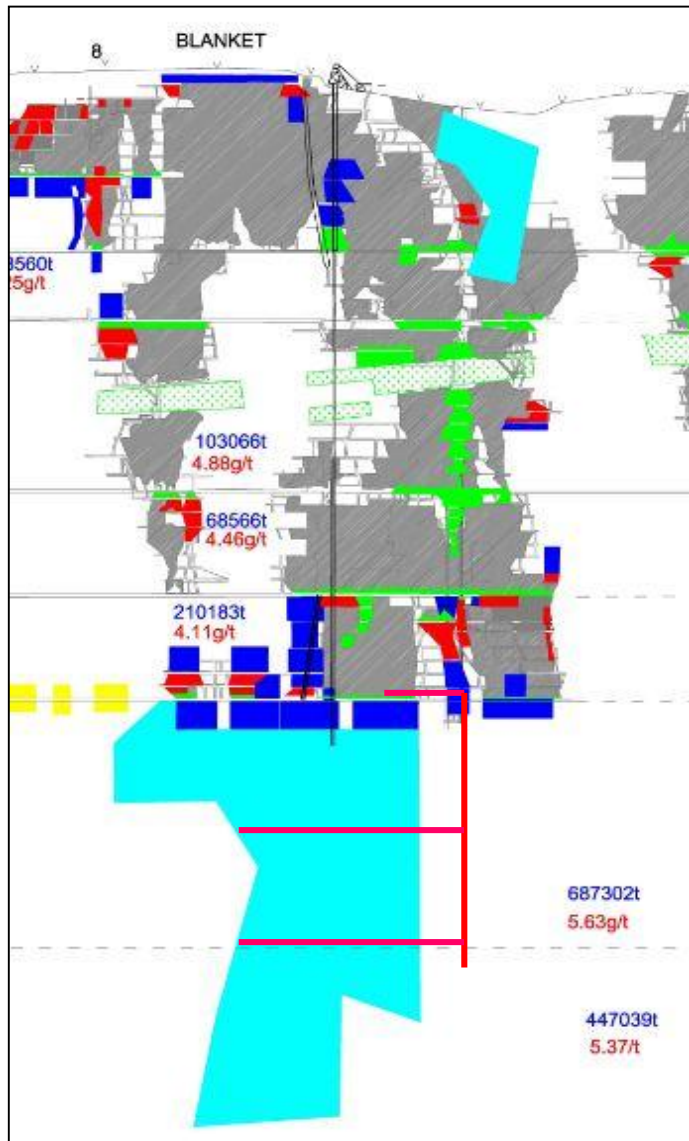
Exploration and Development: Blanket

- 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; develop new 26 & 30 Level Haulages to provide access to Blanket ore body
 - 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.

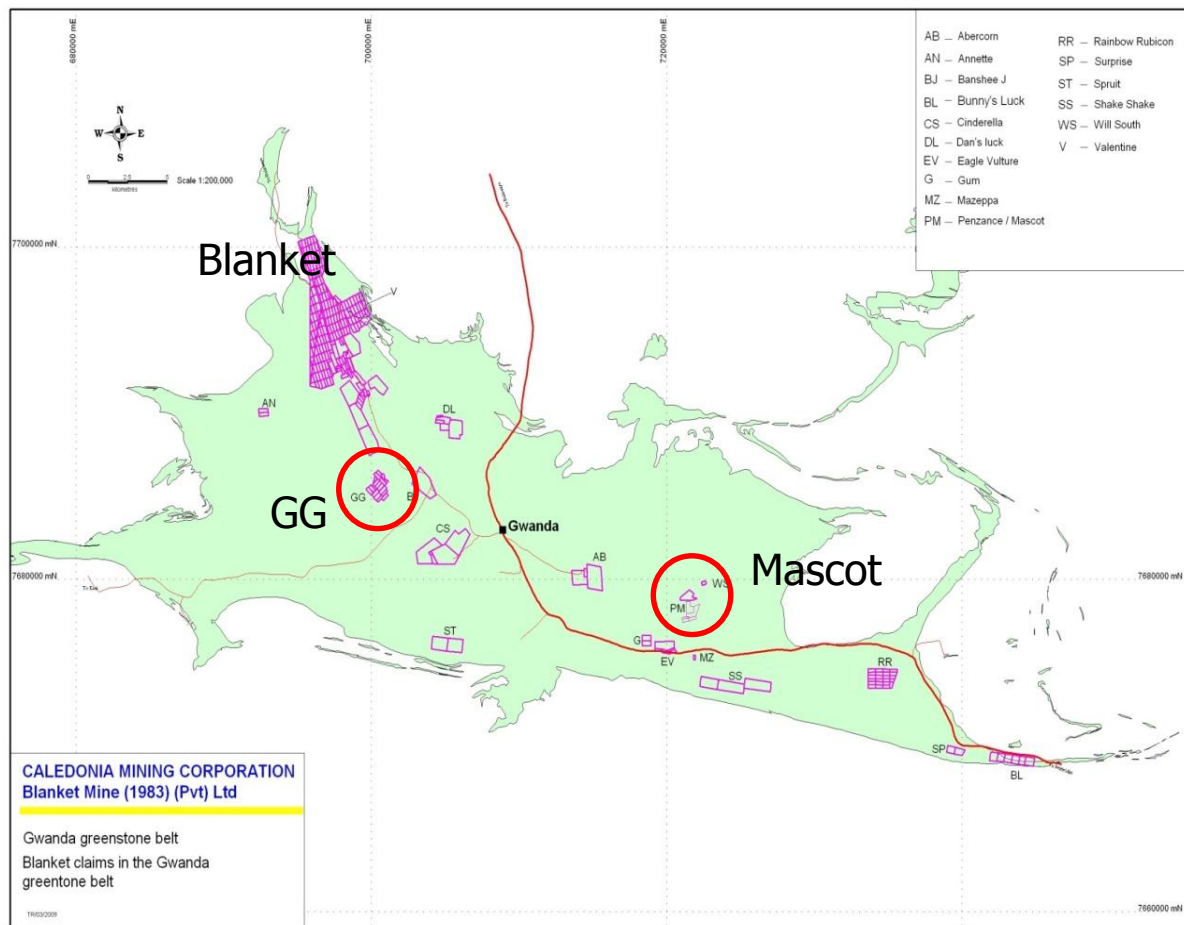


Blanket Gold Mine, Zimbabwe

Exploration and Development: Satellite Projects

18 exploration projects located on the Gwanda greenstone belt

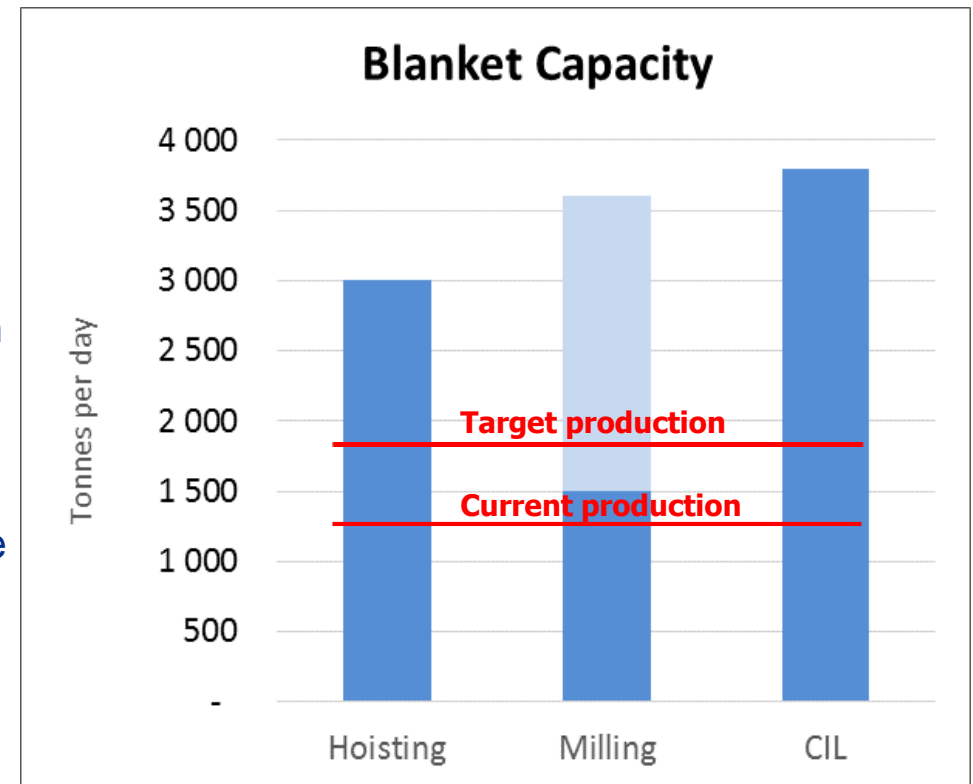
- **GG Project** (7km from Blanket)
 - Shaft sunk to 120m. Stations on 60m, 90m & 120m.
 - Underground exploration and development continues
 - Metallurgical test work suggests a new metallurgical process may be required: exploration continues so that any metallurgical process can be scaled to accommodate the potential resource
- **Mascot Project** (42km from Blanket)
 - Existing infrastructure refurbished
 - Underground development and exploration on 2 Levels
 - Metallurgical test work commenced





Highly Efficient Metallurgical Plant with Surplus Capacity

- Over 93% gold recovery.
- Surplus capacity
 - Hoisting capacity: 3,000tpd
 - CIL capacity: 3,800tpd
 - Crushing and milling capacity (after installation of new mills): 3,600tpd
- Targeted ore production 1,900tpd
- 1,700tpd of surplus capacity to treat additional ore (subject to metallurgical test work)

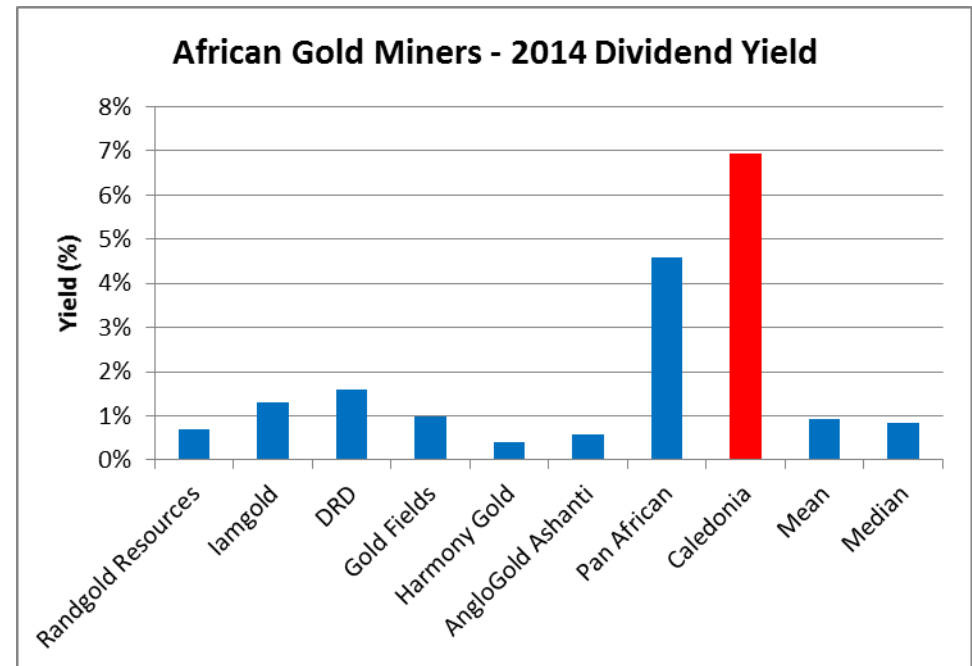




Dividend Policy

Committed to Shareholder Returns

- November 2013 Caledonia announced a new dividend policy:
 - aggregate 2014 dividend of 6 Canadian cents
 - payable quarterly @ 1.5 cents/quarter.
- 1.5 cents per share paid on January 30, 2014; 1.5 cents paid on April 30, 2014.
- Total 2014 dividend cost: C\$3.1m
 - 8 times covered by cash resources
 - 2.5 times covered by net cash generated
- 2014 forecast dividend yield 7.39%
 - peer group average of 0.91%
- Board will review dividends, based on company performance





Investment Case

Fully indigenised – reduced political risk

Continued strong production from Blanket

- 2014 production guidance of 48,000oz - modest growth from 2013
- Low-cost producer: 2013 cash cost \$613/oz; AISC \$978/oz

Internally funded growth supported by cash generation and strong cash position

- \$25m cash outside Zimbabwe: no debt
- Continued dividends, management fee and repayments of facilitation loans

Exploration upside

- 18 exploration projects may provide additional ore

Shareholder returns

- \$5m paid in dividends to Caledonia shareholders in 2013
- \$3.1m dividend payable in 2014 - Quarterly dividend policy from January 2014
- Board continues to review further dividends on an on-going basis



Contacts

Caledonia Mining

Website: www.caledoniamining.com

**Share Codes: TSX - CAL; OTCQX – CALVF;
AIM - CMCL**

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Research: Edison Investment Research

www.edisoninvestmentresearch.co.uk/research



APPENDIX



Capital Structure, Financials

Capital Structure		Summary Profit and Loss** (C\$m except per share data)	Year to 31 Dec 2013	Year to 31 Dec 2012
Shares in issue (m) *	52.1	Revenues	65.1	75.2
Options (m) *	2.7	EBITDA	25.4	44.3
Fully diluted shares in issue (m) *	54.8	Profit before Tax	9.4	20.2
Zimbabwe overdraft (31 Dec 2013)	C\$1.8	Profit after Tax	(0.5)	7.4
Cash (31 Dec 2013)	C\$25.2m	EPS - basic*	(6.1)	17.2
Net Assets (30 June 2013)	C\$51.9m	EPS - adjusted***	28.3	49.9

* Shares, options and per-share numbers are adjusted to show the effects of the 1-10 share consolidation which was implemented on April 12, 2013.

** Profit and Loss information is shown on a 100% basis as Caledonia continues to consolidate Blanket. EPS data shows earnings attributable to Caledonia shareholders.

*** Adjusted eps is before impairment, non-cash, non-recurring indigenisation charge and deferred taxation charges

- Profit before and after tax in 2012 was after a \$14.2 non-recurring, non-cash accounting charge relating to the implementation of indigenisation
- Profit before and after tax in 2013 was after \$14.2m impairment of Zambian and SA exploration assets and \$2.2m related deferred taxation charge



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 distribution in specie from Blanket to a UK subsidiary – GMS UK of the approx. \$30m 20 facilitation loans receivable by Blanket from its indigenous partners.



Directors and Management

Management

Chief Executive	Stefan Hayden
Finance Director	Steve Curtis
Chief Operating Officer	Dana Roets
VP Exploration	Dr Trevor Pearton
Blanket Mine Manager	Caxton Mangezi
VP Corporate Development and IR	Mark Learmonth

- Management is based in Johannesburg, South Africa, except Mr Mangezi who lives at Blanket Mine
- Independent directors bring additional technical, legal, financial and commercial expertise
- Mr Patricio is nominated by Pinetree Capital, Caledonia's largest shareholder with an approximate 10% interest
- Directors and management hold approx 3.1%

Directors

Chairman	Leigh Wilson
Chief Executive & President	Stefan Hayden
Finance Director	Steve Curtis
Independent Director	Johan Holtzhausen
Independent Director	Jim Johnstone
Non Executive Director	Richard Patricio
Independent Director	John Kelly

- Strong in-country support in Zimbabwe from Blanket's Indigenous Shareholders, including Mr. Nick Ncube, Blanket's chairman
- Recent re-structure of Caledonia's board improves effectiveness – appointment of Johan Holtzhausen
- Caledonia's management team recently strengthened by the appointment of Dana Roets as COO