



Blanket Gold
Mine Zimbabwe

CALEDONIA MINING

Q2 2014 RESULTS REVIEW

August 12, 2014

Caledonia Mining: an expanding, low-cost, fully indigenised Zimbabwean Gold producer



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Q2 2014 Results Highlights

- Gold production up 9.6% on Q1 2014 at 11,223 oz,
- Further reduction in costs:
 - On-mine cash cost per ounce down 4% Q-on-Q to US\$624/oz
 - All-in sustaining cost per ounce down 5% Q-on-Q to US\$881/oz
- Continued balance sheet strength
 - C\$25.8m of cash; no debt
- Encouraging exploration results
 - Additional ½ million tonnes @3.9 g/t from on-mine exploration (inferred resource)
 - Further progress at the GG and Mascot satellite properties
- Dividend guidance extended to end of 2015
 - Dividend of at least 6 cents per share for 2015, paid quarterly

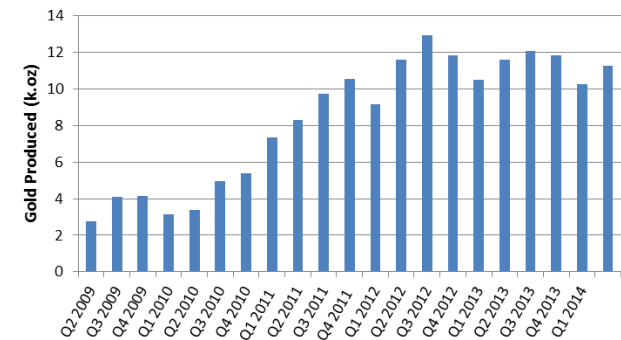
Blanket's low-cost production, growing resource base and exploration potential coupled with Caledonia's balance sheet strength underpins future growth



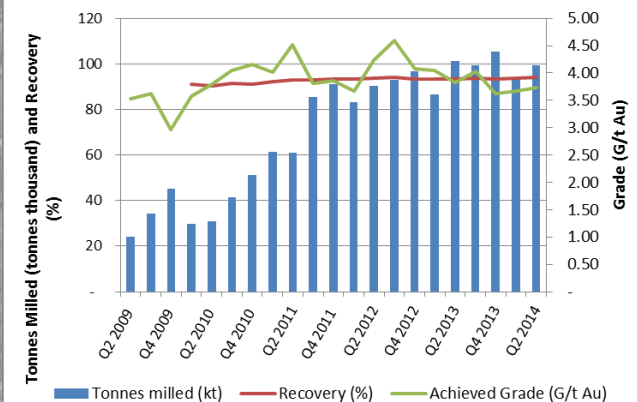
Q2 Production

- Q2 production was 9.6% up on Q1, only 2.5% below the target
- Less grade dilution in Q2 production as a result of the switch from ring drilling to parallel drilling in the long hole stopes
- Q2 head grade of 3,74 g/t is within the target range of 3.6 to 3.8 g/t and comparable with Blanket's average grade since 2009.
- Metallurgical recoveries remained high, increasing from 93.6% in Q1 2014 to 94.1%, notwithstanding the lower feed-grade
 - Oxygenation of the CIL process improves recovery and reduces cyanide consumption: both factors contribute to improved cost control
- Mine flexibility is the main factor constraining production

Quarterly Gold Production



Tonnes Milled, Grade and Recovery

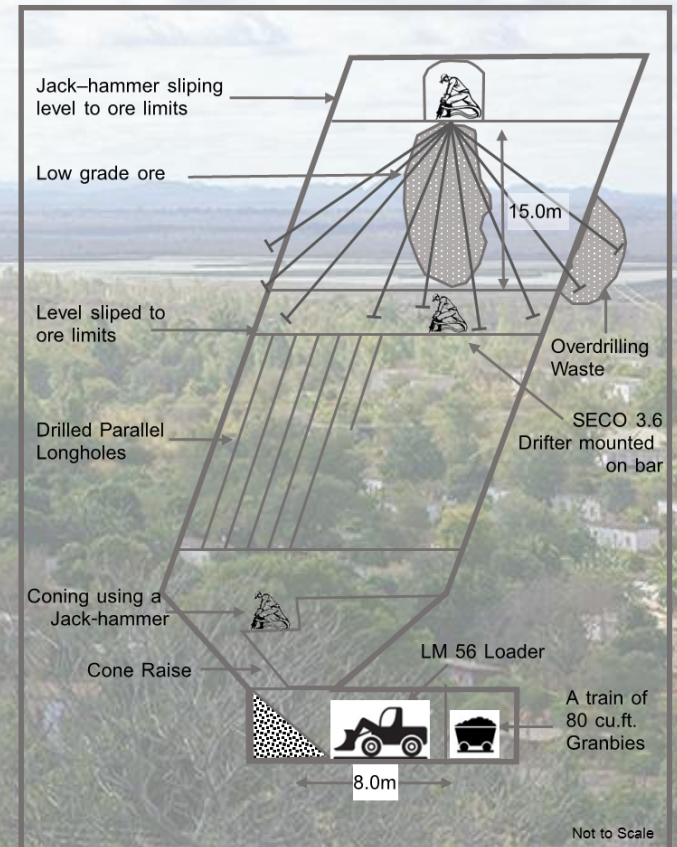




Q2 Production – Grade Dilution

- Grades were adversely affected in Q1 2014 by low-grade zones and dilution rising from over-drilling of fans.
 - Fan drilling was adopted in Q3 2013 on safety grounds at that time.
 - The longhole-stopes have been re-designed with foot-wall and hanging wall drives for improved access and safety. The contacts are now drilled with parallel holes and the centre is then taken out with fan holes
- Adoption of parallel drilling has contributed to the improved head grade in Q2, 2014

Cross Section Showing LONGHOLE PRACTICES AT BLANKET MINE



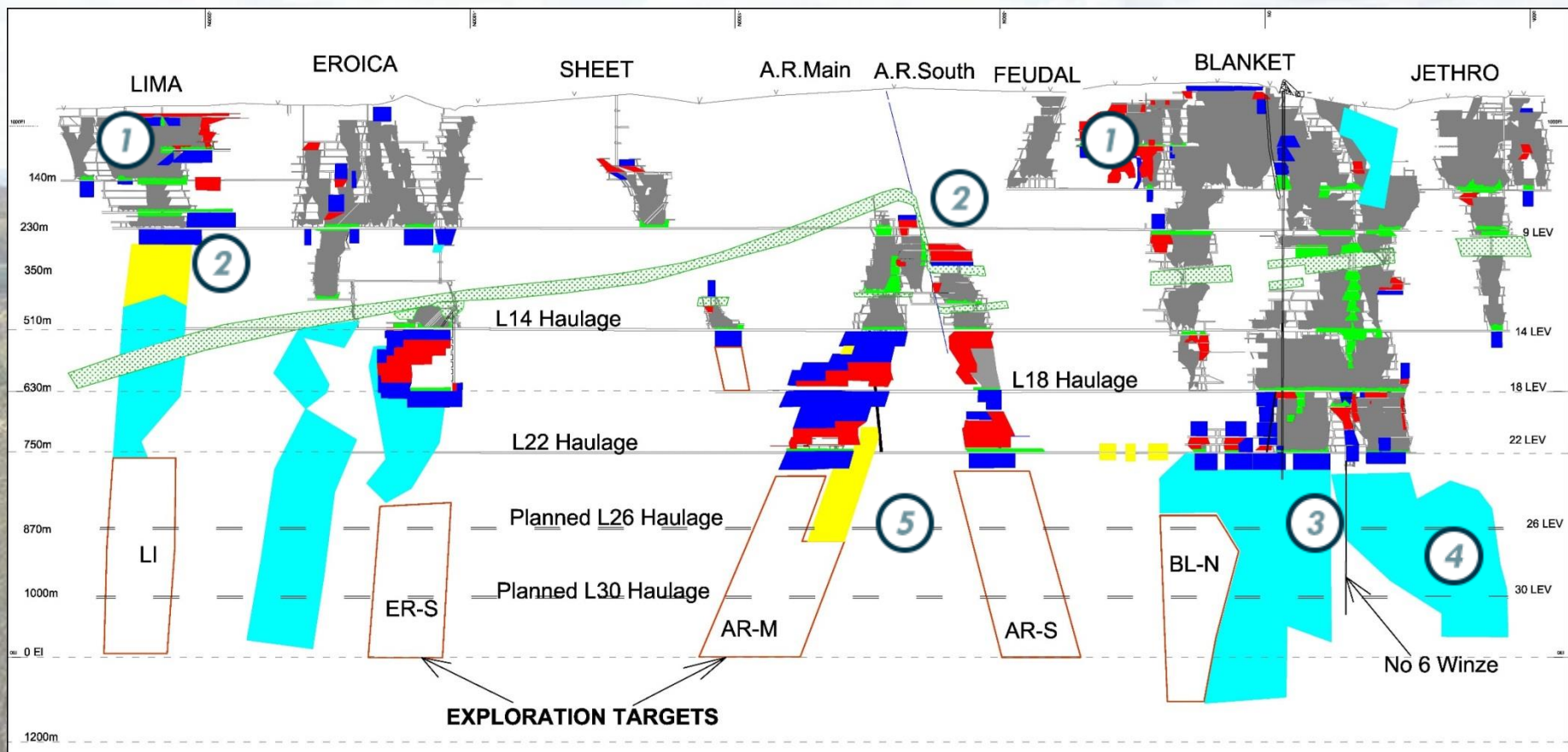


Increased Focus on Mine Development and Exploration

- Production from Feudal and Lima above 9 Level was **1** suspended due to low grades
- Production from these areas will be replaced by new sections which are being brought into production earlier than planned **2**
 - These areas are expected to reach full production in Q4 2014
- Management is evaluating various strategies to accelerate the access to resources below 750m
 - No. 6 Winze is one element of this strategy **3**
 - Additional 500,000t of inferred resource below 750m has been identified at the Blanket Section **4** extends the production life of the No.6 Winze by a further 2.3 years
 - Additional access points are also being considered to provide more rapid access to other resources below 750m **5**
 - Increased production and enhanced mine flexibility
 - ...but significant infrastructure is required to deal with development waste
- Exploration continues to identify further resources below 750m and create the basis for a “Second Generation” mine below 750m (and potentially a “Third Generation” at deeper levels)
- Caledonia is committed to increase production, profitability and cash flow at Blanket
 - Exploration results confirm the downward continuation of existing ore bodies
 - Caledonia has the capital and technical resources to undertake the required exploration and development
 - New medium-term production guidance is expected in Q4 of 2014



Blanket Gold Mine, Zimbabwe Exploration and Development

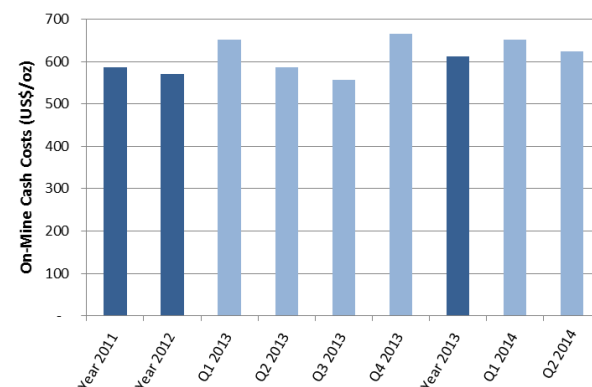




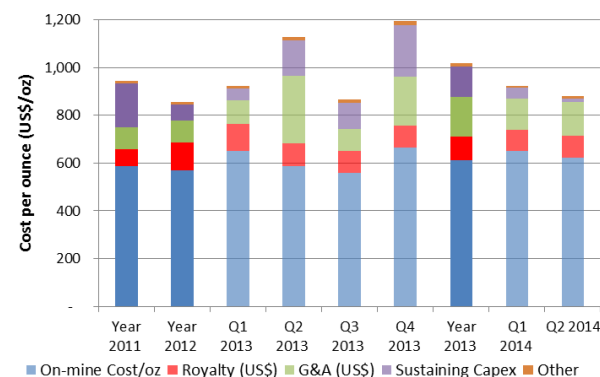
Q2 2014 Results – Costs

- On-mine cash costs reduced from US\$651 in Q1 to US\$624/oz
 - Oxygenation of CIL process reduces cyanide consumption from 85kg/tonne processed to 71kg/t
 - Increased management focus on cost control: cost per tonne mined falls from \$75/t in Q1 to \$70/t
- AISC benefits from lower sustaining capex
 - Q2 sustaining capex was \$14/oz compared with \$125/oz in 2013
 - Lower sustaining capex reflects the generally high quality of Blanket's equipment after substantial investment in previous years.
 - Sustaining capex will likely return to normal levels of approx. \$45/oz to maintain Blanket's operational integrity

Blanket Mine: On-Mine Cash Costs



Blanket Mine: All-In Sustaining Costs





Summary P&L

	2013	2014	2014
	Year	Q1	Q2
Revenues	65.1	17.1	15.6
Royalty	-4.5	-1.2	-1.1
Operating costs	-27.4	-8.8	-7.8
Depreciation	-3.3	-1.1	-1.0
Gross Profit	29.9	6.0	5.7
G & A	-7.8	-1.8	-1.8
Share based payments	-0.1	-	-
Impairment	-14.2	-	-
Foreign exchange	1.7	0.3	-0.1
Other	-	-	0.0
Operating Profit	9.5	4.4	3.8
Finance charges	-0.1	-0.0	-0.0
Profit before tax	9.4	4.4	3.8
Tax	-9.9	-1.3	-1.2
Profit/(loss) after tax	-0.5	3.1	2.5
Attributable profit	-3.1	3.5	1.8
Adjusted EPS (cents)*	28.3	4.1	3.5

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

Q2 2014 Results – Profit and Loss

- Revenues were lower compared to Q1 due to the sale of 1,969 oz of WIP in Q1
- Since January 2014, gold is sold to Fidelity for 98.5% of the value of the gold contained
- Operating costs slightly reduced on a per-ounce basis
- G&A reflects Caledonia's strengthened management team from Q3 of 2013 and includes advisory and professional fees and Zambian holding costs
- Foreign exchange attributable to revaluation of US\$ bank balances into local functional currencies – reversed out of adjusted eps calculation
- Taxation includes Zimbabwe income tax and withholding tax on payments from Zimbabwe and also an element of South African income tax on inter-group profits.



Q2 2014 Results Balance Sheet

Summary Balance Sheet (C\$'m)

	31 Dec 2013	31 Mar 2014	30 Jun 2014
Fixed Assets	33.4	36.2	35.3
Inventories	6.9	6.8	6.8
Prepayments	0.2	0.2	0.3
Trade receivables	3.9	3.9	3.2
Cash and equivalents	25.2	26.7	25.9
Total Assets	69.6	73.8	71.5
Long term liabilities	10.1	10.6	10.5
Trade creditors	4.6	5.0	4.3
Overdraft	1.8	-	-
Income taxes payable	1.1	1.8	1.2
Total liabilities	17.6	17.5	15.9
Capital and reserves	52.0	56.3	55.5
Total equity and liabilities	69.6	73.8	71.5

- Reduced fixed assets reflects higher depreciation than investment
- Zimbabwe overdraft facility undrawn



Q2 2014 Results – Cash Flow

Summary Cash Flow (C\$'m)

	2013	2014	2014
	Year	Q1	Q2
Cash flow from operations	22.8	6.9	3.5
Advance dividend payments	-2.0	0.0	0.0
Taxation paid	-8.0	-0.6	-1.8
Net capital investment	-11.7	-2.0	-1.6
Issue of shares	0.5	0.0	0.0
Interest	-0.1	0.0	0.0
Dividend paid	-5.9	-0.9	-1.0
Change in cash	-4.5	3.3	-0.9
Cash b/fwd	27.9	23.4	26.7
Cash c/fwd	23.4	26.7	25.8

- Operational cash flow in Q1 benefited from the sale of 1,969 oz of WIP for which the costs were incurred in 2013
- Zimbabwean provisional quarterly income taxation payments tend to increase over the course of the calendar year; Q2 also includes South African income tax
- Lower capital investment: Zambian holding costs are no longer capitalised; sustaining capex at Blanket has been reduced
- Dividends paid primarily relate to the quarterly dividend of 1.5 cents/share paid to Caledonia shareholders on April 30th; the balance relates to the 20% of Blanket's dividends paid to Blanket's indigenous shareholders after deductions to repay and service the facilitation loans