



# CALEDONIA MINING CORPORATION

---



Expanding, Low-Cost, Zimbabwean Gold Producer

Precious Metals Summit, Colorado  
September 2014



## Disclaimer

---

This presentation does not constitute, or form part of, any offer to sell or issue or any solicitation of any offer to purchase or subscribe for, any shares in Caledonia Mining Corporation (“Caledonia”), nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, or act as an inducement to enter into any contract or agreement thereto.

Certain forward-looking statements may be contained in the presentation which include, without limitation, expectations regarding metal prices, estimates of production, operating expenditure, capital expenditure and projections regarding the completion of capital projects as well as the financial position of the Company. Although Caledonia believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be accurate. Accordingly, results could differ from those projected as a result of, among other factors, changes in economic and market conditions, changes in the regulatory environment and other business and operational risks.

Accordingly, neither Caledonia, nor any of its directors, officers, employees, advisers, associated persons or subsidiary undertakings shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying upon this presentation or any future communications in connection with this presentation and any such liabilities are expressly disclaimed.



## Caledonia Mining Overview

---

### Blanket Gold Mine, Zimbabwe

- Caledonia's main operating asset
- 49% owned - fully indigenised
- 2014 production guidance 45koz
- Low-cost: 2013 cash-cost \$613/oz; All-in sustaining cost \$978/oz
- Internally funded exploration and development

### Caledonia Group

- Robust net cash position: \$25.8m at June 30, 2014
- Low PE Ratio; High dividend yield

### Dividend Paying

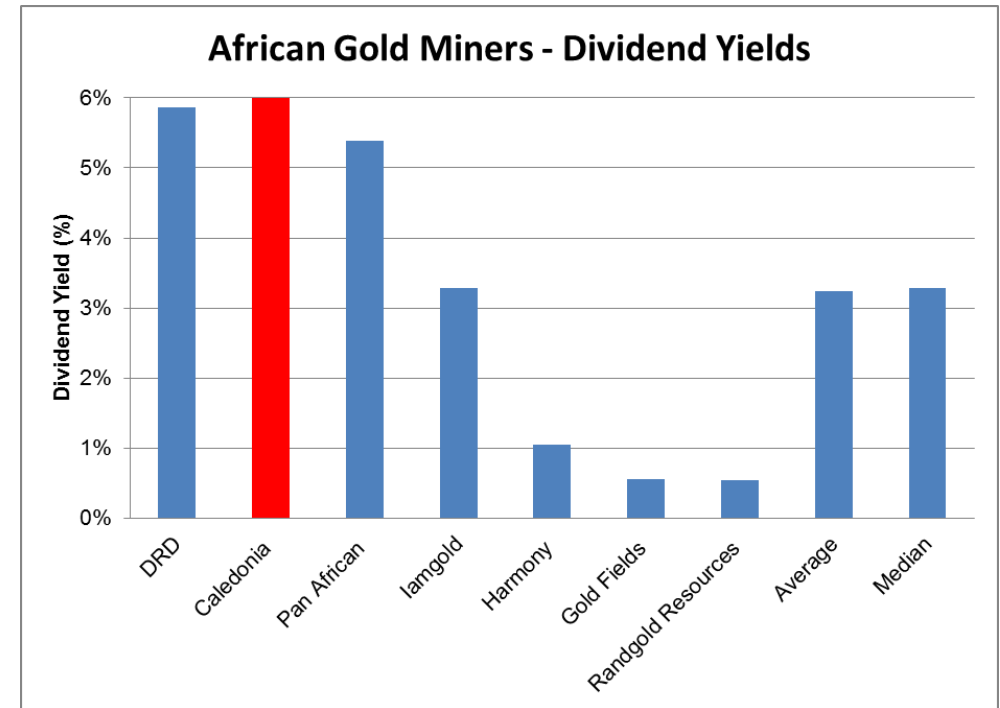
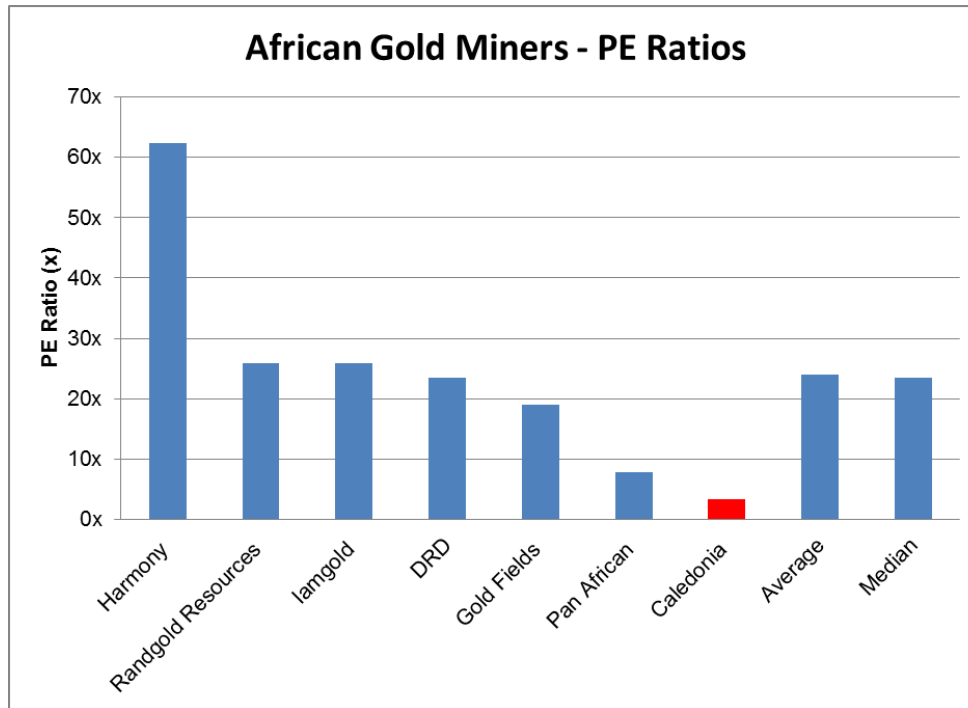
- 1.5 cents Canadian per share per quarter from January 2014
- Continuation of dividend confirmed for 2015
- 6% yield at share price of 100 cents

**Low-cost production, growing resource base and exploration potential coupled with  
balance sheet strength underpins future growth**



## 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

## Investor Concerns

---

### Political Stability

- Political continuity: ZANU-PF in power since 1980
- New government is pragmatic and pro-business
- No civil disorder; established and functional regulatory bodies

### Indigenisation

- 51% of all businesses must be owned by Zimbabweans
- Caledonia implemented its indigenization in 2012 and is the only listed Zimbabwean gold miner which is fully indigenised
- IZ shareholders include community (10%) and workers (10%)
- Caledonia continues to control Blanket

### Inflation

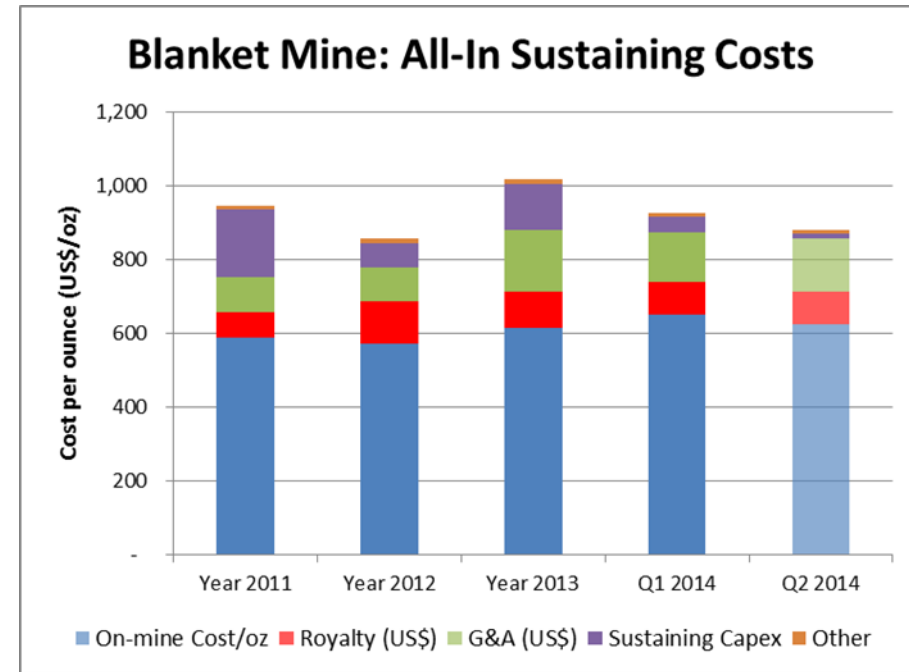
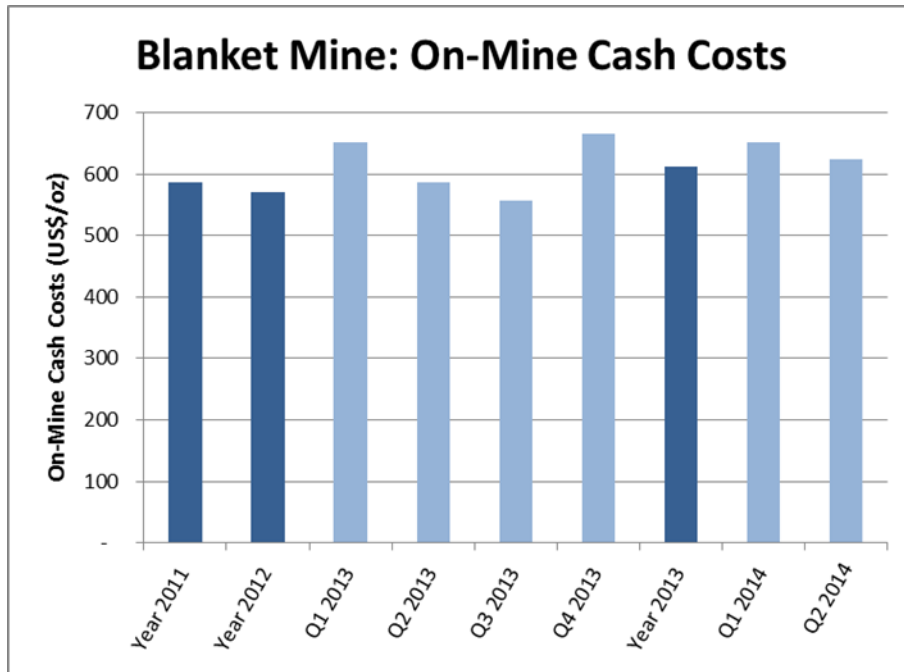
- Hyper-inflation up to early 2009 destroyed the economy
- Zim dollar abolished in early 2009: effective functional currency is US\$
- Mild deflation: modest or zero increase in input costs

### Exchange Controls

- Manageable exchange controls: no interruptions to cash remittances from Blanket to Caledonia (dividends, management fee and South Africa procurement margin)



## Track Record of Cost Control

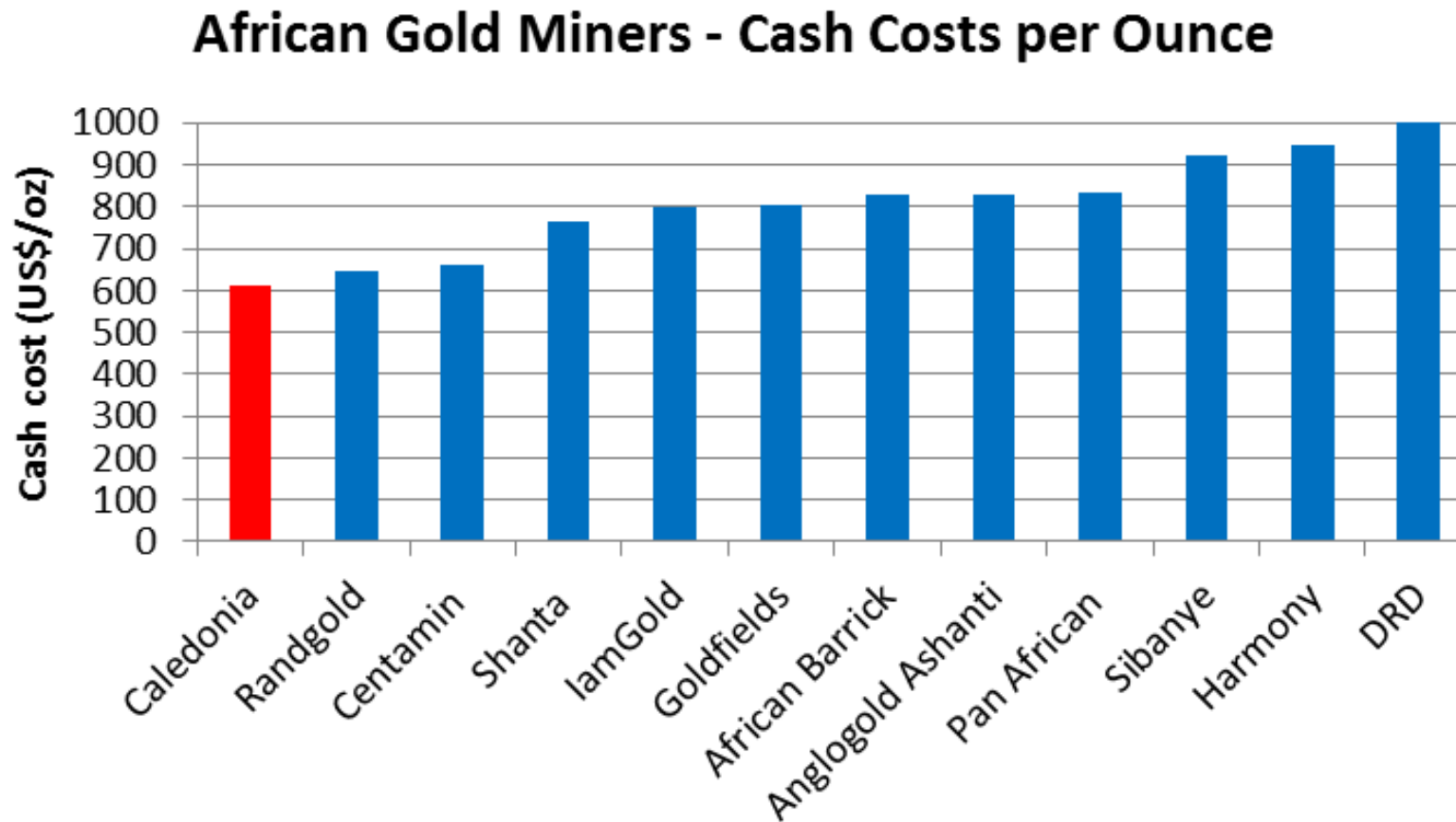


- 2013 cash cost per ounce of **US\$613/oz**
- Cost control continue to be maintained:
  - Q2 2014 on-mine cash cost \$624/oz; AISC \$881/oz
- Good cost control, amenable mine environment, efficient metallurgical plant and labour structure



## Blanket Gold Mine, Zimbabwe

### Africa's Lowest Cost Listed Gold Producer





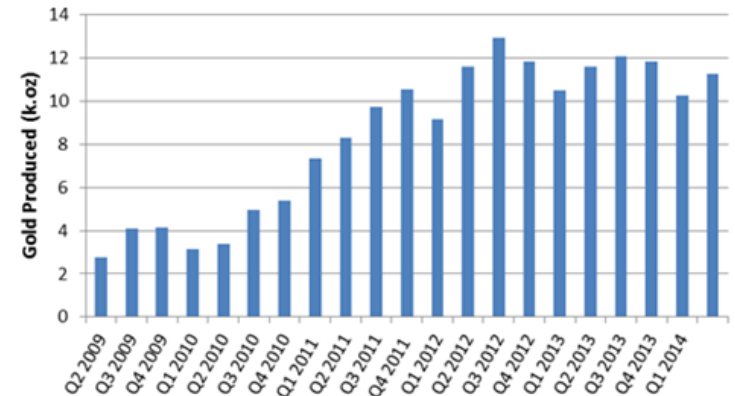


## Blanket Gold Mine, Zimbabwe

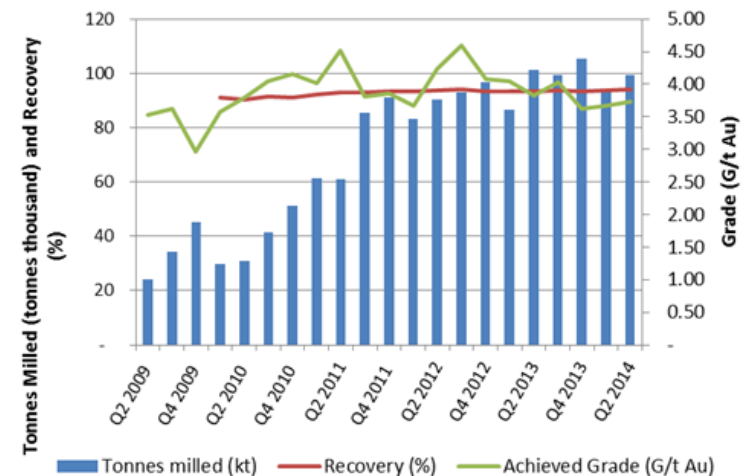
### Gold Production

- Increased production as a result of investment in underground and processing plant
  - No. 4 shaft expansion project increased production from 600tpd to over 1,200tpd
  - Oxygenation of the CIL process improves recovery and reduces cyanide consumption:
  - Less grade dilution in Q2 production as a result of the switch from ring drilling to parallel drilling in the long hole stopes
- Underground infrastructure and logistics are the main factors constraining further increases in production
- Caledonia and Blanket is currently re-evaluating its medium term investment plans
  - Address waste and ore handling underground
  - Accelerate access to deeper ore bodies
  - Improve overall mine flexibility
  - Revised investment and expansion plan expected to be announced late 2014

Quarterly Gold Production



Tonnes Milled, Grade and Recovery

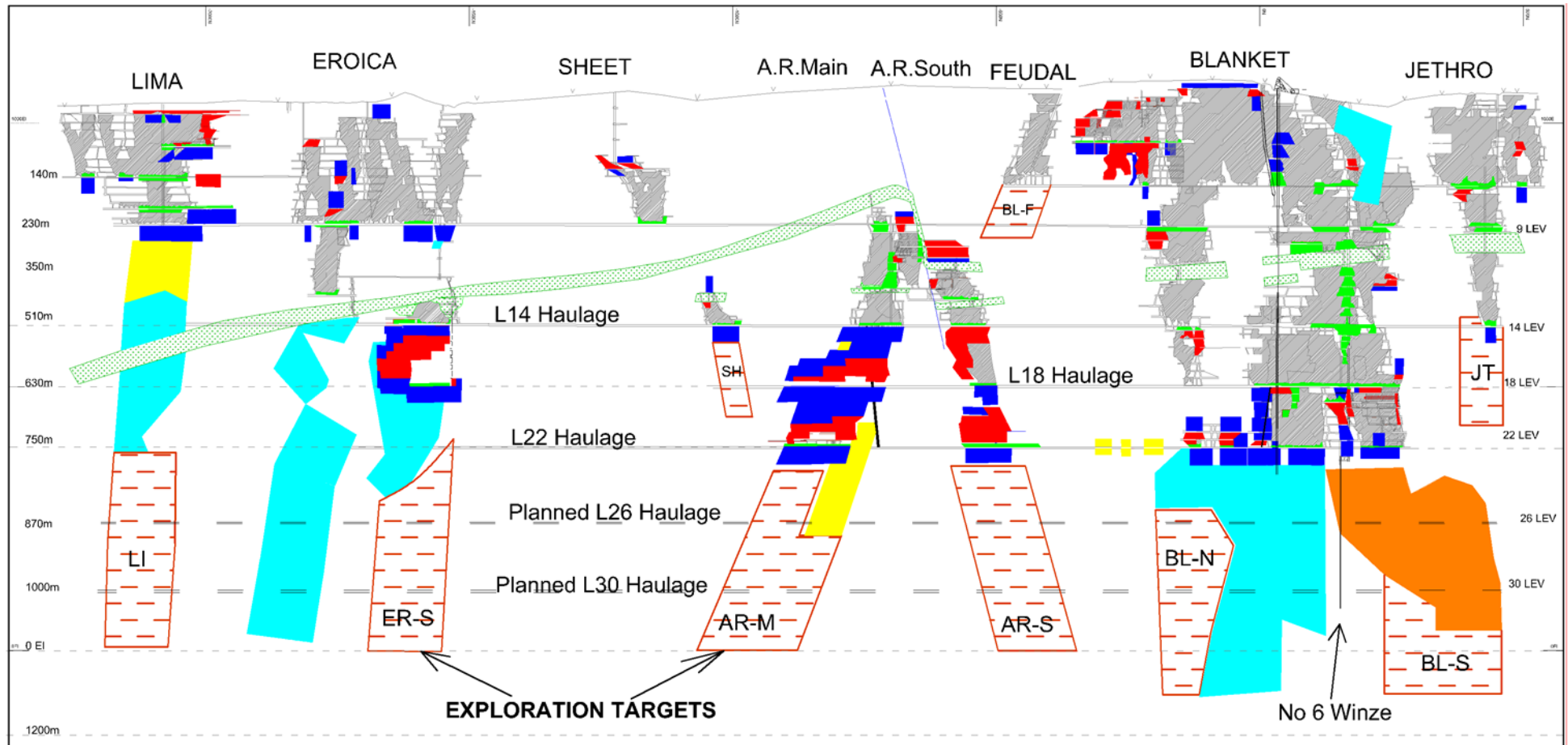






# Blanket Gold Mine, Zimbabwe

## Exploration and Development



- Continued exploration to define more resource above and below 750m (Level 22)
- Accelerate access to existing resources below 750m
- Improved underground logistics to handle increased tonnage of waste and ore



## Resources

### Mineral Reserves and Resources at December 31, 2013 (at \$1,300 gold)

	Tonnes (000' s)	Grade (g/t)	Gold (k.oz)
Proven Reserves	1,349	3.84	167
Probable Reserves	2,121	3.56	243
<b>Total Reserves</b>	<b>3,471</b>	<b>3.67</b>	<b>409</b>
Indicated Resources	488	3.81	55
Inferred Resources	2,871	5.02	-
<b>Total Reserves and Resources</b>	<b>6,830</b>	<b>4.25</b>	<b>-</b>

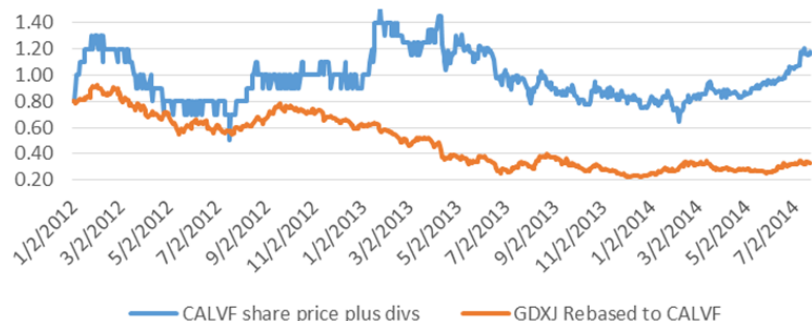
- Only material above pay-grade is added to inventory:
  - High resource to reserve conversion
- Deep level exploration from underground drilling and development
  - Slower but more accurate drilling
- Additional 500,000 tonnes of inferred resource @ 3.9g/t identified from on-mine exploration



# Capital Structure, Financials

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

Caledonia Mining Total Shareholder Return  
(Jan 2012 to 27 August 2014)



Summary Profit and Loss (C \$'m except per share data)	Year 2013	H1 2014
Revenues	65.1	32.7
EBITDA	25.4	10.3
Profit after Tax	(0.5)	5.6
EPS - basic	(6.1)	8.2
EPS - adjusted	28.3	7.6

## Capital Structure

Shares in issue (m)	52.1
Options (m)	2.7
Net Cash (30 June 2014)	C\$25.9m
Net Assets (30 June 2014)	C\$55.0m

## Listing and Trading

Share price (27 August 2014)	C\$1.02
Market capitalisation (C\$m)	C\$53.1m
52 week low/high (C\$)	0.6-1.17
30 day trading volume	6.4%

## Shareholders

	%
Management	2.9
Allan Grey	12.3
USA (mainly retail)	41.6
Canadian (mainly retail)	30.0
UK (retail and institutional)	10.0



## 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
- Caledonia's management team strengthened by the appointment of Dana Roets as COO
- Strong in-country support in Zimbabwe from Blanket's Indigenous Shareholders, including Mr. Nick Ncube, Blanket's chairman

### Directors

Chairman	Leigh Wilson (USA)
Chief Executive & President	Stefan Hayden (S Africa)
Finance Director	Steve Curtis (S Africa)
Independent Director	Johan Holtzhausen (S Africa)
Independent Director	Jim Johnstone (Canada)
Non Executive Director	Richard Patricio (Canada)
Independent Director	John Kelly (USA)

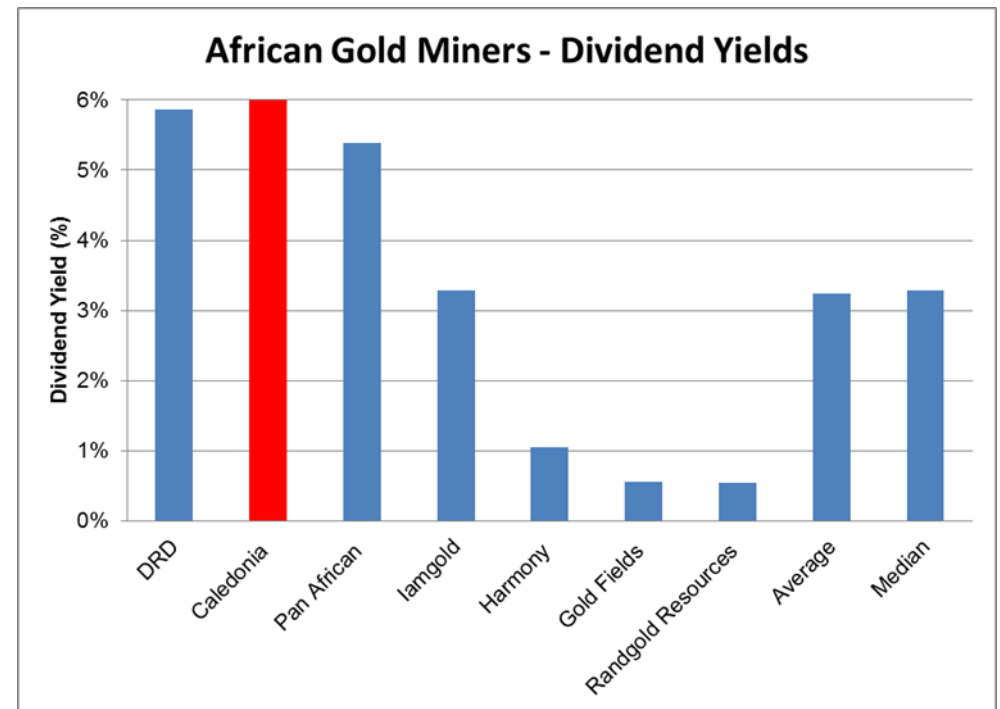
- Independent directors bring additional technical, legal, financial and commercial expertise
- Recent re-structure of Caledonia's board improves effectiveness



## 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
- Total 2014 dividend cost: C\$3.1m
  - 8 times covered by cash resources
  - 2.5 times covered by net cash generated
- August 2104, Caledonia guides that the quarterly dividends of at least 1.5 cents are expected to continue for 2015
- 2014 and 2015 forecast dividend yield 6.0% @100 cent share price
  - peer group average of 0.91%
- Board will review dividends, based on company performance





## Investment Case

---

### Fully Indigenised

- Reduces Zimbabwe political risk
- Creates a platform for growth

### Low-cost, Cash-generative

- Profitable and cash generative at current or lower gold price

### Strong Balance Sheet

- Over \$25m of cash, held in UK, South Africa and Canada
- Financial capacity to invest for further growth

### Committed to Shareholder Returns

- Dividend policy had matured into quarterly dividends
- Dividend guidance extended to October 2015

### Undervalued

- Low PE; high yield reflects perceived Zimbabwe risk.
- Scope for re-rating as risk perceptions moderate
- Potential earnings growth as expansion plans are refined and implemented



## Contacts

---

### **Caledonia Mining**

**Website:** [www.caledoniamining.com](http://www.caledoniamining.com)

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

### **Stefan Hayden, President and CEO**

Tel: +27 11 447 2499

Email: [shayden@caledoniamining.com](mailto:shayden@caledoniamining.com)

### **Mark Learmonth, Vice President**

Tel: +27 11 447 2499

Email: [marklearmonth@caledoniamining.com](mailto:marklearmonth@caledoniamining.com)

### **PR (UK): BlytheWeigh**

Tim Blythe, Halimah Hussain

### **AIM Broker/Nomad:**

**Numis Securities & WH Ireland**

### **Research: Edison Investment Research**

[www.edisoninvestmentresearch.co.uk/research](http://www.edisoninvestmentresearch.co.uk/research)





**Caledonia Mining**

---

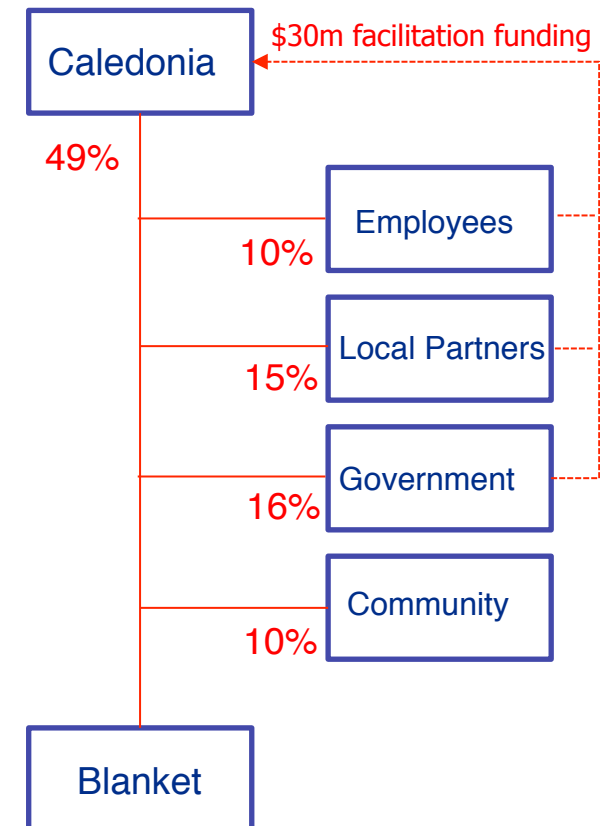
Questions?



## 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**





# 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 to establish the overall size and characteristics of the potential resource
- **Mascot Project** (42km from Blanket)
  - Existing infrastructure refurbished
  - Underground development and exploration on 2 Levels
  - Metallurgical test work commenced

