

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.20549

FORM 20-F
ANNUAL REPORT

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

Commission file number 000-13345

CALEDONIA MINING CORPORATION Plc
(Exact name of Registrant as specified in its charter)

Jersey Channel Islands
(Jurisdiction of incorporation or organization)

Caledonia Mining Corporation Plc
(“Previously Caledonia Mining Corporation”)
43-45 La Motte Street, Jersey, JE4 8SD
(Address of principal executive offices)

Mark Learmonth, +44 1534 702 800, mlearmonth@caledoniamining.com, 43-45 La Motte Street, Jersey Channel Islands, JE4 8SD.

(Name, telephone, email and/or facsimile number and address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act

Common Shares, without par value **52,173,908**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the closing of the period covered by the annual report: **52,078,908**

Indicate by check mark if the registration is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financial Reporting Standards as issued by the International Accounting Standards Board ☒

Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court: N/A

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F ("**Annual Report**") and the exhibits attached hereto contain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation that involve risks and uncertainties relating, but not limited to, Caledonia's current expectations, intentions, plans, and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "target", "intend", "estimate", "could", "should", "may" and "will" or the negative of these terms or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Examples of forward-looking information in this Annual Report include: production guidance, estimates of future/targeted production rates, planned mill capacity increases, estimates of future metallurgical recovery rates and the ability to maintain high metallurgical recovery rates, Caledonia's plans and timing regarding further exploration, drilling and development, the prospective nature of exploration and development targets, the ability to upgrade and convert mineral resources to mineral reserves, capital costs, our intentions with respect to financial position and third party financing and future dividend payments. This forward-looking information is based, in part, on assumptions and factors that may change or prove to be incorrect, thus causing actual results, performance or achievements to be materially different from those expressed or implied by forward-looking information. Such factors and assumptions include, but are not limited to: failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, success of future exploration and drilling programs, reliability of drilling, sampling and assay data, assumptions regarding the representativeness of mineralization being inaccurate, success of planned metallurgical test-work, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, changes in government regulations, legislation and rates of taxation, inflation, changes in exchange rates and the availability of foreign exchange, fluctuations in commodity prices, delays in the development of projects and other factors.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Such factors include, but are not limited to: risks relating to estimates of mineral reserves and mineral resources proving to be inaccurate, fluctuations in gold price, risks and hazards associated with the business of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected geological or structural formations, pressures, power outages, explosions, landslides, cave-ins and flooding), risks relating to the credit worthiness or financial condition of suppliers, refiners and other parties with whom the Company does business; inadequate insurance, or inability to obtain insurance, to cover these risks and hazards, employee relations; relationships with and claims by local communities and indigenous populations; political risk; availability and increasing costs associated with mining inputs and labor; the speculative nature of mineral exploration and development, including the risks of obtaining or maintaining necessary licenses and permits, diminishing quantities or grades of mineral reserves as mining occurs; global financial condition, the actual results of current exploration activities, changes to conclusions of economic evaluations, and changes in project parameters to deal with un-anticipated economic or other factors, risks of increased capital and operating costs, we are affected by environmental, safety or regulatory risks, expropriation, the Company's title to properties including ownership thereof, increased competition in the mining industry for properties, equipment, qualified personnel and their costs, risks relating to the uncertainty of timing of events including targeted production rate increase and currency fluctuations. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Caledonia reviews forward-looking information for the purposes of preparing each Annual Report, however Caledonia undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law. **For the reasons set forth above, investors should not place undue reliance on forward-looking statements.**

STATUS AS AN EMERGING GROWTH COMPANY

We are an "emerging growth company" as defined in Section 3(a) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") by the Jumpstart Our Business Startups Act of 2012 (the "**JOBS Act**"), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We will continue to qualify as an "emerging growth company" until the earliest to occur of: (a) the last day of the fiscal year during which we had total annual gross revenues of

US\$1,000,000,000 (as such amount is indexed for inflation every 5 years by the SEC) or more; (b) the last day of our fiscal year following the fifth anniversary of the date of the first sale of common equity securities pursuant to an effective registration statement under the Securities Act; (c) the date on which we have, during the previous 3-year period, issued more than US\$1,000,000,000 in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer", as defined in Exchange Act Rule 12b-2. We expect to continue to be an emerging growth company for the foreseeable future.

Generally, a registrant that registers any class of its securities under section 12 of the Exchange Act is required to include in the second and all subsequent annual reports filed by it under the Exchange Act, a management report on internal control over financial reporting and, subject to an exemption available to registrants that are neither an "accelerated filer" or a "larger accelerated filer" (as those terms are defined in Exchange Act Rule 12b-2), an auditor attestation report on management's assessment of internal control over financial reporting. However, for so long as we continue to qualify as an emerging growth company, we will be exempt from the requirement to include an auditor attestation report on management's assessment of internal controls over financial reporting in its annual reports filed under the Exchange Act, even if we were to qualify as an "accelerated filer" or a "larger accelerated filer". In addition, Section 103(a)(3) of the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**") has been amended by the JOBS Act to provide that, among other things, auditors of an emerging growth company are exempt from any rules of the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the company.

CURRENCY

All references to dollar amounts are expressed in the lawful currency of the United States of America, unless indicated otherwise. Per share amounts are expressed in United States dollars. On December 16, 2015 Caledonia advised that the reporting currency for all future financial reporting commencing with the financial results for the quarter and year ended December 31, 2015 will be the United States dollar instead of the Canadian dollar. This change is made in order to better report the true performance of its business because all of the revenues and operating costs at the Blanket Mine in Zimbabwe are denominated in US dollars and only a small proportion of Caledonia's costs are denominated in South African rands and Canadian dollars. Accordingly, this is our first Annual Report in which financial information for the year to December 31, 2015 and for all preceding periods is stated in United States dollars.

CHANGE OF DOMICILE

On February 18, 2016 a Special Meeting of Caledonia's shareholders voted to approve the re-domicile of the Company from Canada to Jersey, Channel Islands by a process called continuance (the "Continuance"). Caledonia's Board of Directors subsequently resolved to proceed with the Continuance which became effective on March 21, 2016 whereupon the Company also adopted new charter documents and changed its name to Caledonia Mining Corporation Plc. Following the Continuance, Caledonia is domiciled in Jersey, Channel Islands, for legal and tax purposes; Caledonia's shares (and depository interests, which are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange) continue to be listed and traded on the Toronto Stock Exchange and on AIM and they continue to be traded on the OTCQX in the United States of America.

NON-IFRS FINANCIAL INFORMATION

This Annual Report contains financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In addition, this Annual Report also contains non-IFRS financial measures ("Non-IFRS Measures") including "on-mine cash cost per ounce", "all-in sustaining cost per ounce", "all-in cost per ounce", "average realized gold price" and "adjusted earnings per share" as we believe these are useful metrics for measuring our performance. However, these Non-IFRS Measures do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

FOREIGN PRIVATE ISSUER FILINGS

We are considered a “foreign private issuer” pursuant to Rule 405 promulgated under the Securities Act of 1933, as amended (the “**Securities Act**”). In our capacity as a foreign private issuer, we are exempt from certain rules under the Exchange Act that impose certain disclosure obligations and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of our common shares. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. In addition, we are not required to comply with Regulation FD, which restricts the selective disclosure of material information.

For as long as we are a “foreign private issuer” we intend to file our annual financial statements on Form 20-F and furnish our quarterly financial statements on Form 6-K to the SEC for so long as we are subject to the reporting requirements of Section 13(g) or 15(d) of the Exchange Act. However, the information we file or furnish may not be the same as the information that is required in annual and quarterly reports on Form 10-K or Form 10-Q for U.S. domestic issuers. Accordingly, there may be less information publicly available concerning us than there is for a company that files as a domestic issuer.

We may take advantage of these exemptions until such time as we are no longer a foreign private issuer. We are required to determine our status as a foreign private issuer on an annual basis at the end of our second fiscal quarter. We would cease to be a foreign private issuer at such time as more than 50% of our outstanding voting securities are held by United States residents and any of the following three circumstances applies: (1) the majority of our executive officers or directors are United States citizens or residents; (2) more than 50% of our assets are located in the United States; or (3) our business is administered principally in the United States. If we lose our “foreign private issuer status” we would be required to comply with Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirement for “foreign private issuers”.

CAUTIONARY NOTE TO U.S. INVESTORS REGARDING RESOURCE AND RESERVE ESTIMATES

This Annual Report has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) - *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. These definitions differ from the definitions in United States Securities and Exchange Commission (“SEC”) Industry Guide 7 under the United States Securities Act of 1933, as amended (the “Securities Act”). Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this Annual Report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder. All references in this Annual Report to the terms “we”, “our”, “us”, “the Company” and “Caledonia” refer to Caledonia Mining Corporation Plc.

ITEM 1 - IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2 - OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3 - KEY INFORMATION

A. Selected Financial Data

The following tables present our selected consolidated financial data. You should read these tables in conjunction with our audited consolidated financial statements and accompanying notes included in Item 18 of this Annual Report and “Operating and Financial Review and Prospects” included in Item 5 of this Annual Report.

The selected consolidated financial information set forth below has been derived from our audited consolidated financial statements that are prepared in accordance with IFRS, which differ in certain respects from the principles we would have followed had its consolidated financial statements been prepared in accordance with U.S. GAAP. The selected consolidated financial information should be read in conjunction with our audited consolidated financial statements and related notes thereto.

Financial – All in USD’000’s unless indicated otherwise	2015	2014 ⁽²⁾	2013 ⁽²⁾	2012 ⁽²⁾	2011 ⁽²⁾
Revenue	48,977	53,313	63,217	75,236	56,306
Gross Profit	13,181	18,543	29,010	40,923	29,430
Expense - (General and administration, interest and foreign exchange including provisions and impairments)	(5,221)	(6,615)	(19,878)	(20,980)	(8,613)
Net Income /(Loss) – after tax from operations	5,590	5,946	(477)	7,122	12,261
Net Income /(Loss) – after income taxes from continuing operations	5,590	5,946	(477)	7,122	12,261
Profit attributable to owners of the Company	4,779	4,435	(2,967)	8,515	12,261
Net cash and cash equivalent	10,880	23,082	21,901	28,125	9,075
Current Assets	23,562	31,743	33,800	35,525	17,800
Total Assets	72,838	66,479	65,072	72,297	51,380
Current Liabilities	8,397	4,972	7,044	9,341	4,477
Long Term Liabilities	14,080	11,164	9,437	6,973	7,669
Working Capital	15,165	26,771	26,756	26,184	13,323
Net Assets	50,361	50,343	48,591	55,983	39,233
Total Capital Expenditures including Mineral Properties (Cash)	16,567	6,150	11,396	7,910	8,620
Dividend per share – cents ¹	4.8	5.4	9.8	-	-
Earnings per share – cents ¹	8.9	8.4	(5.4)	17.2	24.0
Diluted earnings per share – cents ¹	8.9	8.4	(5.4)	17.2	24.0

Share Information

	2015	2014	2013	2012	2011
Market Capitalization (USD Thousands) at December 31	32,209	31,791	39,088	46,301	55,060
Shares Outstanding (Thousands) ⁽¹⁾	52,078	52,117	52,117	51,446	50,549
Options Outstanding (Thousands) ⁽¹⁾	2,241	2,565	2,848	3,330	4,254

- ⁽¹⁾ All dividend per share, earnings per share, diluted earnings per share and option numbers are stated on the basis of the 1:10 reverse split that took place in 2013.
- ⁽²⁾ All amounts before January 1, 2015 have been restated to United States Dollar, refer item 18.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

An investment in our common shares involves a high degree of risk and should be considered speculative. You should carefully consider the following risks set out below and other information before investing in our common shares. If any event arising from these risks occurs, our business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of our common shares could decline and all or part of any investment may be lost.

Our operations are highly speculative due to the high-risk nature of our business, which include the acquisition, financing, exploration, development of mineral properties and operation of mines. The risks and uncertainties set out below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial, may also impair our operations. If any of the risks actually occur, our business, financial condition and operating results could be adversely affected. As a result, the trading price of our common shares could decline and investors could lose part or all of their investment. Our business is subject to significant risks and past performance is no guarantee of future performance.

The mining industry is highly competitive and there is no guarantee we will always be able to compete effectively.

The mining industry is a highly diverse and competitive international business. The selection of geographic areas of interest are only limited by the degree of risk a company is willing to accept by the acquisition of properties in emerging or developed markets and/or prospecting in explored or virgin territory. Mining, by its nature, is a competitive business with the search for fresh ground with good exploration potential and the raising of the requisite capital to move projects forward to production. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. We will compete with other interests, many of which have greater financial resources than we will have, for the opportunity to participate in promising projects. Such competition may have better access to potential resources, more developed infrastructure, more available capital, have better access to necessary financing, and more knowledgeable and available employees than us. We may encounter competition in acquiring mineral properties, hiring mining professionals, obtaining mining resources, such as manpower, drill rigs, and other mining equipment. Such competitors could outbid us for potential projects or produce gold at lower costs. Increased competition could also affect our ability to attract necessary capital funding or acquire suitable properties or prospects for gold exploration or production in the future. Significant capital investment is required to achieve commercial production from successful exploration and development efforts. Globally the mining industry is prone to cyclical variations in the price of the commodities produced by it, as dictated by supply and demand factors, speculative factors and industry-controlled marketing cartels. Nature provides the ultimate uncertainty with geological and occasionally climatic surprises. Commensurate with the acceptance of this risk profile is the potential for high rewards. If we are unable to successfully compete for properties, capital, customers or employees it could have a materially adverse effect on our results of operations.

We do business in countries and jurisdictions outside of the United States where different economic, cultural, regulatory and political environments could adversely impact our business, results of operations and financial condition.

The jurisdictions in which we operate are unpredictable. Assets and investments in these foreign jurisdictions are subject to risks that are usually associated with operating in a foreign country and, any of these could result in a material adverse effect on our business, results of operations or financial performance. These risks include, but are not limited to, access to assets, labor disputes and unrest; arbitrary revocation of government orders, approvals, licenses and permits; corruption; uncertain political and economic environments; bribery; war; civil disturbances and terrorist actions; sudden and arbitrary changes to laws and regulations; delays in obtaining government permits; limitations on foreign ownership; more onerous foreign exchange controls; currency devaluations; import and export regulations; inadequate, damaged or poorly maintained infrastructure; and endemic illnesses. There can be no guarantee that governments in these jurisdictions will not unilaterally expropriate the property of companies that are involved in mining.

Caledonia's mining operations are conducted in Zimbabwe and, as such, these operations are exposed to various levels of political, economic and other risks and uncertainties in addition to those set out above. These risks and uncertainties include, but are not limited to, expropriation and nationalization, or mandatory levels of Zimbabwean ownership beyond currently mandated levels; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

In 2009, the government of Zimbabwe made foreign currencies legal tender in Zimbabwe and abolished the Zimbabwe dollar. However, there is no guarantee that the Zimbabwe government will not reintroduce the local currency. The approval of the Reserve Bank of Zimbabwe ("RBZ") is required for all flows of money into and out of Zimbabwe. Caledonia and its subsidiaries have not encountered difficulty in obtaining the necessary approval from the RBZ. Zimbabwe is experiencing a shortage of foreign currency which means that foreign payments from Zimbabwe may encounter delays in execution.

If one of more of these risks occur, it could have a material and adverse effect on our business, results of operations or financial performance.

Furthermore, the royalty rate in Zimbabwe is subject to change. Effective January 1, 2012, Zimbabwe increased the gross royalty payable to the Zimbabwe Government from 4.5% to 7% of the gross revenues received by mining companies operating in Zimbabwe from gold sales. Effective January 1, 2014, there was a change in the regulations which means that the royalty payable to the Zimbabwe government was no longer allowable as a deduction for the purposes of calculating income tax. With effect from October 1, 2014 the royalty rate was reduced to 5%. Changes to Zimbabwean legislation in January 2014 required all Zimbabwean gold producers to sell their production to Fidelity Printers and Refiners Limited ("Fidelity") for a sale value which represents 98.5% of the value of the gold contained. Prior to this change, Blanket Mine (1983) (Private) Limited ("Blanket" or "Blanket Mine") sold its gold to a non-Zimbabwean refiner and received 100% of the value of the gold contained. With effect from February 3, 2015, Blanket receives 98.75% of the value of the gold it delivers to Fidelity.

We face risks related to mining, exploration and mine construction, if warranted, on potential properties.

Our level of profitability, if any, in future years will depend on whether the Blanket Mine produces at forecasted rates and whether any exploration stage properties can be brought into production. The mining, exploration and development of mineral deposits involves significant risks. It is impossible to ensure that any current and future exploration programs will establish reserves. Whether a mineral ore body will be commercially viable depends on a number of factors, and the exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us receiving an adequate return on invested capital. The exploration, development and production activities are subject to political, economic and other risks, including:

- cancellation or renegotiation of contracts;
- changes in local and foreign laws and regulations;

- changes in tax laws;
- delays or refusal in granting prospecting permissions, mining authorizations and work permits for foreign management staff;
- environmental controls and permitting;
- expropriation or nationalization of property or assets;
- foreign exchange controls;
- government mandated social expenditures;
- import and export regulation, including restrictions on the sale of their production in foreign currencies;
- industrial relations and the associated stability thereof;
- inflation of cost that is not compensated for by a currency devaluation;
- requirement that a foreign subsidiary or operating unit have a domestic joint venture partner, which, possibly, the foreign company must subsidize;
- restrictions on the ability of local operating companies to sell their production for foreign currencies, and on the ability of such companies to hold these foreign currencies in offshore and/or local bank accounts;
- restrictions on the ability of a foreign company to have management control of exploration and/or development and/or mining operations;
- restrictions on the remittance of dividend and interest payments offshore;
- retroactive tax or royalty claims;
- risks of loss due to civil strife, acts of war, guerrilla activities, insurrection and terrorism;
- royalties and tax increases or claims by governmental entities;
- unreliable local infrastructure and services such as power, water, communications and transport links;
- demands or actions by native or indigenous groups;
- other risks arising out of foreign sovereignty over the areas in which operations are conducted; and
- lack of investment funding;

Such risks could potentially arise in any country in which we operate.

As a result of the foregoing, our exploration, development and production activities in Zimbabwe may be substantially affected by factors beyond our control, any of which could materially adversely affect our financial position or results from operations. Furthermore, in the event of a dispute arising from such activities, we may be subject to exclusive jurisdiction of courts outside North America or may not be successful in subjecting persons to the jurisdiction of the courts in North America, which could adversely affect the outcome of a dispute.

We will need to identify new resources to replace ore which has been depleted by mining activities and to commence new projects. No assurance can be given that exploration activities by us will be successful in identifying sufficient mineral resources of an adequate grade and suitable metallurgical characteristics suitable for further development or production.

Blanket Mine is our principle mining asset. In addition, Blanket Mine has title to numerous but smaller satellite properties in the surrounding greenstone terrain. These satellite properties are in the exploration stage and are without any known bodies of commercial ore. Further development of the properties will only proceed upon obtaining satisfactory exploration results. There is no assurance that our mineral exploration activities will result in any discoveries of commercial bodies of mineral reserves. The long-term profitability of our operations will, in part, be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

There can be no assurance, even when an economic deposit of minerals is located, that any of our property interests can be commercially mined. The exploration and development of mineral deposits involve a high degree of financial risk over a significant period of time which a combination of careful evaluation, experience and knowledge of management may not eliminate. While discovery of additional ore-bearing structures may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that our current exploration programs will result in profitable commercial mining operations. The profitability of our operations will be, in part, directly related to the cost and success of its exploration and development programs which may be affected by a number of factors. Additional expenditures are required to establish reserves which are sufficient to commercially mine and to construct, complete and install mining and processing facilities in those properties that are actually mined and developed.

Our operations are subject to various Government approvals, permits, licenses and legal regulation for which no assurance can be provided that if such approvals, permits or licenses will be obtained or if obtained will not be revoked or suspended or any continued compliance with applicable laws or regulations thereunder.

Government approvals, permits and licenses are required in connection with a number of our activities and additional approvals, permits and licenses may be required in the future. The duration and success of our efforts to obtain approvals, permits and licenses are contingent upon many variables outside of our control. Obtaining governmental approvals, permits and licenses can increase costs and cause delays depending on the nature of the activity and the interpretation of applicable requirements implemented by the relevant authority. While we and our affiliates currently hold the necessary licenses to conduct operations there can be no assurance that all necessary approvals, permits and licenses will be maintained or obtained or that the costs involved will not exceed our estimates or that we will be able to maintain such permits or licenses. To the extent such approvals, permits and licenses are not obtained or maintained, we may be prohibited from proceeding with planned drilling, exploration, development or operation of properties which could have a material adverse effect on our business, results of operations and financial performance.

In addition, failure to comply with applicable laws, regulations and requirements in the countries in which we operate may result in enforcement action, including orders calling for the curtailment or termination of operations on our property, or calling for corrective or remedial measures requiring considerable capital investment. Although we believe that our activities are currently carried out in all material respects in accordance with applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of our properties or otherwise have a material adverse effect on our business, results of operations and financial performance.

Further development and commercial production at Blanket Mine and the other surrounding properties cannot be assured.

We are engaged in further development activities at Blanket Mine and its surrounding properties. Estimates for future production, at Blanket Mine, are based on mining plans and are subject to change. Production estimates are subject to risk and no assurance can be given that future production estimates will be achieved. Actual production may vary from estimated production for a variety of reasons including un-anticipated variations in grades, mined tonnages and geological conditions, accident and equipment breakdown, changes in metal prices and the cost and supply of inputs and changes to government regulations. Construction and development of projects are subject to numerous risks including, but not limited to: obtaining equipment, permits and services; changes in regulations; currency rate changes; labor shortages; fluctuations in metal prices; and the loss of community support.

Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract gold from ore and to develop the mining, processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be capable of economic extraction by metallurgical process, or discovered in sufficient quantities or grades, or the estimated operating costs of the mining venture are sufficient, to justify development of the deposit, or that the funds required for development can be obtained on a timely and economically acceptable basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond our control and which cannot be predicted, such as metal price and market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is not commercially feasible to commence or continue commercial production.

The price of gold is subject to volatility and may have a significant effect on our future activities and profitability.

Our revenues, operations and exploration and development projects are, and are expected to be, heavily derived from and influenced by the price of gold, which is particularly subject to fluctuation and has fluctuated significantly in recent years. The price of gold is affected by numerous factors beyond our control including, but not limited to: international economic and political conditions; expectations of inflation; international currency exchange rates; interest rates; global or regional consumption patterns; speculative activities; levels of supply and demand; increased production due to new mine developments and improved mining and production methods; availability and costs of metal substitutes and; inventory carrying costs. The effect of these factors on the price of gold, and therefore the economic viability of our operations cannot be accurately predicted. In February 2016 Caledonia entered into a hedge

agreement in respect of 15,000 ounces of gold over a period of 6 months. The hedge protects Caledonia if the gold price falls below \$1,050 per ounce but gives us full participation if the price of gold exceeds \$1,079 per ounce. Blanket continues to sell all of its gold production to Fidelity Printers and Refiners Ltd (“Fidelity”), as required by Zimbabwean legislation, and receives the spot price of gold less an early settlement discount of 1.25%. The maximum cost of the hedge to Caledonia is \$435,000, being 15,000 ounces at \$29 per ounce.

We face credit risk exposure from counterparties to certain contractual obligations and there is no assurance that any such counterparty may not default in such obligation causing us to incur a financial loss.

Credit risk is the risk that a party with a contractual obligation with us will default causing a loss. New regulations introduced by the Zimbabwean Ministry of Finance in January 2014 require that all gold produced in Zimbabwe must be sold to Fidelity, a company which is controlled by the Zimbabwean authorities. Accordingly, all of our production from Blanket Mine is sold to Fidelity. To date, Blanket has received all payments due from Fidelity in full and on time. This arrangement introduces a new credit risk, beyond our control, that receivables and contractual performance due from Fidelity will not be paid or performed in a timely manner, or at all.

In 2009, gold bonds were issued by the Reserve Bank of Zimbabwe to Blanket Mine as a result of non-payment for gold previously sold by Blanket Mine to the Reserve Bank of Zimbabwe since 2008. The Reserve Bank of Zimbabwe has failed to redeem the gold bonds and also failed to give any reliable verification of when Blanket Mine would be paid. As a result of this failure, we were required to write off the gold bonds to \$nil value. During fiscal 2015 the gold bonds were converted into treasury bills. Further, if Fidelity or the Zimbabwean government were unable or unwilling to conduct business with us, or satisfy obligations to us, we could experience a material adverse effect upon our operations and financial performance.

We are required to facilitate the economic participation of certain indigenous groups in our business and there can be no assurance that such required participation will be at fair market value.

The government of Zimbabwe has introduced legislation (typically referred to as indigenisation) requiring companies to facilitate participation in their shareholdings and business enterprises by the indigenous population. It is not assured that such interests will be paid for at full fair value, which may result in increased political and economic risks of operating in that area. As reported the Blanket Mine in Zimbabwe has complied with the requirements of the Indigenisation Act in Zimbabwe whereby indigenous shareholders legally own 51% ownership of Blanket Mine (1983) (Pvt) Ltd since September 2012. Refer to note 5 of the Consolidated Financial Statements for additional information on the indigenisation transaction.

We currently do not depend on our ability to successfully access the capital and financial markets. However, should our financial position change any inability to access the capital or financial markets may limit our ability to execute our business plan or pursue investments that we may rely on for future growth.

We expect that for at least fiscal years 2016 through to 2019, we can fund all of its exploration, development and production operations from cash on hand, overdraft facilities and cash generated from operating activities.

Depending on our ability to generate income from our operations, we may require further financing for current and future exploration and development. Should our projections for fiscal years 2016 through to 2019 prove incorrect, in order to finance our working capital needs, we may have to raise funds through the issuance of additional equity or debt securities. Depending on the type and the terms of any financing we pursue, shareholders’ rights and the value of their investment in our common shares could be reduced. Any additional equity financing will dilute shareholdings, and new or additional debt financing, if available, may involve restrictions on financing and operating activities. In addition, if we issue secured debt securities, the holders of the debt would have a claim to our assets that would be prior to the rights of shareholders until the debt is paid. Interest on these debt securities would increase costs and negatively impact operating results.

If we are unable to obtain additional financing, as needed, at competitive rates, our ability to implement our business plan and strategy may be affected, and we may be required to reduce the scope of our operations and scale back our exploration and development programs as the case may be. There is, however, no guarantee that we will be able to secure any additional funding or be able to secure funding which will provide us with sufficient funds to meet our objectives, which may adversely affect our business and financial position.

We are dependent on key management employees.

Our success depends (i) on the continued contributions of our directors, executive officers, management and consultants, and (ii) on our ability to attract new personnel whenever we seek to implement our business strategy. The loss of the services of any of these persons could have a materially adverse effect on our business, prospects results of operations and financial performance. The limited availability of mining and other technical skills and experience in Zimbabwe and the difficulty of attracting appropriately skilled employees to Zimbabwe creates a risk that appropriate skills may not be available if, for whatever reason, the current skills base at the Blanket Mine is depleted. There is no assurance that we will always be able to locate and hire all of the personnel that it may require. Where appropriate, we engage with consulting and service companies to undertake some of the work functions.

Our share price has been and is likely to continue to be volatile and an investment in our common shares could suffer a decline in value.

Market prices for mining company securities, by their nature, are volatile. Factors, such as rapidly changing commodity prices, political unrest globally and in countries where we operate, speculative interest in mining stocks etc. are but a few factors affecting the volatility of the share price. Our shares are listed on the Toronto Stock Exchange and on the London Stock Exchange's Alternative Investment Market ("AIM"). Our shares are also quoted in the U.S. on the OTCQX.

You should consider an investment in our common shares as risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment. The market price of our common shares may be highly volatile and subject to wide fluctuations. In addition, the trading volume of our common shares may fluctuate and cause significant price variations to occur. If the market price of our common shares declines significantly, you may be unable to resell your common shares at or above the purchase price, if at all. We cannot assure you that the market price of our common shares will not fluctuate or significantly decline in the future. Factors affecting our common share price include but are not limited to:

- actual or expected fluctuations in our operating results;
- actual or expected changes in our growth rates or our competitors' growth rates;
- changes in the market price of gold;
- changes in the demand for gold;
- high extraction costs;
- accidents;
- changes in market valuations of similar companies;
- additions to or departures of our key personnel;
- actual or anticipated fluctuations in our quarterly operating results or those of our competitors;
- publication of research reports by securities analysts about us or our competitors in the industry;
- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market;
- fluctuations of exchange rates between the U.S. dollar and the South African rand;
- changes or proposed changes in laws and regulations affecting the gold mining industry;
- changes in trading volume of our common shares on the TSX, the AIM or the OTCQX;
- sales or perceived potential sales of our common shares by us, our directors, senior management or our shareholders in the future;
- short selling or other market manipulation activities;
- announcement or expectation of additional financing efforts;
- terrorist acts, acts of war or periods of widespread civil unrest;
- natural disasters and other calamities;
- litigation involving us, including: shareholder litigation, investigations or audits by regulators into our operations; or proceedings initiated by our competitors or clients;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments affecting us or our industry;
- fluctuations in the valuation of companies perceived by investors to be comparable to us; and

- conditions in the U.S., Canadian and United Kingdom financial markets or changes in general economic conditions.

Our mineral properties may be subject to defects in title.

We are not currently aware of any significant competing ownership claims or encumbrances respecting title to our properties. However, the ownership and validity or title of unpatented mining claims and concessions are often uncertain and may be contested. We also may not have, or may not be able to obtain, all necessary surface rights to develop a property. Although we have taken reasonable measures to ensure proper title to our properties, there is no guarantee that title to our properties, competing ownership claims or encumbrances respecting our properties not be made in the future. Title insurance is generally not available for mineral properties and our ability to ensure that we have obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Our mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. We may incur significant costs related to defending the title to our properties. A successful claim contesting our title to a property may cause us to compensate other persons or perhaps reduce our interest in the affected property or lose our rights to explore and, if warranted, develop that property. This could result in us not being compensated for our prior expenditures relating to the property. Also, in any such case, the investigation and resolution of title issues would divert our management's time from ongoing exploration and, if warranted, development programs. Any impairment or defect in title could have a negative impact on us.

We cannot guarantee that there will not be an increase in input costs affecting our results of operations and financial performance.

Mining companies generally have experienced higher costs of steel, reagents, labor and electricity and from local and national government for levies, fees, royalties and other direct and indirect taxes. Our planned growth at Blanket Mine should allow the fixed cost component to be absorbed over increased production, thereby helping to alleviate somewhat the effect of any further price increases. However, there can be no assurance that we will be able to control such input costs and any increase in input costs above our expectations may have a negative result on our results of operations and financial performance.

Our operations may be subject to increased costs or even suspended or terminated as a result of any loss of required infrastructure in our operations.

Infrastructure, including electricity supplies, that is currently available and used by us may, as result of natural disaster, incorrect or inadequate maintenance, sabotage or for other reasons, be destroyed or made unavailable or available in a reduced capacity. Were this to occur, operations at our properties may become more costly or have to be curtailed or even terminated, potentially having serious adverse consequences to our financial condition and viability that could, in turn, have a material adverse effect on our business, results of operations or financial performance. Blanket also has 10MW of installed stand-by diesel generating capacity which is sufficient to allow all mining and processing activities and work at the central shaft to continue if there are any interruptions to the ZESA supply.

We are subject to operational hazards and risks that could have a material adverse effect on our business, results of operations and financial performance.

We are subject to risks typical in the mining business. These include, but are not limited to, operational issues such as unexpected geological conditions or earthquakes causing unanticipated increases in the costs of extraction or leading to falls of ground and rock bursts, particularly as mining moves into deeper levels. Major cave-ins, flooding or fires could also occur under extreme conditions. Although equipment is monitored and maintained and all staff receives safety training, accidents caused by equipment failure or human error could occur. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. As a result, we may incur significant liabilities and costs that could have a material adverse effect upon its business, results of operations and financial performance.

Lawsuits may be filed against us and an adverse ruling in any such lawsuit could have a material adverse effect on our business, results of operations and financial performance.

We may become party to legal claims arising in the ordinary course of business. There can be no assurance that unforeseen circumstances resulting in legal claims will not result in significant costs or losses. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to us

and as a result, could have a material adverse effect on our assets, liabilities, business, financial condition and results of operations. Even if we prevail in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from our business operations, which could adversely affect our financial condition. In the event of a dispute arising in respect of our foreign operations, we may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada, the United Kingdom, Jersey or international arbitration. The legal and political environments in which we operate may make it more likely that laws will not be enforced and that judgments will not be upheld. If we are unsuccessful in enforcing our rights under the agreements to which we are party to or judgments that have been granted, or if laws are not appropriately enforced, it could have a material adverse effect on our business, results of operations and financial performance.

We face risks related to illegal mining at Blanket Mine and no assurance can be provided that such illegal mining will not have a material adverse effect our business, results of operations and financial performance.

There has been an increase in illegal mining activities on properties controlled by Blanket. This gives rise to increased security costs and an increased risk of theft and damage to equipment. Blanket has received adequate support and assistance from the Zimbabwean police in investigating such cases.

Most of our employees are members of the Associated Mine Workers Union of Zimbabwe and any work stoppage or industrial action implemented by the union may affect our business, results of operations and financial performance.

Most of the employees are members of the Associated Mine Workers Union of Zimbabwe. Pay rates for all wage-earning staff are negotiated on a Zimbabwe industry-wide basis between the union and representatives of the mine owners. Any industrial action called by the workers union may affect our operations even though our operations may not be at the root cause of the action. Strikes, lockouts or other work stoppages could have a material adverse effect on our business, results of operations and financial performance. In addition, any work stoppage or labor disruption at key customers or service providers could impede our ability to supply products, to receive critical equipment and supplies for our operations or to collect payment from customers encountering labor disruptions. Work stoppages or other labor disruptions could increase our costs or impede our ability to operate.

There can be no assurance that changes to any environmental, health and safety laws to which we are currently subject would not adversely affect our exploration and development programs.

Our exploration, development and operations are subject to environment, health and safety laws and regulations (“EH&S”) in the countries in which the relevant activity is being conducted. There is no assurance that future changes in EH&S, if any, will not adversely affect our exploration and development programs or our operations. There is no assurance that regulatory and environmental approvals required under EH&S will be obtained or, if at all on a timely basis. A breach of EH&S may result in the temporary suspension of operations, the imposition of fines, other penalties (including administrative penalties and regulatory prosecution), and government orders, which could potentially have a material adverse effect on operations.

We may enter into acquisitions or other material transactions at any time.

We continually seek to replace and expand our reserves through the exploration of our existing properties and may expand through acquisitions of interests in new properties or of interests in companies which own such properties. Acquisitions involve a number of risks, including: the possibility that we, as a successor owner, may be legally and financially responsible for liabilities of prior owners; the possibility that we may pay more than the acquired company or assets are worth; the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; the difficulty of integrating the operations and personnel of an acquired business; the challenge of implementing uniform standards, controls, procedures and policies throughout an acquired business; the inability to integrate, train, retain and motivate key personnel of an acquired business; and the potential disruption of the our ongoing business and the distraction of management from its day-to-day operations. These risks and difficulties, if they materialize, could disrupt our ongoing business, distract management, result in the loss of key personnel, increase expenses and may have a material adverse effect on our business, results of operations and financial performance.

As a foreign private issuer, we are permitted to file less information with the SEC than a company that is not a foreign private issuer or that files as a domestic issuer.

As a foreign private issuer, we are exempt from certain rules under the Exchange Act that impose disclosure requirements as well as procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as a company that files as a domestic issuer whose securities are registered under the Exchange Act, nor are we generally required to comply with the SEC’s Regulation FD, which restricts the selective disclosure of material non-public information. For as long as we are a “foreign private issuer” we intend to file our annual financial statements on Form 20-F and furnish our quarterly financial statements on Form 6-K to the SEC for so long as we are subject to the reporting requirements of Section 13(g) or 15(d) of the Exchange Act. However, the information we file or furnish is not the same as the information that is required in annual and quarterly reports on Form 10-K or Form 10-Q for U.S. domestic issuers. Accordingly, there may be less information publicly available concerning us than there is for a company that files as a domestic issuer.

We may lose our foreign private issuer status, which would then require us to comply with the Exchange Act’s domestic reporting regime and cause us to incur additional legal, accounting and other expenses.

We are required to determine our status as a foreign private issuer on an annual basis at the end of our second fiscal quarter. In order to maintain our current status as a foreign private issuer, either (1) a majority of our ordinary shares must be either directly or indirectly owned of record by non-residents of the United States or (2) (a) a majority of our executive officers or directors must not be U.S. citizens or residents, (b) more than 50 percent of our assets cannot be located in the United States and (c) our business must be administered principally outside the United States. If we lost this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We would also be subject to additional restrictions on offers and sales of securities outside the United States and would have to comply with the generally more restrictive Regulation S under requirements under the Securities Act that apply to U.S. domestic companies, which could limit our ability to access the capital markets in the future. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be higher than the cost we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies may make our common shares less attractive to investors and, as a result, adversely affect the price of our common shares and result in a less active trading market for our common shares.

We are an emerging growth company as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. For example, we have elected to rely on an exemption from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act relating to internal control over financial reporting, and we will not provide such an attestation from our auditors.

We may avail ourselves of these disclosure exemptions until we are no longer an emerging growth company. We cannot predict whether investors will find our common shares less attractive because of our reliance on some or all of these exemptions. If investors find our common shares less attractive, it may adversely impact the price of our common shares and there may be a less active trading market for our common shares.

We will cease to be an emerging growth company upon the earliest of:

- the last day of the fiscal year during which we have total annual gross revenues of \$1,000,000,000 (as such amount is indexed for inflation every five years by the SEC or more);
- the last day of our fiscal year following the fifth anniversary of the completion of our first sale of common equity securities pursuant to an effective registration statement under the Securities Act;
- the date on which we have, during the previous three-year period, issued more than \$1,000,000,000 in non-convertible debt; or

- the date on which we are deemed to be a “large accelerated filer”, as defined in Rule 12b–2 of the Exchange Act, which would occur if the market value of our common shares that are held by non-affiliates exceeds \$700,000,000 as of the last day of our most recently-completed second fiscal quarter.

If we fail to establish and maintain proper internal controls, our ability to produce accurate financial statements or comply with applicable regulations could be impaired.

Section 404(a) of the Sarbanes-Oxley Act requires that our management assess and report annually on the effectiveness of our internal controls over financial reporting and identify any material weaknesses in our internal controls over financial reporting. Although Section 404(b) of the Sarbanes-Oxley Act requires our independent registered public accounting firm to issue an annual report that addresses the effectiveness of our internal controls over financial reporting, we have opted to rely on the exemptions provided to us by virtue of being a foreign private issuer and an emerging growth company, and consequently will not be required to comply with SEC rules that implement Section 404(b) of the Sarbanes-Oxley Act until we lose our emerging growth company status.

If either we are unable to conclude that we have effective internal controls over financial reporting or, at the appropriate time, our independent auditors are unwilling or unable to provide us with an unqualified report on the effectiveness of our internal controls over financial reporting as required by Section 404(b) of the Sarbanes-Oxley Act, investors may lose confidence in our operating results, the price of our common shares could decline and we may be subject to litigation or regulatory enforcement actions.

ITEM 4 - INFORMATION ON THE COMPANY

A. History and Development of the Company

Caledonia Mining Corporation Plc (previously Caledonia Mining Corporation) was incorporated, effective February 5, 1992, by the amalgamation of three predecessor companies, it was registered at the time under the Canada Business Corporations Act.

Following the creation of Caledonia its shares were listed for trading on the Toronto Stock Exchange and quoted on the NASDAQ small caps market. On October 16, 1998, Caledonia announced that NASDAQ would no longer quote its securities for trading. Caledonia’s common stock then commenced trading on NASDAQ’s OTC Bulletin Board system. In June 2005 Caledonia was admitted to the London Stock Exchange’s AIM market under the ticker symbol “CMCL”. Our Toronto Stock Exchange trading symbol is “CAL”. Effective October 10, 2011 the shares commenced trading in the U.S. on the OTCQX under the ticker symbol CALVF. On December 21, 2015 the Company sought shareholder approval to re-domicile from Canada to Jersey using a legal process called “Continuance”.

The reasons for the Continuance included:

- the Company has no commercial operations in Canada, hence there is no reason for it to be domiciled in Canada and subject to Canadian taxes and the compliance costs associated with being a Canadian tax entity;
- Jersey is more conveniently located in relation to the Company’s operations in Southern Africa and the majority of its shareholder base which ranges from continental Europe to South Africa and North America; and
- Canadian withholding tax, which is currently applicable to dividends paid to the Company’s shareholders outside Canada, will be eliminated.

On February 18, 2016, shareholder approval was obtained and the Continuance became effective March 21, 2016.

The Continuance had no effect on the Company’s listings in Toronto and on AIM in London, or the trading facility on the OTCQX in the USA.

The addresses and telephone numbers of Caledonia’s principal offices are:

African Office - South Africa

Registered Office

Caledonia Mining South Africa Proprietary Limited
4th Floor, 1 Quadrum office park
Johannesburg, Gauteng, 2198
South Africa
(27) 11 447 2499

43-45 La Motte Street
Jersey Channel Islands
JE4 8SD
(44) 1534 702 800

Background

Effective April 1, 2006 the Company purchased 100% of the issued shares of the Zimbabwean company, Caledonia Holdings Zimbabwe (Private) Ltd., which held the shares of Blanket Mine (1983) (Private) Limited, the owner of the operating Blanket Mine. The purchase consideration was \$1,000,000 (U.S.) and the issuance to the vendor of 20,000,000 shares in the capital of Caledonia. Because the Company bought the shares of the company owning the Blanket Mine it thereby acquired all of the assets of that company and assumed all of its liabilities.

Description of Our Business

Caledonia's activities are focused on Blanket Mine in Zimbabwe. The Company's business during the past three completed fiscal years has been focused primarily on the operation of the Blanket Mine and increasing gold production at Blanket Mine.

The Company has, during the past three completed fiscal years, conducted exploration activities in Zimbabwe and Zambia. The Company's exploration efforts in Zimbabwe have been focused on gold exploration in the vicinity of the Blanket Mine. The Company's exploration efforts in Zambia were focused on exploration for base metals, including copper and cobalt. In 2015 the Group surrendered all exploration rights relating to the Zambian operations for a nominal value. The Zambia operations were closed down during 2015 and the companies in Zambia were struck of the companies register on September 2, 2015.

Generally, gold mining, development and exploration in Southern Africa is not seasonal, except where heavy seasonal rainfall can affect surface mining or exploration.

Total gold production at Blanket Mine for 2015 was 42,804 ounces (2014: 41,771oz; 2013: 45,530oz). The aggregate production at Blanket Mine from January 1, 2016 to February 25, 2016 was 6,814 ounces.

Indigenisation of Blanket Mine (1983) (Private) Limited

During 2012, to comply with Zimbabwean law that requires indigenous Zimbabweans own at least 51% of the Blanket Mine, the Company entered into agreements to transfer a 51% ownership interest in Blanket Mine as follows:

- Sold a 16% interest to the National Indigenisation and Economic Empowerment Fund ("NIEEF") for \$11.74 million.
- Sold a 15% interest to Fremiro, which is owned by Indigenous Zimbabweans, for \$11.01 million.
- Sold a 10% interest to Blanket Employee Trust Services (Private) Limited ("BETS") for the benefit of present and future managers and employees for \$7.34 million. The shares in BETS are held by the Blanket Mine Employee Trust (Employee Trust) with Blanket Mine's employees holding participation units in the Employee Trust.
- And donated a 10% ownership interest to the Gwanda Community Share Ownership Trust (Community Trust). In addition Blanket Mine paid a non-refundable donation of \$1 million to the Community Trust.

Caledonia facilitated the vendor funding of these transactions which is repaid by way of dividends from Blanket Mine. 80% of dividends declared by Blanket Mine are used to repay such loans and the remaining 20% unconditionally accrues to the respective Indigenous Shareholders.

Outstanding balances on the facilitation loans attract interest at a rate of 10% over the 12-month LIBOR. The timing of the repayment of the loans depends on the future financial performance of Blanket Mine and the extent of future dividends declared by Blanket Mine.

Blanket Mine suspended dividend payments in 2015 and they will remain suspended into 2016 in order to fund the capital projects provided under the Revised Plan as a result of which the repayment of facilitation loans by Blanket

Mine's indigenous shareholders will also be suspended. During this period, there will be a moratorium on the interest roll-up on the outstanding facilitation loans. The interest moratorium will have no effect on either Caledonia's cash receipts or its reported earnings as interest on the facilitation loans is not recognized in Caledonia's financial statements.

The facilitation loans were declared by Caledonia Holdings Zimbabwe (Private) Limited ("CHZ") (Blanket Mine's parent company) to a wholly-owned subsidiary of Caledonia as a dividend in specie on February 14, 2013 and withholding tax amounting to \$1.504 million was paid and expensed on March 5, 2013. (refer to note 5 of the Consolidated Financial Statements for additional information)

Employees

As of December 31, 2015, the Company's employees comprised of 1,172 permanent employees and 402 contractors. Of this number, Blanket Mine has 1,157 permanent employees and 402 contractors.

Significant Acquisitions or Developments

Caledonia did not complete any significant dispositions or significant acquisitions for which disclosure is required since the end of the most recently completed financial year.

Recapitalisation of Blanket Mine (1983) (Private) Limited ("Blanket")

On February 26, 2016 Blanket entered into an agreement to recapitalise its cash resources by issuing shares to current shareholders as follows:

- Caledonia Holdings Zimbabwe (Private) Limited subscribed for 4,755,556 Founder shares with a par value of \$0.012 at \$1.051;
- A-class shareholders (NIEEF, BETS and Fremiro) subscribed for 3,979,140 A-class shares with a par value of \$0.005 at \$0.57; and
- GCSOT subscribed for 970,522 B class shares with a par value of \$0.005 for a nominal amount of \$4,852

Founder shares will be paid for in a cash consideration of \$5 million funded through Greenstone Management Services Limited (United Kingdom). A class shares will be funded by increasing the Facilitation loans (described in note 5 of the Consolidated Financial Statements) by \$2.27 million on the same terms and conditions as the previous facilitation loan agreements. The B class shares were donated by Blanket. The transaction would not affect the current shareholding structure of the Company and the entity will continue to consolidate Blanket after the transaction.

Reserve Bank of Zimbabwe approval for these share transactions was obtained on March 1, 2016. The transaction was further dependant on the approval by the Zimbabwe Reserve Bank of the \$5 million loan from Greenstone Management Services Limited (United Kingdom) to Caledonia Holdings Zimbabwe (Private) Limited, which was received on March 14, 2016.

B. Business Overview

Mining and On-Mine Exploration Activities:

Gold Production

Blanket Mine (1983) Private Limited ("Blanket")

Blanket currently sells its gold production to Fidelity Printers and Refiners in Harare Zimbabwe and in 2015 received 98.75% of the value of the gold contained in US dollars within 7 days of sale in full settlement.

Background

The mine is located approximately 560 km south of Harare, the capital city of Zimbabwe and 150 km south of Bulawayo, the country's second largest city. The town of Gwanda, the provincial capital of Matabeleland South, is

located 16 km southeast of the mine and is approximately 197 km north north-west of the South African border post of Beit Bridge. The mine is situated in the Gwanda Greenstone Belt from which gold was first produced in the 1800's. Blanket holds extensive exploration properties throughout this belt. The Blanket property was first staked in 1904 with mining and metallurgical plant operations starting in 1906 and has since produced over a million ounces of gold.

Geological Setting

Like most of the gold mines in Zimbabwe, Blanket is situated in a typical greenstone terrain, the 70 km long by 15 km wide Gwanda Greenstone belt. This terrain comprises supra crustal metavolcanic rocks similar to those found in the Barberton area of South Africa and the Abitibi area of Canada. The Blanket property is the largest of the three remaining large gold producers, from a gold resource area that has given rise to no less than 268 gold mines.

Property Geology

Blanket is part of the group of mines that makes up the North Western Mining camp also called the Sabiwa group of mines. Blanket's deposits extending from Sabiwa and Jethro in the south, through Blanket itself to the Feudal, AR South, AR Main, Sheet, Eroica and Lima ore bodies. The geological sequence strikes north-south, dips vertically and consists, from east to west, of a basal felsic unit which is not known to be mineralized. It is generally on this lithology type that the various mine tailings disposal sites have been located. Above this basal felsic unit is the ultramafic unit that includes the banded iron formations hosting the eastern 'dormant' cluster of mines and the mineralized bodies of the adjacent Vubachikwe Mine complex. The active Blanket bodies (sections) are found on the overlying unit, the mafics and an andesitic unit which lies to the west, caps this whole stratigraphy. A regional dolerite sill cuts the entire sequence from Vubachikwe through Blanket to the Smiler prospect. Ore bodies at Blanket are epigenetic and are associated with a syn-metamorphic regionally developed deformation zone characterized by areas of high strain, wrapping around relatively un-deformed remnants of the original basaltic lava flows. It is within the higher strain regime (highly sheared rocks) that the majority of the ore bodies are located.

Production Operations

Mining Operations

Following the completion of the No. 4 Shaft Expansion Project in late 2010, the underground mining areas can produce up to 1,200 tons of ore daily using predominately long-hole open stoping methods. Blanket Mine now produces approximately 42,000 ounces of gold per year. In November 2014 Blanket embarked on a Revised Investment Plan ("Revised Investment Plan"), the objectives of which are to improve the underground infrastructure and logistics and allow an efficient and sustainable production build-up. The infrastructure improvements include the development of a "Tramming Loop" (completed in June 2015) deepening the No.6 Winze (completed in July 2015) and sinking a new 6-meter diameter Central Shaft from surface to 1,080 meters. Implementation of the Revised Investment Plan is proceeding on schedule.

The increased investment pursuant to the Revised Investment Plan is expected to give rise to production from inferred resources of approximately 70-75,000 ounces in 2021. The Revised Investment Plan is also expected to improve Blanket's long term operational efficiency, flexibility and sustainability.

A preliminary economic assessment (the "PEA") has been prepared in respect of the inferred resources which is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be classified as mineral reserves. There is no certainty that the PEA will be realised. The PEA was published on December 2, 2014 and is available on the System for Electronic Data Analysis and Retrieval at www.sedar.com and Caledonia's website (www.caledoniamining.com).

Metallurgical Process

In terms of Blanket's Revised Investment Plan the crushing and milling circuits will be expanded to handle 3,000 tons of ore per day capacity by additions and improvements to them. Their throughput capacity is more than sufficient to handle the planned increases in mine production from the No. 6 Winze Project and the Central Shaft.

All run of mine ore is crushed underground to minus 150mm, hoisted to surface and crushed to minus 12mm in the surface 2-stage crushing circuit. This material is then currently fed into two 1.8m by 3.6m rod mills where it is milled down to approximately 70% passing 75 microns, after which the milled slurry is pumped through two 30 inch Knelson

Gravity Gold Concentrators where approximately 49% of total mill gold production is recovered as 'gravity' concentrate. The Knelson Concentrator tails are pumped through cyclones whose underflow reports to the open-circuit regrind ball mill. The product from the Knelson tails cyclone overflow and the regrind mill discharge are pumped into a carbon-in-leach ("CIL") plant consisting of eight, 600 cubic meter leach tanks where alkaline-cyanide leaching and simultaneous absorption of dissolved gold onto granular activated carbon takes place. During 2014 the Pressure Swing Absorption ("PSA") plant which produces oxygen was re-commissioned and produces oxygen at approximately half of the cost of purchased liquid oxygen. During electro winning the gold is deposited on steel wool cathodes, the loaded cathodes are acid-digested and the resultant gold solids from this acid digestion together with the re-dressed gold concentrate from Knelson Concentrators are smelted into Dore bars. The granular activated carbon is kiln regenerated before it is re-circulated back to the CIL section. The CIL plant has an overall design capacity of 3,800 tons of milled ore per day. The Dore bars are delivered and sold, as required by Zimbabwean law, to Zimbabwe Government-operated Fidelity.

Mineral Resource and Mineral Reserve Calculations

The Technical Report dated December 1, 2014 relating to the Blanket Mine was prepared by Minxcon, in compliance with National Instrument 43-101, the standard of disclosure of mineral projects in Canada. Minxcon is a mining industry consulting company based in South Africa. Minxcon reviewed the mineral reserve and mineral resource calculation procedures for the Blanket Mine as at August 31, 2014. Minxcon's mineral resource and mineral reserve estimates are set out in the following tables.

From 2015 Blanket changed its mineral reserve and mineral resource reporting structure to report mineral resources inclusive of all mineral reserves. Accordingly the mineral resource table below includes Blanket Mine's economic proven and probable mineral reserves.

MINERAL RESOURCES – (August 2014)

Mineral Resource Category	Tonnes (metric)	Grade (Au g/t)	Gold Content (ounces)
Measured Resources	1,572,733	3.91	197,606
Indicated Resources	2,478,902	3.77	300,288
Total Measured and Indicated	4,051,635	3.82	497,895
Inferred Resources*	3,344,831	5.11	549,963

Notes:

Mineral Resources are reported inclusive of Mineral Reserves. Prior to the preparation of the Technical Report, Blanket Mine reported resources exclusive of reserves. However, as the mine matured, an increasing proportion of the "reserve" accumulated in pillars which are unlikely to be mined in the immediate future. In order to distinguish between the currently available reserves and pillar blocks which are not immediately available, Blanket Mine's Technical Department has elected to report pillar blocks under the Measured Resource category until they are scheduled in the mine plan.

Resource estimate is based on a gold price of US\$1,300/oz

Mineral Resources are stated at a 1.96 g/t cut-off.

Tonnages are stated at an *in-situ* relative density of 2.86 t/m³.

Inferred Resources are expressed separately from the Measured and Indicated category.

* Inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically or legally. It cannot be assumed that all or any part of the inferred resource will be upgraded to a higher resource or reserve category.

MINERAL RESERVES – (October, 2014)

Mineral Reserve Category	Tonnes (metric)	Grade (Au g/t)	Gold Content (ounces)
Proven Reserves	856,005	3.40	93,638
Probable Reserves	2,077,828	3.78	252,758
Total Proven & Probable Reserves	2,933,833	3.67	346,396

Notes:

As noted above, Mineral Reserves are also included in the above table of Mineral Resources.

Reserve estimate is based on a gold price of US\$1,250/oz and a cash cost of US\$71/tonne milled.

Blanket pay limit (cut-off grade) is 2.03 g/t.

Reserve tonnages have been diluted by 7.5% at zero grade to yield RoM tonnages (delivered to mill).

Cautionary note to U.S. Investors concerning estimates of Inferred and Indicated Resources.

The above tables use the terms "inferred resources" and "indicated resources." While these terms are recognized and required by Canadian regulations, the US Securities and Exchange Commission does not recognize them. They have a great amount of uncertainty as to their existence, and great uncertainty as to their economic feasibility. It cannot be assumed that all or any part of an Inferred or Indicated Mineral Resource will ever be upgraded to a higher category.

Investors are cautioned not to assume that part or all of an inferred or indicated resource exists or is economically mineable.

The full Technical Report can be viewed on the Company's website – www.caledoniamining.com or under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Since the calculation of the above resource estimates as at August 31, 2014, the Company has mined 571,580 tonnes with an average recovered gold grade of 3.03 grams per tonne, the majority of which has been from within the reserve blocks to produce 56,162 ounces of gold at a recovery of 93.0%. An updated internal estimate of Blanket's mineral reserves and resources as at December 31, 2015 has been prepared by Blanket Mine's Technical Department following the standards and procedures required by NI 43-101. In preparing the Mineral Resource and Mineral Reserve estimates, the following assumptions and modifying factors were applied:

- a cut-off grade (pay limit) of 2.11 g/t based on a gold price of US\$1200/oz was applied for the Mineral Resources;
- a pay limit of 2.30 g/t based on a gold price of US\$1100/oz was applied for Mineral Reserves;
- tonnages were increased by 7.5% to allow for dilution at zero grade and the grade adjusted accordingly; and
- a metallurgical recovery of 93% was applied, marginally less than the 4 year historical 93.2% recovered grade.

The Mineral Reserve and Mineral Resource estimates included in this report have been reviewed and approved by Dr. Trevor Pearton, Caledonia's Qualified Person and the results are presented in the following tables:

MINERAL RESOURCES – December 31, 2015

Mineral Resource Category	Tonnes (metric)	Grade (Au g/t)	Gold Content (ounces)
Measured Resources	1,412,100	3.91	177,700
Indicated Resources	3,334,800	4.30	460,700
Total Measured and Indicated	4,746,900	4.18	638,400
Inferred Resources*	2,591,000	5.03	419,000

Notes:

Mineral Resources are reported inclusive of Mineral Reserves (See Note to table of Mineral Resources (August 2014).

Resource estimate is based on a gold price of US\$1,200/oz

Mineral Resources are stated at a 2.11 g/t cut-off.

Tonnages are rounded to the nearest 100 and ounces to the nearest 50.

Tonnages are stated at an *in-situ* relative density of 2.86 t/m³.

Inferred Resources are expressed separately from the Measured and Indicated category.

* Inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically or legally. It cannot be assumed that all or any part of the inferred resource will be upgraded to a higher resource or reserve category.

MINERAL RESERVES – December 31, 2015

Mineral Reserve Category	Tonnes (metric)	Grade (Au g/t)	Gold Content (ounces)
Proven Reserves	717,700	3.41	78,640
Probable Reserves	1,912,200	3.56	218,860
Total Proven & Probable Reserves	2,629,900	3.52	297,500

Notes:

Mineral Resources are reported inclusive of Mineral Reserves**.

Reserve estimate is based on a gold price of US\$1,100/oz and a cash cost of US\$70.30/ tonne milled.

Blanket pay limit (cut-off) is 2.30 g/t.

Reserve tonnages have been diluted by 7.5% at zero grade to yield RoM tonnages (delivered to mill).

Tonnages are rounded to the nearest 100 and ounces to the nearest 50.

Relative to the independent estimate of mineral resources and mineral reserves as at August 31, 2014, the Reserves have decreased by 10% in terms of tonnage. Resources expressed in terms of tonnage have increased by 17% over the same period.

While Blanket Mine has generally recorded 100% conversion of resources to reserves (past 10 years), this high rate of conversion cannot be assumed to occur in future. Blanket Mine is situated in a country which is widely considered to

be politically unstable, and this may impact on the reserve life of the mine which at present is estimated at between 8 and 9 years based on the Revised Investment Plan. However, Blanket Mine is fully indigenized and compliant with all legislation within Zimbabwe and as such is expected to be able to operate within normal business parameters for the foreseeable future.

Dr. Trevor Pearton, B.Sc. Eng. (Mining Geology), Ph.D. (Geology), Pr.Sci.Nat., F.G.S.S.A., VP Exploration is the Company's Qualified Person as defined by NI 43-101. Dr. Pearton has reviewed the scientific and technical information included in this document and has approved the disclosure of this information for the purposes of the Form 20-F to be filed with the SEC.

MINE UNDER CARE AND MAINTENANCE

Eersteling Gold Mining Company Limited

This mine remains under care and maintenance. Interested parties continue to investigate the merits of purchasing the mine and the Company continues to seek a suitable purchaser.

KEY PERFORMANCE FACTORS

Following completion of the No. 4 Shaft Expansion Project in late 2010, the underground mining areas could produce up to 1,200 tons of ore daily using predominately long-hole open stoping methods. The Revised Investment Plan provides for proposed investment of approximately US\$50 million between 2015 and 2017 and a further US\$20 million in the period 2018 to 2020. The increased investment pursuant to the Revised Investment Plan is expected to give rise to an increasing production profile that is expected to result in additional production of approximately 1,900 tons of ore daily, which is expected to result in gold production of 70-75,000 ounces in 2021, this being in addition to projected gold production in 2021 from current mineral reserves of approximately 6,000 ounces. The Revised Investment Plan is also expected to improve Blanket's long term operational efficiency, flexibility and sustainability.

A Preliminary Economic Analysis ("PEA") has been prepared in respect of the inferred resources which is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be classified as mineral reserves. There is no certainty that the PEA will be realized. The PEA was published on December 2, 2014 and is available on the System for Electronic Data Analysis and Retrieval at www.sedar.com and Caledonia's website (www.caledoniamining.com).

OPERATIONAL REVIEW AND RESULTS OF OPERATIONS

Safety, Health and Environment ("SHE")

The following safety statistics have been recorded for the year and preceding two years.

Classification	2013	2014	2015
Fatal	1	-	1
Lost time injury	12	6	8
Restricted work activity	21	31	31
First aid	8	8	15
Medical aid	10	8	5
Occupational illness	-	-	-
Total	52	53	60
Incidents	52	39	47
Near misses	17	9	14
Disability Injury Frequency Rate	0.745	0.69	0.508
Total Injury Frequency Rate	3.135	3.415	3.403
Man-hours worked (thousands)	3,233	3,201	3,532

Social Investment and Contribution to the Zimbabwean Economy

Blanket's investment in community and social projects which are not directly related to the operation of the mine or the welfare of Blanket's employees, the payments made to the Gwanda Community Share Ownership Trust ("GCSOT") in terms of Blanket's indigenisation, and payments of royalties, taxation and other non-taxation charges to the Government of Zimbabwe and its agencies are set out in the table below. Payments to the Zimbabwe Government in 2015 were lower than in previous years due to the lower income tax and royalty payments.

Payments to the Community and the Zimbabwe Government (US\$'000's)				
	Community and Social Investment	Payments to GCSOT	Payments to Zimbabwe Government	Total
Year 2013	2,147	2,000	15,354	19,501
Year 2014	35	-	12,319	12,354
Year 2015	58	-	7,376	7,376

Gold Production

Tonnes milled, average grades, recoveries and gold produced during the year and preceding 2 years as well as January 2016 are shown in the table below.

Blanket Mine Production Statistics				
	Tonnes Milled (t)	Gold Head (Feed) Grade (g/t Au)	Gold Recovery (%)	Gold Produced (oz)
Year 2013	392,320	3.88	93.3	45,530
Year 2014	390,735	3.55	93.4	41,771
Year 2015	440,079	3.25	93.0	42,804
January 2016	40,905	3.20	93.0	3,915

Gold production in fiscal 2015 was 203 ounces above target.

Production Costs

A narrow focus on the direct costs of production (mainly labour, electricity and consumables) does not fully reflect the total cost of gold production. Accordingly, cost per ounce data for the Year and preceding 2 years have been prepared in accordance with the Guidance Note issued by the World Gold Council on June 23, 2013 and is set out in the table below on the following bases:

- On-mine Cost per ounce**, which shows the on-mine cash costs of producing an ounce of gold;
- All-in Sustaining Cost per ounce**, which shows the On-mine Cost per ounce *plus* additional costs incurred outside the mine (i.e. at offices in Harare, Johannesburg and Toronto) and the costs associated with maintaining the operating infrastructure and resource base that are required to maintain production at the current levels; and
- All-in Cost per ounce**, which shows the All-in Sustaining Cost per ounce *plus* the additional costs associated with activities that are undertaken with a view to increasing production.

Reconciliation of IFRS Production Costs to Non-IFRS cost per Ounce (\$'000's unless otherwise indicated)			
	2013	2014	2015
Production costs (IFRS)	26,614	27,908	30,019
Less site restoration costs	(147)	(29)	-
Less exploration costs	(280)	(343)	(380)
Less safety costs	(578)	(473)	(551)
Other	1,432	433	1,011
On-mine production costs	27,619	27,969	30,099
Gold Sales (oz)	45,048	42,927	42,943
On-mine cash cost (US\$/oz)	613	652	701

Royalties	4,412	3,521	2,455
Permitting costs	135	110	102
Administrative expenses	7,546	7,387	7,622
Less Zambian costs	-	-	(716)
Community costs	(2,000)		
Reclamation and remediation of operating sites	107	75	108
Exploration and study costs	85	120	189
Sustaining capital investment	5,653	2,348	4,707
Other	287	54	718
All-in Sustaining cost	43,844	41,584	44,564
Gold sales (oz)	45,048	42,927	42,943
All-in sustaining cost per ounce (US\$/oz)	973	969	1,038
Costs not related to current production			
Community costs	2,100	-	-
Permitting	106	55	43
Exploration	120	106	95
Capital investment	3,530	3,833	13,486
All-in Costs	49,701	45,578	58,188
Gold Sold (oz)	45,048	42,927	42,943
All-in Costs per ounce (US\$/oz)	1,103	1,062	1,355

Per-ounce costs are calculated on the basis of sales and not production, so that an accurate value can be ascribed to the royalty.

On-mine costs comprise labour, electricity, consumables and other costs which include security and insurance. Blanket did not experience significant inflationary pressure on input costs and the cost per tonne milled in fiscal 2015 was slightly lower than in the comparative years as the fixed cost component of on-mine costs was spread across the increased tonnes milled. However, the average grade in 2015 was lower than in 2014 which meant that the average on-mine cost per ounce of gold sold increased by 7.5%.

All-in sustaining costs increased by 7.1 per cent in 2015 compared to 2014 due to the increased on-mine costs and a \$2,359,000 increase in sustaining capital investment, which added approximately \$55 per ounce.

All-in costs include investment in expansion projects which was higher in the year due to the continued investment in Blanket's capital projects. Investment in expansion projects in 2015 was \$13,486,000 (2014: 5,658,000), representing a cost of \$305 per ounce of gold sold.

Underground

Caledonia announced the Revised Investment Plan for Blanket Mine on November 3, 2014. The objectives of the Revised Investment Plan are to improve the underground infrastructure and logistics and allow an efficient and sustainable production build-up. The infrastructure improvements include the development of a "Tramming Loop" (which was completed in June 2015), the sinking and equipping of the No.6 Winze (which commenced production at the end of Q1 2016) and the sinking of a new 6-meter diameter Central Shaft from surface to 1,080 meters (which is scheduled to commence production in mid-2018).

Ore production in the year was approximately 3% higher than target; the head grade in 2015 was very close to target. Following completion of the Tramming Loop in July 2015, the amount of material that could be transported underground increased and is reflected in the increased tonnes milled in the last two quarters of 2015. The AR Main and AR south ore bodies provided most of the ore delivered to the plant during 2015. In December 2015 production commenced from a new section at the Eroica ore body above 750 meters; this area will replace production from the AR South ore body which, as anticipated in the Life of Mine Plan, is expected to be mined out towards the middle of 2016.

Metallurgical Plant

Gold recovery in 2015 was slightly below the target of 93.5% due to the reduced level of free gold in the ores and the lower oxygen concentration in the Carbon-in-Leach tanks which reflects the inefficiency of the oxygen-producing Pressure Swing Absorption (“PSA”) plant which is now somewhat old. Management continues to evaluate options to address this matter either by purchasing a replacement PSA plant or adopting an alternative technology.

Work on a Fine Ore bin resumed in the 4th quarter of 2015 and was completed in Quarter 1 of 2016. The Fine Ore Bin will allow the metallurgical plant to sustain the higher projected throughput with an un-interrupted flow of material from the crushers.

Outlook

Revised Investment Plan to Increase Production

On November 3, 2014 Caledonia announced its Revised Investment Plan and production projections for the Blanket Mine. The objectives of the Revised Investment Plan are to improve the underground infrastructure and logistics and allow an efficient and sustainable production build-up. The infrastructure improvements include the development of a “Tramming Loop” (completed in June 2015) deepening the No.6 Winze (completed in July 2015) and sinking a new 6-meter diameter Central Shaft from surface to 1,080 meters. Implementation of the Revised Investment Plan is proceeding on schedule and the Tramming Loop and the sinking of the No. 6 Winze were both completed slightly ahead of target.

The Revised Investment Plan provides for proposed investment of approximately US\$50 million between 2015 and 2017 and a further US\$20 million in the period 2018 to 2020. The Revised Investment Plan includes a revised life of mine plan for the Blanket Mine (the “LOM Plan”) in terms of which it is anticipated that the approximate production from existing proven and probable mineral reserves above 750 m Level will be as set out below.

Approximate production from proven and probable mineral reserves above 750m (per LOM Plan)							
	2015	2016	2017	2018	2019	2020	2021
Tonnes milled (‘000)	430	460	430	380	230	100	50
Gold production (koz)	42	45	43	39	23	10	6

The new Central Shaft and the deepening of No 6 Winze will provide access to the current inferred mineral resources below 750 meters and allow for further exploration, development and mining in these sections along the known Blanket strike, which is approximately 3 kilometers in length. In October 2014, Caledonia commissioned Minxcon (Pty) Ltd. (“Minxcon”) to complete a scoping level study on the Blanket Mine which comprises an initial extension from below 750 m Level to 1,080 m Level, in the form of a Preliminary Economic Assessment (“PEA”). The PEA includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Based on the PEA, additional approximate production from current inferred mineral resources (excluding the projected production set out above) may be achieved in the following indicative ranges:

Possible production from inferred mineral resources below 750m (as per PEA)							
	2015	2016	2017	2018	2019	2020	2021
Tonnes milled (‘000)	0	35	160	215	390	550	600
Gold production (koz)	0	4-5	20-22	27-30	46-50	63-67	70-75

Canadian regulations do not allow planned production from inferred resources to be added to those from proven and probable reserves for disclosure purposes.

On July 17, 2015 at the request of the Ontario Securities Commission Caledonia filed an updated Technical Report containing a summary of the revised PEA. The revised PEA considers the expansion project below 750 m as a stand-alone project. The revised PEA thus reflects the Project economics on a stand-alone basis, and the economic analysis is based on an assumed requirement to raise money for the expansion capital expenditures, despite the fact that Caledonia expects to fund those capital expenditures from existing cash and overdraft facilities and cash flow from the existing mine operations.

There is no certainty that the PEA will be realised. The updated Technical Report was authored by Daan van Heerden, Uwe Englemann, Dario Clemente, Johan Odendaal and Jaco Burger of Minxcon (Pty) Ltd., each of whom is a qualified person who is independent of Caledonia for the purposes of National Instrument 43-101.

EXPLORATION AND PROJECT DEVELOPMENT

Caledonia's primary exploration activities are focused on the growth and development of Blanket Mine and its satellite properties.

Blanket Exploration

Exploration and evaluation activities on Blanket Mine are targeting the depth extensions of all the known Blanket Mine ore bodies, viz. Blanket 1 Ore Body, Blanket 2 Ore Body, Blanket 4 Ore Body, Blanket Quartz Reef, AR Main, AR South, Eroica and Lima sections. This involves drilling downholes from chambers on 18 and 22 Levels to intersect the depth continuation of these ore bodies. Drilling re-commenced in November 2015 after a brief stoppage due to the old machines breaking down and to allow for the commissioning of new machines. 3,211 meters were drilled in the 4th Quarter of 2015 compared to 3,790 meters drilled in the previous quarter and a plan of 4,780 meters. The new drills are performing well: over 2,000 meters were drilled in January 2016 compared to the average monthly rate of less than 700 meters per month in the whole of 2015.

Caledonia has a conservative approach to accruing new resources: only resource blocks with an estimated grade in excess of the current pay limit are taken into inventory. Resources that are below the pay limit are reviewed on an annual basis.

Blanket Satellite Prospects

Blanket Mine has exploration title holdings in the form of registered mining claims in the Gwanda Greenstone Belt totalling 78 claims, including a small number under option, covering properties with a total area of about 2,500 hectares. Included within these claim areas are 18 previously operated small gold workings which warrant further exploration, i.e. the Satellite Projects. Blanket's main exploration efforts on these satellite properties are focused at this stage on the GG Project and the Mascot Project Area which, based on past production records, are likely to have the greatest potential.

GG Project

The GG Project is located approximately seven kilometers southeast of Blanket Mine. Surface drilling programs have been carried out at the GG Project over the past eight years consisting of 24 diamond-cored holes totalling 6,360m of drilling. Two zones of gold mineralization have been established down to a depth of at least 300m, each with a potential strike length of up to 150m. Current activities involve the definition of the extent and characteristics of this mineralization by way of a prospect shaft and level development.

Exploration activities in 2013 and 2014 have resulted in the definition of resource blocks between 90 and 120 m levels as follows.

Resource Category	Tonnage	Width	Au	Au Content	Ounces
	T	m	g/t	kg	oz.
Measured & Indicated Resource	182,301	3.90	4.41	805	25,872
Inferred Resource	110,242	2.73	2.87	316	10,173

In Q1 of 2015 the shaft was deepened to 210 metres, which is planned to be the main production level. In Q3 of 2015 the shaft was completed to the planned shaft bottom of 245 metres and haulage development resumed on the 210 metre level towards the North Main zone. Development in the 4th quarter of 2015 exposed 60 meters of payable ore. It is planned to expose the various mineralized zones between 210 metre Level and 90 metre Level above in order to fully evaluate these resources. It is intended to construct a pilot plant to treat material from GG in order to develop a commercial treatment process.

Mascot Project Area

The Mascot Project Area includes three sections, viz. the Mascot prospect, the Penzance prospect and the Eagle Vulture prospect. Mascot was previously mined to a depth of approximately 250 meters, exploiting an east-west trending mineralised body the strike extent of which decreased at depth but which was accompanied by a doubling in width. Previous surface drilling undertaken by Blanket has indicated the existence of two further mineralised zones, one to the north and one to the south of the mined out area.

Underground development on Levels 1 and 2 (60 meters and 90 meters below surface respectively) has confirmed the existence of potentially payable mineralisation on the North Parallel. Exploration activities in 2013 and 2014 have resulted in the definition of resource blocks on the North Parallel between 60 and 150 m levels and on Mascot Main below 8 Level as follows.

Resource Category	Tonnage	Width	Au	Au Content	Ounces
	t	m	g/t	kg	oz.
Measured & Indicated Resource (North P.)	135,538	2.48	3.74	507	16,288
Inferred Resource (Mascot Main)	69,587	2.53	8.23	573	18,416

During Q1 2015 the mine was completely de-watered and the bottom of the shaft was cleaned to expose the shaft bottom which allows the possibility to deepen the shaft and allow access to the Main Shear at depth which, based on old mine records, has a substantially higher grade than the associated North Parallel and South Shear.

In Q2 of 2015 work started on excavating a cross-cut on the lowest level (8 Level) to create room to drill angled holes into the footwall to explore for downward continuation of the higher grade Mascot Main Reef mineralisation. This drive was completed in Q3 of 2015 and diamond drilling of four holes was completed, all of which intersected the mineralised zone. Based on the results of the drilling in the 3rd quarter of 2015, the development drive was extended by 65 meters so that further drilling can commence in Q1 of 2016 which will target a further extension of the mineralised zone between 12 and 14 Levels. Pending a review of these results and the metallurgical amenability of the ore, the shaft will be deepened a further 150 meters where an extraction level will be established.

GG and Mascot are not covered by the un-interruptible power agreement between Blanket Mine and ZESA. Accordingly, during the 4th Quarter of 2015 work at GG and Mascot was adversely affected by load-shedding due to the reduced power generation at the Kariba hydro-power plant due to abnormally low water levels in the Kariba Dam.

General Comments

Caledonia's activities are centered on Zimbabwe. Caledonia is not dependent, to any material extent, on patents, licenses, contracts, specialized equipment or new manufacturing processes at this time. However, there may be occasions that Caledonia may wish to adopt such patents, licenses, specialized equipment, etc. if these are economically beneficial to its operations. All mining and exploration activities are conducted under the various Economic, Mining and Environmental Regulations of the country where the operations are being carried out. It is always Caledonia's standard that these regulations are complied with by Blanket Mine, otherwise its activities risk being suspended.

C. Organizational Structure

The Company has the following subsidiaries, all of which are wholly-owned by the Company, (unless otherwise indicated) and whose assets or revenues exceed 10% of the consolidated assets or revenues of the Company:

Subsidiaries of the Company	Country of Incorporation	Percentage held by Company
Caledonia Mining South Africa Proprietary Limited	South Africa	100
Greenstone Management Services Limited	United Kingdom	100
Blanket Mine (1983) (Private) Limited ⁽¹⁾	Zimbabwe	49

⁽¹⁾ Blanket Mine (1983) (Private) Limited does not have any subsidiary companies.

D. Property, Plant and Equipment

(a) South Africa:

The Eersteling gold mine is indirectly owned by the Company through its ownership of 100% of the shares of Eersteling Gold Mining Company Limited. Eersteling has been under care and maintenance since September 1997. Due to the lengthy period of care and maintenance at Eersteling there has been some deterioration in the facilities

which will require rehabilitation work before operations could be recommenced. The underground workings at Eersteling were allowed to flood and will require dewatering before mining access can be resumed. The Company has no plans to expend further amounts on plant or equipment or to in any way expand or improve the facilities.

(b) Zimbabwe:

The Blanket Mine, in Zimbabwe, which the Company indirectly owns 49% of through its ownership of 49% of the shares of Blanket Mine (1983) (Private) Limited. It is a fully equipped mine with all of the necessary plant and equipment to conduct mining operations and the production of gold from the ore mined from the Mine.

For a detailed breakdown of the property, plant and equipment refer to note 12 of the Consolidated Financial Statements. The property, plant and equipment of the Group is predominantly held in Zimbabwe and has no encumbrances thereon. As described in item 4B, the implementation of the Revised Investment Plan is expected to increase the Property, plant and equipment of the Group. The Revised Investment Plan is expected to be funded with existing cash and overdraft facilities as well as cash generated from operating activities. The project is expected to be completed in 2021.

ITEM 4A - UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5- OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operational Results

Annual Operational Highlights

2015-2014

	Year 2014	Year 2015	Comment
Gold produced (oz)	41,771	42,804	Gold production increased 2015 due to higher tonnes milled, offset by a lower grade.
On-mine cost (US\$/oz) ⁽¹⁾	652	701	On-mine costs increased in 2015 due to the lower average grade which outweighed the overall reduction in cost per tonne milled.
All-in Sustaining Cost (US\$/oz) ⁽¹⁾ ("AISC")	969	1,038	All-in sustaining costs increased in 2015 due to the increased sustaining capital investment in the revised investment plan.

⁽¹⁾Non-IFRS measures such as "On-Mine Cost per ounce", "All-in Sustaining Cost per ounce" and "average realised gold price" are used throughout this document. For a reconciliation of production cost as calculated in accordance with IFRS to On-mine cost and AISC for fiscal 2015, 2014 and 2013, refer to Item 4B.

2014- 2013

	Year 2013	Year 2014	Comment
Gold produced (oz)	45,530	41,771	Gold production in 2014 was adversely affected by the lower head grade.
On-mine cost	613	652	On-mine costs for 2014 were higher than 2013 due to lower sales which

(US\$/oz) ⁽¹⁾			means that on-mine fixed costs are spread over fewer ounces.
All-in Sustaining Cost (US\$/oz) ⁽¹⁾ (“AISC”)	973	969	AISC decreased due to lower royalties, lower refining charges, lower community costs and lower sustaining capital investment the combined effects of which were reduced by higher administrative costs.

⁽¹⁾ Non-IFRS measures such as “On-Mine Cost per ounce”, “All-in Sustaining Cost per ounce” and “average realised gold price” are used throughout this document. For a reconciliation of production cost as calculated in accordance with IFRS to On-mine cost and AISC for fiscal 2015, 2014 and 2013, refer to Item 4B.

2013 – 2012

	Year 2012	Year 2013	Comment
Gold produced (oz)	45,465	45,530	Gold production in 2013 was similar to 2012 despite lower head grades and recovery which were offset by higher tonnage throughput. The head grade in 2013 was 3.88 grams per tonne, compared to 4.16 grams per tonne in 2012 and the gold recovery in 2013 was 93.3 per cent compared to 93.7 per cent in 2012. Tonnage throughput in 2013 was 392,320 tonnes compared to 363,315 tonnes in 2012
On Mine cash cost (US\$/oz) ⁽¹⁾	570	613	On-mine costs in 2013 were adversely affected by higher labour and electricity costs in 2013 compared to 2012 and also by the higher level of work-in-progress at December 31, 2013.
All-in sustaining cost (US\$/oz) ⁽¹⁾ (“AISC”)	759	973	All-in sustaining costs were adversely affected in Q4 2013 by higher administrative expenses and sustaining capital investment

⁽¹⁾ Non-IFRS measures such as “On-Mine Cost per ounce”, “All-in Sustaining Cost per ounce” and “average realised gold price” are used throughout this document. For a reconciliation of production cost as calculated in accordance with IFRS to On-mine cost and AISC for fiscal 2015, 2014 and 2013, refer to Item 4B.

Financial Highlights

2015-2014

	Year 2014	Year 2015	Comment
Gold Sales (oz)	42,927	42,943	Sales in 2015 were little changed from 2014 and reflect a 2.5% increase in production which was offset by increased work in progress.
Average realised gold price (US\$/oz) ⁽¹⁾	1,245	1,140	Lower realised gold prices in 2015 primarily due to the lower quoted gold price.
Gross profit (\$'m)	18,5	13,1	Gross profit was lower in 2015 due to the lower realised gold price, the effect of which was offset in Q4 of 2015 by higher production and sales, and increased production costs.
Net profit attributable to shareholders (\$'m)	4,4	4,7	The effect of lower revenues was outweighed by a foreign exchange gain arising from the devaluation of the South Africa rand against the US dollar and lower taxation.
Adjusted basic earnings per	10.4	8.1	Adjusted basic earnings per share excludes impairment charges, foreign exchange profits or losses, indigenisation expenses, deferred taxation and tax adjustments in respect of prior years and the costs of the Zambian

share (cents) ⁽¹⁾			operation.
Cash and cash equivalents (\$'m)	23,1	10,9	Caledonia's cash is held in Canadian, UK, Zimbabwean and South African banks.
Net cash from operating activities (\$'m)	10,9	6,8	Cash flow in 2015 was lower due to the lower realised gold price.

⁽¹⁾Non-IFRS measures such as "average realised gold price" and "adjusted earnings per share" are used throughout this document. For a reconciliation of Revenue and Profit/(loss) attributable to owners of the Company, as calculated in accordance with IFRS to average realised gold price and adjusted earnings per share for fiscal 2015, 2014 and 2013, refer below.

2014-2013

	Year 2013	Year 2014	Comment
Gold Sales (oz)	45,048	42,927	Sales in 2014 were lower than 2013 due to lower production gold ounces.
Average realised gold price (US\$/oz) ⁽¹⁾	1,402	1,245	Lower realised gold prices in 2014 primarily due to the lower quoted gold price.
Gross profit (\$'m)	29,0	18,5	Lower gross profit in 2014 compared to 2013 mainly due to the lower realised gold prices and lower production and sales.
Net (loss)/profit attributable to shareholders (\$'m)	(3,0)	4,4	Net loss in 2013 was after an impairment charge in respect of the Nama project in Zambia. Profit for 2014 was adversely affected by lower gold production and the lower realised gold price.
Adjusted basic earnings per share (cents) ⁽¹⁾	27.4	10.4	Adjusted basic earnings per share excludes impairment charges, foreign exchange profits or losses, indigenisation expenses, deferred taxation and tax adjustments in respect of prior years and the costs of the Zambian operation.
Cash and cash equivalents (\$'m)	21.9	23,1	Caledonia's cash is held in Canadian, UK, Zimbabwean and South African banks.
Net cash from operating activities (\$'m)	12,6	10,9	Cash flow 2014 was lower due to the lower realised gold price and, for the year, the lower number of ounces sold.

⁽¹⁾Non-IFRS measures such as "average realised gold price" and "adjusted earnings per share" are used throughout this document. For a reconciliation of Revenue and Profit/(loss) attributable to owners of the Company, as calculated in accordance with IFRS to average realised gold price and adjusted earnings per share for fiscal 2015, 2014 and 2013, refer below.

2013 – 2012

	Year 2012	Year 2013	Comment
Gold Sales (oz)	45,181	45,048	Lower sales in 2013, despite higher production, due to the higher level of work in progress at December 31, 2013 of 1,978 oz.
Average realised gold price (US\$/oz) ⁽¹⁾	1,666	1,402	Lower realised gold prices in 2013 were due to the lower quoted gold price.
Gross profit (\$'m)	40,9	29,0	Lower gross profit mainly due to the lower realised gold prices.
Net (loss)/profit attributable to shareholders (\$'m)	8,7	(3,0)	Net loss in 2013 is after an impairment charge mainly in respect of the Nama Project.
Adjusted basic earnings per share (cents) ⁽¹⁾	49.9	27.4	Adjusted basic earnings per share exclude the impairment charge, foreign exchange profits or losses, indigenisation expenses and deferred taxation.
Cash and cash equivalents (\$'m)	28,1	21,9	Caledonia's cash is held in Canadian, UK, Zimbabwean and South African banks.
Net cash from operating activities (\$'m)	29,7	12,6	Cash flow 2013 was lower due to the lower realised gold price and, for the year, the lower number of ounces sold the effect of which was reduced by lower tax payments.

⁽¹⁾Non-IFRS measures such as “average realised gold price” and “adjusted earnings per share” are used throughout this document. For a reconciliation of Revenue and Profit/(loss) attributable to owners of the Company, as calculated in accordance with IFRS to average realised gold price and adjusted earnings per share for fiscal 2015, 2014 and 2013, refer below.

Average realised gold price per ounce

“Average realised price per ounce” is a non-IFRS measure which, in conjunction with the cost per ounce measures described above, allows stakeholders to assess our performance. The table below reconciles “Average realised price per ounce” to the Revenue shown in the financial statements which have been prepared under IFRS.

Reconciliation of Average Realised Gold Price to IFRS <i>(\$'000's)</i>			
	2013	2014	2015
Revenue (IFRS)	63,217	53,513	48,977
Revenues from sales of silver	(78)	(61)	(48)
Revenues from sales of gold	63,139	53,452	48,929
Gold ounces sold (oz)	45,048	42,927	42,943
Average realised gold price per ounce (US\$/oz)	1,402	1,245	1,139

Adjusted earnings per share

“Adjusted earnings per share” is a non-IFRS measure which management believes assists investors in understanding the company’s underlying performance. The table below reconciles “adjusted earnings per share” to the Profit/Loss attributable to Owners of the Company shown in the financial statements which have been prepared under IFRS.

Reconciliation of Adjusted Earnings per Share to IFRS Profit/(Loss) Attributable to Owners of the Company <i>(\$'000's unless otherwise indicated)</i>			
	2013	2014	2015
Profit /(loss) attributable to owners of the Company (IFRS)	(2,967)	4,435	4,779
Blanket Mine Employee Trust adjustment (refer note 18 to the Audited Consolidated Financial Statements)	158	(48)	(100)
Add back/(deduct) amounts attributable to owners of the company in respect of:			
Foreign exchange gain	(2,865)	(1,065)	(2,850)
Indigenisation expenses	2,586	-	-
Asset impairment	13,789	178	-
Deferred tax	2,121	706	2,567
Reversal of withholding tax on dividend in specie	1,486	-	-
Reversal of Zambian G&A office cost	-	896	716
Over-accrual for prior year GMS UK tax	-	-	(871)
Prior year adjustment in respect of South African tax	-	306	(765)
South African tax penalties and interest	-	-	744
Adjusted profit	14,308	5,405	4,220
Weighted average shares in issue (m)	52,117	52,117	52,095
Adjusted EPS (cents)	27.4	10.4	8.1

Indigenisation

Transactions that implemented the Indigenisation of Blanket were completed on September 5th 2012. Following completion of these transactions Caledonia now owns 49% of Blanket. Caledonia has received the Certificate of Compliance from the Government of Zimbabwe which confirms that Blanket is fully compliant with the Indigenisation and Economic Empowerment Act.

Investing

During 2015 Caledonia had \$18,193,000 (2014: \$7,166,000; 2013: \$11,396,000) of additions to property, plant and equipment including mineral properties. Of the amount \$18,193,000 (2014: \$7,018,000; 2013: \$8,801,000) at Blanket, and its satellite properties. The balance of the investment in 2014 and 2013 was spent on the Nama project in Zambia.

Financing

Caledonia financed all its operations using funds and overdraft facilities available and cash generated by its operations. No equity financing took place in the year and none is currently planned. Blanket has an unsecured \$5 million loan facility in Zimbabwe which is repayable on demand. At December 31, 2015 \$1,688,000 of this facility was used.

Cash and cash equivalents

	2015	2014	2013
Bank balances	12,568	23,082	23,580
Cash and cash equivalents in the statement of financial position	12,568	23,082	23,580
Bank overdraft used for cash management purposes	(1,688)	-	(1,679)
Cash and cash equivalents in the statement of cash flows	10,880	23,082	21,901

The bank overdraft facility of \$5 million bears interest at 6.5% below the bank's base rate of 13%. The facility has no covenant requirements. The facility is repayable on demand.

Cash generated from operating activities is analysed in Note 23 to the Consolidated Financial Statements, and was lower in 2015 than in previous years primarily due to the lower average gold price received.

At December 31, 2015, Caledonia's cash was held with banks primarily in the United Kingdom, Canada and in South African accounts.

B. Liquidity and Capital Resources

An analysis of the sources and uses of Caledonia's cash is set out in the Consolidated Statement of Cash Flows in the Consolidated Financial Statements. As of December 31, 2015, Caledonia had a working capital surplus of \$15,165,000 (\$26,771,000-2014; \$26,756,000 – 2013). As of December 31, 2015, Caledonia had potential liabilities for rehabilitation work on the Blanket and Eersteling Mines - if and when those Mines are permanently closed - at an estimated present value cost of \$2,762,000 (\$2,484,000 – 2014, \$1,470,000 – 2013). The South African rehabilitation trust held \$59,196 on cash deposit as at December 31, 2015.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its mining operations and exploration potential of its mineral properties.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations, to provide returns for shareholders, accommodate any asset retirement obligation and to pursue growth opportunities. Refer to note 24 of the Consolidated Financial Statements for information on the type of financial instruments used and the maturity profiles thereof.

Caledonia paid its inaugural dividend of Cdn\$0.05 per share in February 2013 following a capital re-structure which was approved by shareholders in January 2013 which allowed it to make dividend payments. The inaugural dividend did not relate to any specific accounting period. Caledonia paid a further dividend of Cdn\$0.05 per share in April 2013 in respect of the earnings for the year to December 31, 2012.

On November 25, 2013 Caledonia announced a revised dividend policy pursuant to which it intended to pay a dividend of Cdn\$0.06 per share in 2014, split into 4 equal quarterly payments of Cdn\$0.015 per share. The first quarterly dividend was paid on January 31, 2014; further payments were made quarterly thereafter.

Following the announcement on December 16, 2015 that henceforth Caledonia will report its financial results in United States Dollars, the quarterly dividend that was paid at the end of January 2016 was declared and denominated in United States Dollars as \$0.01125 per share. A quarterly dividend of \$0.01125 per share, or \$0.045 per annum per share, represents Caledonia's revised dividend policy.

It is currently envisaged that the existing dividend policy of \$0.045 per annum per share will be maintained in 2016.

It is intended that all of the capital investment which will be required to fund the planned growth and development at Blanket Mine over the next 7 years will be funded by Blanket's internal cash flows and debt facilities.

Approval from the Reserve Bank of Zimbabwe is required for the remittance of dividends declared, repayment of loans and advances from subsidiary companies such as Blanket Mine (1983)(Private) Limited to the Group. Caledonia has not experienced difficulty in securing the necessary approvals.

C. Research and development, patents and licences

Not applicable.

D. Trend Information

Following the completion of the No. 4 Shaft Expansion Project in late 2014, the underground mining areas could produce up to 1,200 tonnes of ore daily using predominately long-hole open stoping methods. Following the completion of the tramming loop in June 2015, the underground materials handling capacity increased by 200 tonnes per day. As a result of the increased haulage capacity, the tonnes milled in the 3rd and 4th quarters of 2015 were higher than in previous quarters of 2015. Blanket Mine produced 42,804 ounces (41,771: 2014; 45,530: 2013); year-on-year changes in production were due to fluctuation in the realized grade and, in quarters 3 and 4 of 2015, the increased tonnes mined and milled following completion of the Tramming Loop. Blanket Mine is implementing a 7 year Expansion Program to progressively increase gold production from inferred resources to approximately 70-75,000 ounces in 2021, this being in addition to projected production in 2021 from proven and probable mineral reserves of approximately 6,000 ounces. Production in 2014 was lower than in 2014 mainly due to the lower realised grade which fell from 3.88 g/t to 3.55g/t. Production in 2015 was 2.5% higher than in 2014 due to a 12.6% increase in tonnes milled, following the completion of underground infrastructure work in June 2015, which outweighed a further decline in the realised grade from 3.55g/t to 3.25g/t.

The surplus capacity of the Blanket leach section and crushing and milling plant enables it to immediately treat additional feed material when compatible. The inflationary environment is subdued and the regulatory environment is subject to unexpected adverse changes. Nevertheless, Blanket Mine has surplus metallurgical plant capacity and is sufficiently cash flow positive that if the investment climate is acceptable, it could invest in projects with a view to further increase production, thereby helping to maintain downward pressure on the cost per ounce of gold produced at Blanket Mine.

Blanket's ability to meet production targets could be impacted by, amongst other factors, failure to achieve the production targets set, unforeseen changes in ore grades and recoveries, unexpected changes in the quality or quantity of reserves, technical production issues, environmental and industrial accidents and environmental factors.

E. Off-Balance Sheet Arrangements

As at December 31, 2015, we had not entered into any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

	Payments due by Period – in thousands of US Dollars				
	Within 1 Year	1-3 years	3-5 years	More than 5 years	Total
Trade and other payables	6,656	-	-	-	6,656
Asset retirement obligations	-	-	-	2,762	2,762
Capital expenditure commitments (refer note 12 of the Consolidated Financial Statements)	1,376	-	-	-	1,376

ITEM 6 - DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following is a list of our current directors and officers as of December 31, 2015. There are no family relationships between the directors and officers.

Name, Office Held and Municipality of Residence	Principal Occupations During Past Five Years	Positions held Since	Number of Shares Beneficially Owned, Controlled or Directed as of March 30, 2016
James Johnstone ⁽²⁾⁽⁴⁾⁽⁶⁾⁽⁷⁾ Director Gibsons, British Columbia, Canada	Retired. Formerly Chief Operating Officer of the Company and Director of several of its subsidiary companies.	1997	28,000
Steven Curtis ⁽⁵⁾⁽⁷⁾ President, Chief Executive Officer & Director Johannesburg, South Africa	Financial Director Avery Dennison SA (Pty) Ltd. until March 2006. Since then, VP Finance, Chief Financial Officer and Director of the Company and Director of certain of its subsidiary companies.	Director since 2008 President and Chief Executive since 2014	365,000
Leigh Wilson ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁷⁾ Director Stuart, Florida, USA	Chairman of the Victory Portfolios Winston Maritime LLC FundVantage Trust Stella and Hack Wilson Family Foundation	2012	72,500
John Kelly ⁽¹⁾⁽²⁾⁽³⁾⁽⁷⁾ Director New Canaan, Connecticut	Partner at Endgate Commodities LLC, Member of CrossRoad LLC, Director of Liquidnet Europe Ltd, Officer of Liquidnet Holdings, Inc.	2012	57,465
Johan Holtzhausen ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ Director, Cape Town, South Africa	Business consultant and ex Audit partner of KPMG Inc. Director of DRDGOLD Limited and First Food Brands Limited. Strategic Partners In Tourism NPC and Tourism Micro Enterprises Support Fund NPC	2013	Nil

Name, Office Held and Municipality of Residence	Principal Occupations During Past Five Years	Positions held Since	Number of Shares Beneficially Owned, Controlled or Directed as of March 30, 2016
Dana Roets ⁽⁶⁾⁽⁷⁾ Chief Operating Officer Johannesburg, South Africa	VP and Head of Operations at Kloof Gold Mine. More recently, Dana was the COO at Great Basin Gold which had gold mining operations in the United States of America and South Africa.	2013	Nil
Mark Learmonth ⁽⁵⁾⁽⁷⁾ VP Finance, Chief Financial Officer & Director Johannesburg, South Africa	Vice-President of the Company focused on financial reporting, investor and shareholder relations and corporate development. Former Vice-President Business Development, of the Company	Director since 2015 Vice-President, Business Development since 2008	224,230
Trevor Pearton ⁽⁵⁾⁽⁶⁾⁽⁷⁾ Vice-President Exploration Johannesburg, South Africa	Vice-President of the Company acting as Exploration Manager of the Company and its subsidiaries	2004	Nil
David Henderson ⁽⁶⁾ Director Oakville, Ontario, Canada	A principal of Dyad Corporation providing project management services to various mining clients	2015	17,200

A brief profile of each of the Directors and the senior management is given below:

James Johnstone, B.Sc., ARCST, Director

A graduate-mining engineer Mr. Johnstone has 40 years experience in mine operations in North America, Africa and Europe. He has experience in both underground and open pit operations. For the 20 years prior to his retirement he was employed as General Manager or Vice-President Operations for mining companies producing gold, base metals and industrial minerals. Mr. Johnstone has been responsible for the construction, start up and commissioning of two major mines in addition to the commissioning of Caledonia's Filon Sur operation. He has also been involved in the orderly closure of three operations. He has operated successfully in environmentally sensitive areas and has a good understanding of the permitting process in Canada and the United States. Mr. Johnstone joined Caledonia in April 1997 as Vice President Operations and was responsible for Caledonia's operations in Zambia and South Africa and for all activities in Canada. He was elected a Director of Caledonia in June 1997. He retired from active employment with Caledonia in September, 2006.

Steven Curtis, CA(SA) – Director, President and Chief Executive Officer

Mr. Curtis is a Chartered Accountant with over 24 years of experience and has held a number of senior financial positions in the manufacturing industry. Before joining Caledonia in April 2006, he was Director Finance and Supply Chain for Avery Dennison SA and prior to this, Financial Director and then Managing Director of Jackstadt GmbH South African operation. Mr. Curtis is a member of the South African Institute of Chartered Accountants and graduated from the University of Cape Town.

Mr. Curtis was appointed Vice-President Finance and Chief Financial Officer of the Company in April, 2006 and served in the position until Dec 2014 when he was appointed as President and Chief Executive Officer.

Leigh Wilson - Director

Mr. Leigh Alan Wilson has an international business and financial services background having served in senior executive and management positions with Union Bank of Switzerland (Securities) Ltd. in London and with the Paribas Group in Paris and New York where he served as CEO of Paribas North America between 1984 and 1990.

Mr. Wilson has served on the Victory Fund Board since 1993. He currently serves as Independent Chairman of the Board of Trustees of the Victory fund and of the Munder Fund. The Victory and Munder Funds have assets aggregating to US \$40 billion.

Mr Wilson is also the Chief Executive Officer of New Century Home Health Care Inc., a role he has held since 1995. In March 2006, Mr. Wilson received the Mutual Fund Trustee of the Year Award from Institutional Investor Magazine.

Between March 2008 and October 2008, Mr. Wilson was an Independent Non-Executive Director of Caledonia.

John Kelly - Director

Mr. John Lawson Kelly has over 35 years of experience in the financial services industry in the U.S.A and international markets including emerging markets in Asia. Mr. Kelly is currently partner at EndGate Commodities LLC, CrossRoad LLC, and is an Independent Trustee of the Victory Funds.

Within the last five years Mr. Kelly has been an officer of Liquidnet Holdings, Inc. and a director of Liquidnet Europe Ltd. Mr. Kelly is a graduate of Yale University and the Yale School of Management.

Johan Holtzhausen - Director

Mr. Johan Andries Holtzhausen is a retired partner of KPMG South Africa with 42 years of audit experience, of which 36 years were as a partner focused on the mining sector. Mr Holtzhausen chaired the Mining Interest Group at KPMG South Africa and his clients included major listed mining companies operating in Africa and elsewhere, which operated across a broad range of commodities. In addition to his professional qualifications, Mr Holtzhausen holds a B.Sc. from the University of Stellenbosch, majoring in chemistry and geology.

Mr Holtzhausen is chairman of the Finance, Audit and Risk Committees of Strategic Partners in Tourism and its related party the Tourism Micro Enterprises Support Fund, both of which are not-for-profit organizations. Until 28 February 2011, Mr Holtzhausen served as a director of KPMG Inc. and KPMG Services (Pty) Ltd, both of which are private companies registered in South Africa and which provided audit, taxation and advisory services.

Dana Roets – Chief Operating Officer

Dana Roets is a qualified Mining Engineer and holds a B.Sc. Mining Engineering degree from Pretoria University (1986) and an MBA from the University of Cape Town (1995). Dana is a South African national with over 24 years of operational and managerial experience in the South African gold and platinum industry. He started his career with Gold Fields at the St Helena Gold Mine as a graduate trainee and progressed via various operational roles from being an underground shift boss to become Vice President and Head of Operations at Kloof Gold Mine in January 1999 at which time Kloof produced over 1,000,000 ounces of gold per annum. More recently, Dana was the COO at Great Basin Gold which had gold mining operations in the United States of America and South Africa. Dana Roets is located at Caledonia's Africa office in Johannesburg, South Africa.

Dr. Trevor Pearton - B.Sc. Eng. (Mining Geology), Ph.D. (Geology), Pr.Sci.Nat., F.G.S.S.A – Vice President Exploration

Dr. Pearton has worked for Caledonia since 2001. During the time, he was responsible for the establishment and management of the resource bases at the Blanket Mine (operating) and the Barbrook and Eersteling Mines (now under care and maintenance) and the assessment of the Nama project in Zambia. This work resulted in the

identification of the Nama copper target and was followed up by the 2009 to 2012 exploration program which identified a large low-grade copper deposit (uneconomic in the current market). Prior to joining Caledonia, Dr. Pearton worked for a number of financial institutions in South Africa as a highly rated gold analyst, as well as consulting to a number of mining companies. He graduated from the University of the Witwatersrand with a BSc Eng. (Mining Geology) and was awarded a PhD in Geology for research into Archaean gold and antimony deposits (Witwatersrand University). He is a registered professional with the South African Council for Natural Scientific Professions and is Caledonia's Qualified Person (QP) for all technical disclosures. He is a member of the Geological Society of South Africa; elected a Fellow of the Society in 2004, a member of the South African Institute for Mining and Metallurgy and a member of the Witwatersrand University Mining Engineers Association.

Mark Learmonth – Vice-President Finance and Chief Financial Officer

Mr Learmonth joined Caledonia in July 2008. Prior to this, he was a Division Director of Investment Banking at Macquarie First South in South Africa, and has over 17 years of experience in corporate finance and investment banking, predominantly in the resources sector. Mr. Learmonth graduated from Oxford University and is a chartered accountant. He is a member of the Executive Committee of the Chamber of Mines, Zimbabwe and is also a member of the Gold Producers Sub-Committee.

Mr. Learmonth was appointed Vice-President Finance and Chief Financial Officer of the Company in Dec 2014.

David Henderson – Director

Mr. David Henderson is a senior mining specialist with a B.Sc.(Eng.) and an MBA from Queen's University in Kingston, Ontario. He has over 40 years of solid background in all aspects of the industry including project management, consulting, operations management and corporate planning, with particular emphasis on the preparation of mine feasibility studies as well as mine construction and operation in remote locations. A project manager, with hands-on technical expertise, whose engineering background includes the planning, development and operation of gold and base metal operations in Canada, U.S.A., South America, Europe, Africa and Eastern Russia.

Arrangements, Understandings, etc.

Caledonia has no arrangements or understanding with any major shareholders, customers, suppliers or others, pursuant to which any person referred to above, was selected as a director or member of senior management.

B. Compensation

Summary Compensation Table

Name and principal position	Year	Salary (\$)	Share based awards (\$)	Option-based awards	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation	Total compensation \$
(a)	(b)	(c)	(d)	(e)	(f)		(g)	(h)	(i)
					Annual incentive plans (f1)	Long-term incentive plans (f2)			
Steve Curtis Chief Executive Officer	2015	428,637	-	-	-	-	-	⁽¹⁾ 180,255	608,892
	2014	410,085	-	-	60,012	-	-	40,758	510,855
	2013	319,117	-	-	51,990	-	-	33,980	405,087
Dana Roets Chief Operating Officer	2015	418,182	-	-	-	-	-	⁽¹⁾ 138,000	556,182
	2014	400,083	-	-	60,012	-	-	-	460,095
	2013	115,859	-	-	10,004	-	-	-	125,863
Mark Learmonth Chief Financial Officer	2015	360,000	-	-	-	-	-	⁽¹⁾ 154,000	514,000
	2014	275,057	-	-	60,012	-	-	-	335,069
	2013	174,687	-	-	24,955	-	-	-	199,642
Caxton Mangezi General Manager and Director of the Blanket Mine	2015	348,400	-	-	-	-	-	⁽¹⁾ 190,002	538,402
	2014	335,069	-	-	27,922	-	-	10,002	372,993
	2013	295,457	-	-	43,400	-	-	10,833	349,690
Trevor Pearton VP Exploration	2015	224,773	-	-	-	-	-	⁽¹⁾ 18,656	243,429
	2014	215,045	-	-	17,921	-	-	-	232,966
	2013	156,994	-	-	13,475	-	-	-	170,469

⁽¹⁾ Bonuses paid to Directors and key management (Refer note 27 of the Consolidated Financial Statements)

A director fee of \$45,000 is paid to each non-executive director per annum from January 1, 2016. The fee was revised from Cdn\$45,000 paid annually to each non-executive Director.

The Company has a Stock Option Plan pursuant to which it grants options to directors, officers and key employees from time to time. The numbers of shares covered by the various options granted are determined by the Company's Compensation Committee subject to approval by the Board of Directors. The share option plan was revised during 2015 as detailed in note 27 of the Consolidated Financial Statements.

Caledonia does not have a pension, retirement or similar benefits scheme for Directors.

C. Board Practices

The directors all hold their positions for an indefinite term, subject to re-election at each annual general meeting of the shareholders. The officers hold their positions subject to being removed by resolution of the Board of Directors. The term of office of each Director expires as of the date that an Annual General Meeting of the shareholders is held - subject to the re-election of the Directors at such Annual General Meeting.

The following persons comprise the following committees:

Audit	Compensation	Governance	Nominating	Disclosure
J Holtzhausen	L Wilson	L Wilson	L Wilson	M Learmonth
L Wilson	J Kelly	J Kelly	J Holtzhausen	S R Curtis
J Kelly	J Holtzhausen		J Johnstone	J Holtzhausen
	J Johnstone			T Pearton
Technical	Strategic	Life of Mine		
J Johnstone	L Wilson	L Wilson		
J Holtzhausen	J Kelly	J Johnstone		
D Roets	S R Curtis	J Holtzhausen		
T Pearton	M Learmonth			
D Henderson	D Roets			
	T Pearton			
	J Holtzhausen			
	J Johnstone			

Terms of reference of the Audit Committee are given in the Charter of the Audit Committee. The Charters of Company Committees are available on the Company's website or, on request, from the Company's offices listed in this report.

The Company's Audit Committee is comprised of the following Directors (i) Johan Holtzhausen (Chair), (ii) Leigh Alan Wilson, and (iii) John Lawson Kelly. Each member of the Audit Committee is considered independent as defined under NI 52-110 and as defined pursuant to Section 803 of the NYSE MKT Company Guide (as such definition may be modified or supplemented) and considered to be financially literate as such terms are defined under National Instrument 52-110 Audit Committees. The SEC has indicated that the designation of an audit committee financial expert does not make that person an "expert" for any purpose, impose any duties, obligations, or liability on that person that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation, or affect the duties, obligations, or liabilities of any other member of the audit committee.

D. Employees

The average, approximate number of employees, their categories and geographic location for each of the last 5 years are summarized in the table below:

Geographic Location and Number of Employees:

Employee Location	2011	2012	2013	2014	2015
Total Employees					
South Africa (African Office)	10	10	13	14	14
Zimbabwe – approx. ⁽ⁱ⁾	856	860	1,028	1,007	1,157
South Africa (Mine Security and Operations and Exploration)	1	1	1	1	1
Zambia (Head Office and Security)	8	8	8	6	-
Total Employees at all Locations	875	879	1,050	1,028	1,172

⁽ⁱ⁾ the number of employees in Zimbabwe varies slightly from month-to-month.

Management and Administration:

Employee Locations:

	2011	2012	2013	2014	2015
Zimbabwe	30	32	32	36	37
South Africa (African Office)	7	7	12	12	12
South Africa (Exploration and Operations)	2	2	1	1	1
Zambia (Head Office and Security)	4	4	4	4	-
Total Management and Administration	43	45	49	53	50

E. Share Ownership

(a) The direct and indirect shareholdings of the Company's Directors and Officers as at March 30, 2016 were as follows:

	Number of shares	Percentage share holding
L Wilson	72,500	0.14%
J Johnstone	28,000	0.05%
S Curtis	365,000	0.70%
M Learmonth	224,230	0.43%
J. Kelly	57,465	0.11%
D Roets	Nil	-
J Holtzhausen	Nil	-
T. Pearton	Nil	-
D. Henderson	17,200	0.03%
Total	764,895	1.46%

All of the shares held by the Directors are voting common shares and do not have any different voting or other rights than the other outstanding common shares of the Company.

As at March 30, 2016, the Directors and Officers, collectively, owned 764,895 Common Shares, being approximately 1.46% of the issued Common Shares.

The information as to shares beneficially owned or controlled or directed, not being within the knowledge of the Company, has been furnished by the respective directors and officers individually.

(b) Share purchase options outstanding as of March 30, 2016:

Name	Exercise Price Cdn	Expiry Date	Number of Options
J Johnstone	0.90	September 10, 2017	40,000
J Johnstone	1.30	January 31, 2016	160,000
L Wilson	0.90	September 10, 2017	90,000
C Jonsson	0.90	September 10, 2017	40,000
C Jonsson	1.30	January 31, 2016	160,000
J Liswaniso	0.90	September 10, 2017	7,500
J Liswaniso	1.30	January 31, 2016	10,000
M Learmonth	0.90	September 10, 2017	89,020
M Learmonth	1.30	January 31, 2016	150,000
A Lawson	0.90	September 10, 2017	3,000
A Lawson	1.30	January 31, 2016	7,500
T Pearton	0.90	September 10, 2017	25,000
T Pearton	1.30	January 31, 2016	25,000
SR Curtis	0.90	September 10, 2017	55,000

SR Curtis	1.30	January 31, 2016	250,000
R Babensee	0.90	September 10, 2017	40,000
R Babensee	1.30	January 31, 2016	175,000
C Mangezi	0.90	September 10, 2017	100,000
C Mangezi	1.30	January 31, 2016	200,000
P Dell	0.90	September 10, 2017	3,000
P Dell	1.30	January 31, 2016	7,500
P Human	0.90	September 10, 2017	5,000
P Human	1.30	January 31, 2016	10,000
S Smith	0.90	September 10, 2017	2,400
S Smith	1.30	January 31, 2016	6,000
J Kelly	0.90	September 10, 2017	90,000
R Patricio	0.90	September 10, 2017	90,000
D Roets	0.72	November 21, 2018	100,000
J Holtzhausen	0.72	November 21, 2018	90,000
D Henderson	0.74	December 21, 2020	90,000
DSA Corporate Services	0.80	October 7, 2020	25,000
TOTAL			<u>2,145,920</u>

In terms of the approved plan, the expiry of the options that expire in a closed period will be extended by 10 days from the cessation of the closed period. The options with an expiry date of January 31, 2016 will expire on April 2, 2016.

ITEM 7 - MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

To the best of Caledonia's knowledge, as of December 31, 2015 there was one shareholder that beneficially owned, directly or indirectly, or exercises control or direction over more than 5% of the voting shares of Caledonia, Allan Gray, a South African investment trust/fund manager, which owns 7,039,500 ordinary shares of the Company, representing 13.5% of the current issued share capital of the Company.

The only shares issued by Caledonia are common shares. All shareholders have the same voting rights as all other shareholders of Caledonia.

To the best of the knowledge of Caledonia, based on information in its Share Register on March 4, 2016, the portion of the common shares of Caledonia is held in the following geographic locations:

Geographic Area	Number of Shares Held	Percentage of Issued Shares
USA	21,309,828	40.92%
Canada	17,639,280	33.87%
United Kingdom	13,098,711	25.15%
Other	31,089	0.06%
	<u>52,078,908</u>	<u>100%</u>

Caledonia is not, to the best of its knowledge, directly or indirectly owned or controlled by another corporation or corporations, by any other natural or legal person or persons severally or jointly or by any foreign government.

Caledonia is not aware of any arrangement, the operation of which may at some subsequent date result in a change of control of Caledonia.

The foregoing information in this paragraph is based exclusively on information with respect to recorded shareholders in the Company's shareholders register. The Company does not have actual information available as to who may be the beneficial owners of the Company's issued shares and, specifically, does not know the identity of the beneficial owners of the shares who are registered in two large intermediaries.

B. Related Party Transactions

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows presented in \$'000:

	2015	2014	2013
Key management salaries and bonuses	(1)2,452	1,781	1,482
Share-based payments	24	-	35
	<u>2,476</u>	<u>1,781</u>	<u>1,517</u>

(1) Of this amount \$482,000 was outstanding at December 31, 2015.

Employees, officers, directors, consultants and other service providers also participate in the Caledonia's share option program (see note 20 of the Consolidated Financial Statements). Group entities of Caledonia are set out in note 28 of the Consolidated Financial Statements. As at year end 1,739,020 (2014:1,584,520; 2013 2,114,520) share options related to directors and key management. The share option plan is filed as exhibit 4.1 to the Form 20F.

		Transactions during the year		
	<i>Note</i>	2015	2014	2013
Management contract fees, allowances and bonus paid or accrued to a company for management services provided by the Company's former President and Chief Executive Officer.	(i)	-	850	715
Rent for office premises paid to a company owned by members of the former Chief Executive Officer's family.	(ii)	40	129	37
Legal fees and disbursements		-	-	85
Directors fees		191	298	280

- (i) On July 15, 2014 Caledonia served a six month notice to Epicure Overseas S.A. for the termination of the contract between Caledonia and Epicure for the provision of the services of Mr. Stefan Hayden, who was at that time Caledonia's President and Chief Executive Officer ("CEO"). Negotiations for alternative arrangements to secure the continued services of Mr. Hayden as President and CEO failed to reach agreement. Accordingly, on November 18, 2014 Mr. Hayden stepped down as President and CEO and on December 6, 2014, Mr. Hayden resigned as a director of Caledonia. No payments other than the contractual payments that were due to Epicure Overseas SA for the provision of the services of Mr. Hayden during the notice period were made.
- (ii) The contract expired on September 2015.

As at December 31, 2016 employee contracts between Caledonia Mining South Africa Proprietary Limited and key management, include an option for respective key management to terminate such employee contract in the event of a change in control of the Company and to receive a severance payment equal to two years' compensation. If this was triggered as at December 31, 2015 the severance payment would have amounted to \$3,578,000 (2014: \$3,611,000; 2013: Nil). A change in control would constitute:

- the acquisition of more than 50% of the common shares; or
- the acquisition of right to exercise the majority of the voting rights of common shares; or
- the acquisition of the right to appoint the majority of the board of directors; or
- the acquisition of more than 50% of the assets; of

Caledonia Mining South Africa Proprietary Limited or Caledonia Mining Corporation.

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8 - FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

This Annual Report contains the audited Consolidated Financial Statements which comprise the consolidated statements of financial position as at December 31, 2015, December 31, 2014 and January 1, 2014, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2015, December 31, 2014 and December 31, 2013.

Reference is made to page 63 where the financial statements are filed as part of this annual report on pages F1 – F63

Dividend Policy

On November 25, 2013 Caledonia announced a revised dividend policy in terms of which it paid a dividend of Cdn\$0.06 per share in 2014, split into 4 equal quarterly payments of Cdn\$0.015 per share. The first quarterly dividend was paid on January 31, 2014 and subsequent quarterly dividends were paid thereafter.

Following the announcement on December 16, 2015 that henceforth Caledonia will report its financial results in United States Dollars, the quarterly dividend that was paid at the end of January 2016 was declared and denominated in United States Dollars as \$0.01125 per share. A quarterly dividend of \$0.01125 per share, or \$0.045 per annum per share, represents Caledonia's revised dividend policy. It is currently envisaged that the existing dividend policy of Cdn\$0.045 per annum per share, will be maintained in 2016.

There are currently no restrictions on the Company which would prevent it from paying dividends.

Legal Proceedings and Regulatory Actions

To our knowledge, there are no legal proceedings material to us to which we are or were a party to or of which any of our properties are or were the subject of, during the financial year ended December 31, 2015 nor are there any such proceedings known to us to be contemplated, which would materially impact our financial position or ability to continue as a going concern.

During the twelve-month period ended December 31, 2015, there were no (i) penalties or sanctions imposed against us by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements we entered into before a court relating to securities legislation or with a securities regulatory authority.

B. Significant Changes

We have not experienced any significant changes since the date of the financial statements included with this Annual Report except as disclosed in this Annual Report.

ITEM 9 - THE OFFERING AND LISTING

A. Offering and Listing Details

The Common Shares of the Company have been quoted for trading in the U.S. on the OTCQX under "CALVF" since October 2011, and on the AIM Market in London under "CMCL" since June 27, 2005. The principal marketplace for the Company is the listing of the Common Shares on the Toronto Stock Exchange under symbol "CAL". During the year ended December 31, 2015, 5,164,800 Common Shares were traded on the Toronto Stock Exchange at prices that ranged between a high of Cdn\$0.96 and a low of Cdn\$0.62 per Common Share.

The high and low market prices expressed in Canadian dollar on the Toronto Stock Exchange for our Common Shares for the last five financial years, for the last six months, and each quarter for the last three fiscal years:

	TSX Exchange (Canadian Dollars)	
	High	Low
<u>Last Six Months</u>		
March 2016 (up to 17 March)	0.91	0.86
February 2016	0.94	0.84
January 2016	0.85	0.79
December 2015	0.81	0.66
November 2015	0.82	0.74
October 2015	0.84	0.72
September 2015	0.77	0.70

<u>2015</u>	<u>High</u>	<u>Low</u>
Fourth Quarter ended December 31, 2015	0.84	0.67
Third Quarter ended September 31, 2015	0.96	0.70
Second Quarter ended June 30, 2015	0.95	0.66
First Quarter ended March 31, 2015	0.75	0.62
<u>2014</u>	<u>High</u>	<u>Low</u>
Fourth Quarter ended December 31, 2014	0.81	0.77
Third Quarter ended September 31, 2014	1.10	1.07
Second Quarter ended June 30, 2014	0.87	0.85
First Quarter ended March 31, 2014	0.80	0.77
<u>2013</u>	<u>High</u>	<u>Low</u>
Fourth Quarter ended December 31, 2013	0.82	0.67
Third Quarter ended September 31, 2013	0.98	0.74
Second Quarter ended June 30, 2013	1.20	1.15
First Quarter ended March 31, 2013	1.40	0.95
<u>Last Five Fiscal Years</u>	<u>High</u>	<u>Low</u>
2015	0.96	0.62
2014	0.90	0.86
2013	1.40	0.67
2012	1.25	0.60
2011	1.45	0.65

The high and low market prices expressed in United States dollar on the OTCQX for our Common Shares for the last five financial years, for the last six months, and each quarter for the last three fiscal years

	OTCQX (United States Dollar)	
<u>Last Six Months</u>	<u>High</u>	<u>Low</u>
March 2016 (up to 29 March)	0.72	0.65
February 2016	0.69	0.60
January 2016	0.61	0.54
December 2015	0.60	0.49
November 2015	0.62	0.56
October 2015	0.66	0.56
September 2015	0.59	0.53
<u>2015</u>	<u>High</u>	<u>Low</u>
Fourth Quarter ended December 31, 2015	0.66	0.49
Third Quarter ended September 31, 2015	0.76	0.53
Second Quarter ended June 30, 2015	0.79	0.52
First Quarter ended March 31, 2015	0.63	0.51
<u>2014</u>	<u>High</u>	<u>Low</u>
Fourth Quarter ended December 31, 2014	0.71	0.56
Third Quarter ended September 31, 2014	1.01	0.98
Second Quarter ended June 30, 2014	0.80	0.78
First Quarter ended March 31, 2014	0.73	0.70
<u>2013</u>	<u>High</u>	<u>Low</u>
Fourth Quarter ended December 31, 2013	0.85	0.65
Third Quarter ended September 31, 2013	0.94	0.68

Second Quarter ended June 30, 2013	1.21	1.20
First Quarter ended March 31, 2013	1.35	0.95
<u>Last Five Fiscal Years</u>	High	Low
2015	0.79	0.49
2014	0.81	0.78
2013	1.45	0.65
2012	1.25	0.65
2011	1.58	0.63

The high and low market prices expressed in Pounds Sterling on the AIM for our Common Shares for the last five financial years, for the last six months, and each quarter for the last three fiscal years.

	AIM (Pound Sterling)	
<u>Last Six Months</u>	High	Low
March 2016 (up to 29 March)	0.49	0.47
February 2016	0.47	0.41
January 2016	0.52	0.37
December 2015	0.42	0.37
November 2015	0.41	0.40
October 2015	0.44	0.37
September 2015	0.38	0.37
<u>2015</u>	High	Low
Fourth Quarter ended December 31, 2015	0.44	0.37
Third Quarter ended September 31, 2015	0.49	0.36
Second Quarter ended June 30, 2015	0.48	0.34
First Quarter ended March 31, 2015	0.38	0.33
<u>2014</u>	High	Low
Fourth Quarter ended December 31, 2014	0.49	0.30
Third Quarter ended September 31, 2014	0.50	0.42
Second Quarter ended June 30, 2014	0.42	0.35
First Quarter ended March 31, 2014	0.38	0.27
<u>2013</u>	High	Low
Fourth Quarter ended December 31, 2013	0.38	0.34
Third Quarter ended September 31, 2013	0.47	0.38
Second Quarter ended June 30, 2013	0.70	0.47
First Quarter ended March 31, 2013	0.66	0.45
<u>Last Five Fiscal Years</u>	High	Low
2015	0.49	0.33
2014	0.50	0.27
2013	0.70	0.34
2012	0.63	0.33
2011	0.69	0.35

ITEM 10 - ADDITIONAL INFORMATION

A. Share Capital

Not Applicable.

B. Articles of Association

Securities Registrar

Computershare Investor Services Inc. is the transfer agent and registrar for the common shares at its principal office in the City of Toronto, with branch registrars of transfers at Computershare Trust Company, N.A office in the City of Golden, Colorado. Computershare Investor Services at its principal office in Bristol, United Kingdom is the Transfer Agent for the Depositary Interests.

Place of Incorporation and Purpose

The Company was incorporated, effective February 5, 1992, by the amalgamation of three predecessor companies. It was registered in terms of the Canada Business Corporations Act (the “CBCA”). The company re-domiciled to Jersey effective March 21, 2016 through a process called continuance. The Continuance has no effect on the Company’s existing listings in Toronto and on AIM in London, or the trading facility on the OTCQX in the USA and the company’s shares will continue to be traded on these listing and trading platforms after the continuance is completed.

Articles of Association

At a special Meeting of Shareholders held on February 18, 2016, Caledonia’s shareholders voted in favor of a resolution to approve the continuance of the company from Canada to Jersey Channel Islands. This resolution, inter alia, included provisions to replace Caledonia’s by-laws with a new Articles of Association. The Company’s Articles of Association do not place any restrictions on the Company’s business. The authorized capital of the Company consists of an unlimited number of Common Shares and an unlimited number of preference shares. As of March 30, 2016 52,173,908 Common Shares were issued and outstanding and there were no preference shares issued or outstanding.

The holders of the Common Shares are entitled to one vote per share at all meetings of the shareholders of the Company. The holders of Common Shares are also entitled to dividends, if and when declared by the directors of the Company and the distribution of the residual assets of the Company in the event of a liquidation, dissolution or winding up of the Company. The Company's Common Shares do not have pre-emptive rights to purchase additional shares.

No preference shares are currently issued and outstanding. Preference shares may be issued from time to time in one or more series composed of such number of shares with such preference, deferred or other special rights, privileges, restrictions and conditions as fixed before such issuance by a resolution passed by the directors and confirmed and declared by articles of amendment. The preference shares shall be entitled to preference over Common Shares in respect of the payment of dividends and shall have priority over the Common Shares in the event of a distribution of residual assets of the Company in the event of a liquidation, dissolution or windup of the Company. Please see Exhibit 1.1 for details in respect of the rights, privileges, restrictions and conditions attaching to the Common Shares and Preferred Shares. The rights attaching to the Common Shares and the Preferred Shares can only be modified by the affirmative vote of at least two-thirds of the votes cast at a meeting of shareholders called for that purpose.

Meetings of Shareholders

The Articles of Association requires the Company to call an annual shareholders' meeting within 13 months after holding the last preceding annual meeting and permits the Company to call a special shareholders' meeting at any time. The Company is required to mail a notice of meeting and management information circular to registered shareholders not less than 21 days and not more than 60 days prior to the date of any annual or special shareholders' meeting. These materials also are filed with Canadian securities regulatory authorities. The Company’s Articles of Association provide that a quorum of two shareholders in person or represented by proxy holding or representing by proxy not less than 5% of the Company’s issued shares carrying the right to vote at the meeting is required to transact business at a shareholders' meeting. Shareholders, and their duly appointed proxies and corporate representatives, as well as the Company's auditors, are entitled to be admitted to the Company's annual and special shareholders' meetings.

Limitations on the Right to Own Securities

There are no limitations on the rights to own securities.

Limitations on Restructuring

There is no provision in our Articles of Association that would have the effect of placing any limitations on any corporate restructuring in addition to what would otherwise be required by applicable law.

Disclosure of Share Ownership

The Articles of Association that were adopted pursuant to the continuance permits the company to give a disclosure notice to any person that the Company has reasonable cause to believe is/was interested in the Company's shares within the preceding three years; such notice may require the person to inform the Company whether that person holds/has held an interest in the Company's shares. The Articles of Association also incorporates by reference certain of the disclosure and transparency rules ("DTR") published by the UK's Financial Conduct Authority ("FCA"). The DTR include, inter alia, a requirement that a shareholder must notify the Company of the percentage of its voting rights (held directly and indirectly) if the percentage of those voting rights reaches, exceeds or falls below 3%, of the Company's issued voting securities and each 1% threshold above 3%.

C. Material Contracts

We enter into various contracts in the normal course of business. However, there are no material contracts outside of the normal course of business to report here.

D. Exchange Controls

There are no governmental laws, decrees or regulations existing in Jersey (where Caledonia is incorporated), which restrict the export or import of capital, or the remittance of dividends, interest or other payments to non-resident holders of Caledonia's securities. Nor does Jersey have foreign exchange currency controls. Exchange control approvals from the Reserve Bank of Zimbabwe are required on the flow of funds in and out of Zimbabwe; Caledonia has not encountered difficulty in obtaining all of its required approvals.

E. Taxation

Certain United States Federal Income Tax Considerations

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of Common Shares. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of Common Shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including without limitation specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences to U.S. Holders of the acquisition, ownership, and disposition of Common Shares. In addition, except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each prospective U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership, and disposition of Common Shares. No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary are based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation.

U.S. Holders

For purposes of this summary, the term “U.S. Holder” means a beneficial owner of Common Shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) have a “functional currency” other than the U.S. dollar; (e) own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold Common Shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); or (h) own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Income Tax Act (Canada) (the “Tax Act”); (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold Common Shares in connection with carrying on a business in Canada; (d) persons whose Common Shares constitute “taxable Canadian property” under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of Common Shares.

If an entity or arrangement that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences to such entity and the partners (or other owners) of such entity generally will depend on the activities of the entity and the status of such partners (or owners). This summary does not address the tax consequences to any such owner. Partners (or other owners) of entities or

arrangements that are classified as partnerships or as “pass-through” entities for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of Common Shares.

Ownership and Disposition of Common Shares

The following discussion is subject to the rules described below under the heading “Passive Foreign Investment Company Rules.”

Taxation of Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Common Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Common Shares and thereafter as gain from the sale or exchange of such Common Shares (see “Sale or Other Taxable Disposition of Common Shares” below). However, the Company may not maintain the calculations of its earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder may have to assume that any distribution by the Company with respect to the Common Shares will constitute ordinary dividend income. Dividends received on Common Shares by corporate U.S. Holders generally will not be eligible for the “dividends received deduction”. Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada-U.S. Tax Convention, or the Common Shares are readily tradable on a United States securities market dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC (as defined below) in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of Common Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in such Common Shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, such Common Shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company Rules

If the Company were to constitute a PFIC for any year during a U.S. Holder's holding period, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of Common Shares. The Company believes that it was not a PFIC for the tax year ended December 31, 2015. No opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or is currently planned to be requested. However, PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurance that the Company has never been and will not become a PFIC for any tax year during which U.S. Holders hold Common Shares.

In addition, in any year in which the Company is classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. A failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621.

The Company generally will be a PFIC under Section 1297 of the Code if, after the application of certain "look-through" rules with respect to subsidiaries in which the Company holds at least 25% of the value of such subsidiary, for a tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income (the "income test") or (b) 50% or more of the value of the Company's assets either produce passive income or are held for the production of passive income (the "asset test"), based on the quarterly average of the fair market value of such assets. "Gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all (85% or more) of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business or supplies regularly used or consumed in the ordinary course of its trade or business, and certain other requirements are satisfied.

If the Company were a PFIC in any tax year during which a U.S. Holder held Common Shares, such holder generally would be subject to special rules with respect to "excess distributions" made by the Company on the Common Shares and with respect to gain from the disposition of Common Shares. An "excess distribution" generally is defined as the excess of distributions with respect to the Common Shares received by a U.S. Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from the Company during the shorter of the three preceding tax years, or such U.S. Holder's holding period for the Common Shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of the Common Shares ratably over its holding period for the Common Shares. Such amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including the "QEF Election" under Section 1295 of the Code and the "Mark-to-Market Election" under Section 1296 of the Code), such elections are available in limited circumstances and must be made in a timely manner.

U.S. Holders should be aware that, for each tax year, if any, that the Company is a PFIC, the Company can provide no assurances that it will satisfy the record keeping requirements of a PFIC, or that it will make available to U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to the Company or any subsidiary that also is classified as a PFIC. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of Common Shares, and the availability of certain U.S. tax elections under the PFIC rules.

Additional Considerations

Additional Tax on Passive Income

Certain individuals, estates and trusts whose income exceeds certain thresholds will be required to pay a 3.8% surtax on “net investment income” including, among other things, dividends and net gain from disposition of property (other than property held in certain trades or businesses). Special rules apply to PFICs. U.S. Holders should consult their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of Common Shares.

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of Common Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method with respect to foreign currency received upon the sale, exchange or other taxable disposition of the Common Shares. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the Common Shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder’s U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder’s income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder’s U.S. federal income tax liability that such U.S. Holder’s “foreign source” taxable income bears to such U.S. Holder’s worldwide taxable income. In applying this limitation, a U.S. Holder’s various items of income and deduction must be classified, under complex rules, as either “foreign source” or “U.S. source.” Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the Common Shares that is treated as a “dividend” may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Backup Withholding and Information Reporting

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Common Shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, Common Shares will generally be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute a complete description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax, and under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

Any statement in this Annual Report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this Annual Report, the contract or document is deemed to modify the description contained in this Annual Report. Readers must review the exhibits themselves for a complete description of the contract or document.

Readers may review a copy of our filings with the SEC, including exhibits and schedules filed with it, at the SEC's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549. Readers may call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The SEC maintains a Web site (<http://www.sec.gov>) that contains reports, submissions and other information regarding registrants that file electronically with the SEC. We have only recently become subject to the requirement to file electronically through the EDGAR system most of its securities documents, including registration statements under the Securities Act of 1933, as amended and registration statements, reports and other documents under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

We also file certain reports with the Canadian Securities Administrators that you may obtain through access of the SEDAR website, www.sedar.com.

Readers may read and copy any reports, statements or other information that we file with the SEC at the address indicated above and may also access them electronically at the Web site set forth above. These SEC filings are also available to the public from commercial document retrieval services.

We are required to file reports and other information with the SEC under the Exchange Act. Reports and other information filed by us with the SEC may be inspected and copied at the SEC's public reference facilities described above. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in section 16 of the Exchange Act. Under the Exchange Act, as a foreign private issuer, we are not required to publish financial statements as frequently or as promptly as United States companies.

Copies of our material contracts are kept at our principal executive office.

I. Subsidiary Information

Not Applicable.

ITEM 11 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The Board of Directors has responsibility to ensure that an adequate financial risk management policy is established and to approve the policy. The Company's Audit Committee oversees management's compliance with the Company's financial risk management policy.

The fair value of the Company's financial instruments approximates their carrying value unless otherwise noted. The types of risk exposure and the way in which such exposures are managed are as follows:

A. Currency Risk

As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the US dollar. The results of the Company's operations are subject to currency transaction risk and currency translation risk. The operating results and financial position of the Company are reported in US dollar in the Consolidated Financial Statements.

The fluctuation of the US dollar in relation to other functional currencies of entities within the Company will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity.

As noted below, the Company has certain financial assets and liabilities denominated in currencies other than the reporting currency. The Company does not use any derivative instruments to reduce its foreign currency risk.

To reduce exposure to currency transaction risk, the Company maintains cash and cash equivalents in the currencies used by the Company to meet short-term liquidity requirements.

Below is a summary of the assets and liabilities denominated in a currency other than the US dollar that would be affected by changes in exchange rates relative to the US dollar for reporting purposes. The values are the US dollar equivalent of the respective asset or liability that is denominated in Canadian dollars or South African rand.

	December 31, 2015	December 31, 2014	January 1, 2014
Cash and cash equivalents	132	470	416
Trade and other receivables	566	83	1
Trade and other payables	510	575	648

Sensitivity analysis

As a result of the Company's monetary assets and liabilities denominated in foreign currencies which is different to the functional currency of the underlying entities, the profit or loss in the underlying entities could be affected by movements between the functional currency and the foreign currency. The table below indicates net monetary assets/(liabilities) in the Company that have a different functional currency and foreign currency. Amounts are indicated before elimination of intergroup balances.

	2015 USD'000		2014 USD'000		2013 USD'000	
	Functional currency		Functional currency		Functional currency	
	ZAR	CAD	ZAR	CAD	ZAR	CAD
Cash and cash equivalents	3,874	5,483	10,514	553	8,197	1,594
Trade and other payables	-	-	-	-	-	-
Intercompany balances*	(27,650)	44,390	(30,320)	48,484	(31,079)	57,207
	(23,776)	49,873	(19,806)	49,037	(22,882)	58,801

A reasonably possible strengthening or weakening of 5% of the various functional currencies against the foreign currencies, would have the following equal or opposite effect on profit or loss before tax for the Company:

	2015 USD'000		2014 USD'000		2013 USD'000	
	Functional currency		Functional currency		Functional currency	
	ZAR	CAD	ZAR	CAD	ZAR	CAD
Cash and cash equivalents	194	274	526	28	410	80
Trade and other payables	-	-	-	-	-	-
Intercompany balances*	(1,382)	2,219	(1,516)	2,424	(1,554)	2,860

* These intercompany balances represent the exposure to foreign currency risk between functional currencies and foreign currencies at a subsidiary level. These balances eliminates on consolidation.

B. Interest Rate Risk

The Company has no significant exposure to interest rate risk.

C. Concentration of Credit Risk

Credit risk is the risk of a financial loss to the Company if a gold sales customer fails to meet its contractual obligation. From 2014, gold sales were made to Fidelity in Zimbabwe and the payment terms stipulated in the service delivery contract have been adhered to in all instances. No funds were outstanding at December 31, 2015, for bullion delivered. VAT receivables from the South African Revenue Services and Zimbabwe Revenue Authority was received after December 31, 2015.

D. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages its liquidity by ensuring that there is always sufficient capital to meet its estimated cash requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the anticipated cash requirements. Senior management is also actively involved in the review and approval of planned expenditures by regularly monitoring cash flows from operations and anticipated investing and financing activities.

E. Commodity Price Risk

The value of the Company's mineral resource properties is related to the price of gold and the outlook for these minerals. In addition, adverse changes in the price of certain key or high cost operating consumables can significantly impair the Company's cash flows.

Gold prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and macro-economic variables, and certain other factors related specifically to gold.

In February 2016, the Company announced it had entered into a hedge in respect of 15,000 ounces of gold over a period of 6 months. The hedge protects the Company if the gold price falls below \$1,050 per ounce but gives Caledonia full participation if the price of gold exceeds \$1,079 per ounce. Blanket continues to sell all of its gold production to Fidelity Printers and Refiners Ltd ("Fidelity"), as required by Zimbabwean legislation, and receives the spot price of gold less an early settlement discount of 1.25%. The maximum cost of the hedge to Caledonia is \$435,000..

ITEM 12 - DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

ITEM 13 - DEFAULTS, DIVIDEND ARREARS AND DELINQUENCIES

Not Applicable.

ITEM 14 - MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not Applicable.

ITEM 15 - CONTROLS AND PROCEDURES

A. *Disclosure Controls and Procedures*

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, and assessed the design of the Company's internal control over financial reporting as of December 31, 2015. As required by Rule 13(a)-15 under the Exchange Act, in connection with this Annual Report on Form 20-F, under the direction of our Chief Executive Officer, we have evaluated our disclosure controls and procedures as of December 31, 2015, and we have concluded our disclosure controls and procedures were effective as at December 31, 2015.

B. *Management's annual report on internal control over financial reporting ("ICOFR")*

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting has been designed to provide reasonable assurance with respect to the reliability of financial reporting and the presentation of financial statements for external purposes in accordance with IFRS. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

As of the date of this filing, we have in place controls and procedures to maintain appropriate segregation of duties in our manual and computer based business processes that we believe are appropriate for a company of our size and extent of business transactions. Under the supervision and with the participation of the CEO and CFO, Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making their assessment, Management used the control objectives established in the 1992 Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework over Financial Reporting. Based upon that assessment, Management concluded that the Company's internal control over financial reporting was effective at the reasonable assurance level as of December 31, 2015.

C. *Attestation Report of registered public accounting firm*

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which permits us to provide only management's report in this Annual Report; the Dodd-Frank Act permits a "non-accelerated filer" to provide only management's report on internal control over financial reporting in an Annual Report and omit an attestation report of the issuer's registered public accounting firm regarding management's report on internal control over financial reporting and (ii) as we qualify as an "emerging growth company" under section 3(a) of the Exchange Act (as amended by the JOBS Act, enacted on April 5, 2012), and are therefore exempt from the attestation requirement.

D. *Changes in internal controls over financial reporting.*

There were no changes in the Company's internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of 17 CFR 240.13a-15 or 240.15d-15 that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

ITEM 16A - AUDIT COMMITTEE FINANCIAL EXPERT

Caledonia's Board of Directors has determined, as at March 30, 2016 that the three members of its Audit Committee are considered independent as defined under NI 52-110 and as defined pursuant to Section 803 of the NYSE MKT Company Guide (as such definition may be modified or supplemented) and considered to be financially literate as such terms are defined under National Instrument 52-110 Audit Committees and one of the members can be considered to be an expert. The financial expert serving on the audit committee is Mr. Johan Holtzhausen. Mr. Holtzhausen and Messrs., J. Kelly and L. Wilson are all independent directors under the applicable rules.

The SEC has indicated that the designation of an audit committee financial expert does not make that person an "expert" for any purpose, impose any duties, obligations, or liability on that person that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation, or affect the duties, obligations, or liabilities of any other member of the audit committee.

ITEM 16B - CODE OF ETHICS

On April 8, 2004 the registrant's Board of Directors adopted a code of ethics that applies to the registrant's Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller, or persons performing similar functions.

The registrant has filed a copy of this code of ethics that applies to the registrant's Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller, or persons performing similar functions. The code of ethics has not been amended.

The text of this code of ethics has been posted on the Company website. (www.caledoniamining.com)

ITEM 16C - PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the audit service fees billed by our current external auditors, unless stated otherwise, for the years indicated:

	2015 ⁽¹⁾	2014 ⁽¹⁾	2013 ⁽¹⁾
Audit fees	181,652	276,824	266,990
Audit – related fees	-	-	31,068
Tax fees ⁽²⁾	181 950	56,414	1,456
All other fees	-	-	-
TOTAL	363,602	333,238	299,514

Notes:

(1) Prior to the start of the audit process, Caledonia's Audit Committee receives an estimate of the costs, from its auditors and reviews such costs for their reasonableness. After their review and pre-approval of the fees, the Audit Committee recommend to the board of directors to accept the estimated audit fees given by the auditors.

(2) Tax fees were for assistance provided regarding international tax matters relating to a possible permanent establishment tax exposure and a tax transfer pricing review.

ITEM 16D - EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

ITEM 16E - PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not Applicable.

ITEM 16F - CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G - CORPORATE GOVERNANCE

Not Applicable.

ITEM 16H - MINE SAFETY DISCLOSURE

Not Applicable.

ITEM 17 - FINANCIAL STATEMENTS

See Item 18.

ITEM 18 - FINANCIAL STATEMENTS

The financial statements and schedules appear on pages F-1 through F-63 of this Annual Report and are incorporated herein by reference. Our audited financial statements as prepared by our management and approved by the Board of Directors include:

Consolidated Statements of Profit and loss and other Comprehensive Income
Consolidated Statements of Financial Position
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows
Notes to the Consolidated Financial Statements

All the above statements are available on the Company's website – www.caledoniamining.com or under the Company's profile on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at www.sedar.com

ITEM 19 – EXHIBITS

Financial Statements

Description	Page
Financial Statements and Notes	F1- F63

Exhibit List

Exhibit No.	Name
1.1	Articles of Association (incorporated herein by reference to Exhibit 1.1 to the Registrant's Annual Report on Form 20-F filed with the SEC on March 31, 2015)
4.1	Stock Option Plan (revised 2015) (incorporated herein by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 20-F filed with the SEC on March 31, 2015)
4.2	Employment contracts/executive employment agreements
8.1	List of Caledonia Mining Corporation Plc group entities
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Independent Technical Report and PEA on the Blanket Mine Property in Zimbabwe(incorporated herein by reference to Exhibit 15.1 to the Registrant's Annual Report on Form 20-F filed with the SEC on March 31, 2015)
15.2	Property and Claims Information Blanket (incorporated herein by reference to Exhibit 15.2 to the Registrant's Annual Report on Form 20-F filed with the SEC on March 31, 2015)
15.3	Shareholder Rights Plan (incorporated herein by reference to Exhibit 15.3 to the Registrant's Annual Report on Form 20-F filed with the SEC on March 31, 2015)
15.4	Share Subscription Agreements – Blanket Mine (incorporated herein by reference to Exhibit 15.4 to the Registrant's Annual Report on Form 20-F filed with the SEC on March 31, 2015)
15.5	Consent of KPMG Inc.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders Shareholders
Caledonia Mining Corporation Plc

We have audited the accompanying consolidated statements of financial position of Caledonia Mining Corporation Plc (“the Company”) as of December 31, 2015 and December 31, 2014 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Caledonia Mining Corporation Plc as of December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As discussed in Note 2(iii) to the consolidated financial statements, the Company has retrospectively changed its presentation currency in the consolidated financial statements from the Canadian dollar to the United States dollar, which included the presentation of the consolidated statement of financial position as of January 1, 2014.

(Signed) KPMG Inc.

85 Empire Road
Parktown
Johannesburg
South Africa
March 30, 2016

Caledonia Mining Corporation Plc

Consolidated statements of profit or loss and other comprehensive income

(In thousands of United States Dollars, unless indicated otherwise)

For the years ended December 31

	Note	2015	* 2014	* 2013
Revenue		48,977	53,513	63,217
Less: Royalties		(2,455)	(3,522)	(4,412)
Production costs	8	(30,019)	(27,908)	(26,614)
Depreciation		(3,322)	(3,540)	(3,181)
Gross profit		13,181	18,543	29,010
Other income		110	25	-
Administrative expenses	9	(7,622)	(7,387)	(7,546)
Share-based payment expense	20	(24)	-	(66)
Net foreign exchange gain		2,850	1,065	1,628
Impairment	12	-	(178)	(13,789)
Operating profit		8,495	12,068	9,237
Finance income	10	1	14	23
Finance cost	10	(536)	(154)	(128)
Net finance costs		(535)	(140)	(105)
Profit before tax		7,960	11,928	9,132
Tax expense	11	(2,370)	(5,982)	(9,609)
Profit for the year		5,590	5,946	(477)
Other comprehensive income				
<i>Items that are or may be reclassified to profit or loss</i>				
Foreign currency translation differences of foreign operations		(3,291)	(685)	(1,567)
Tax on other comprehensive income	11	199	111	-
Total comprehensive income for the year		2,498	5,372	(2,044)
Profit attributable to:				
Owners of the Company		4,779	4,435	(2,967)
Non-controlling interests		811	1,511	2,490
Profit for the year		5,590	5,946	(477)
Total comprehensive income attributable to:				
Owners of the Company		1,687	3,861	(4,534)
Non-controlling interests		811	1,511	2,490
Total comprehensive income for the year		2,498	5,372	(2,044)
Earnings per share				
Basic earnings - per share (\$)	18	0.09	0.08	(0.05)
Diluted earnings - per share (\$)	18	0.09	0.08	(0.05)

* Re-presented, refer note 2 (iii)

Caledonia Mining Corporation Plc

Consolidated statements of financial position

(In thousands of United States Dollars, unless indicated otherwise)

<i>As at</i>	<i>Note</i>	December 31 2015	* December 31 2014	* January 1 2014
Assets				
Property, plant and equipment	12	49,218	34,736	31,272
Deferred tax asset	11	58	-	-
Total non-current assets		49,276	34,736	31,272
Inventories	13	6,091	6,512	6,419
Prepayments		667	299	165
Trade and other receivables	14	3,839	1,755	3,636
Income tax receivable		397	95	-
Cash and cash equivalents	15	12,568	23,082	23,580
Total current assets		23,562	31,743	33,800
Total assets		72,838	66,479	65,072
Equity and liabilities				
Share capital	16	54,569	54,569	54,569
Reserves	17	141,942	145,209	145,894
Retained loss		(147,654)	(150,128)	(151,824)
Equity attributable to shareholders		48,857	49,650	48,639
Non-controlling interests	30	1,504	693	(48)
Total equity		50,361	50,343	48,591
Liabilities				
Provisions	21	2,762	2,484	1,470
Deferred tax liability	11	11,318	8,680	7,967
Total non-current liabilities		14,080	11,164	9,437
Trade and other payables	22	6,656	3,260	4,301
Income tax payable		53	1,712	1,064
Bank overdraft	15	1,688	-	1,679
Total current liabilities		8,397	4,972	7,044
Total liabilities		22,477	16,136	16,481
Total equity and liabilities		72,838	66,479	65,072

* Re-presented, refer note 2 (iii)

The accompanying notes on page F7 to F63 are an integral part of these consolidated financial statements.

On behalf of the Board: “S.R. Curtis”- Chief Executive Officer and “M. Learmonth”- Chief Financial Officer.

Caledonia Mining Corporation Plc
Consolidated statements of changes in equity

(In thousands of United States Dollars, unless indicated otherwise)

	Share capital	Foreign Currency Translation Reserve	Contributed Surplus	Share-based payment reserve	Retained Loss	Total	Non-controlling interests ("NCI")	Total Equity
Balance at December 31, 2012 *	186,704	(977)	-	15,781	(143,718)	57,790	(1,807)	55,983
<i>Transactions with owners:</i>								
Reduction in stated capital	(132,591)	-	132,591	-	-	-	-	-
Share-based payment transaction	-	-	-	66	-	66	-	66
Dividends paid	-	-	-	-	(5,139)	(5,139)	(731)	(5,870)
Shares issued	456	-	-	-	-	456	-	456
<i>Total comprehensive income:</i>								
Profit for the year	-	-	-	-	(2,967)	(2,966)	2,490	(477)
Other comprehensive income for the year	-	(1,567)	-	-	-	(1,567)	-	(1,567)
Balance at December 31, 2013 *	54,569	(2,544)	132,591	15,847	(151,824)	48,639	(48)	48,591
<i>Transactions with owners:</i>								
Dividends paid	-	-	-	-	(2,850)	(2,850)	(770)	(3,620)
<i>Total comprehensive income:</i>								
Profit for the year	-	-	-	-	4,435	4,435	1,511	5,946
Other comprehensive income for the year	-	(685)	-	-	111	(574)	-	(574)
Balance at December 31, 2014 *	54,569	(3,229)	132,591	15,847	(150,128)	49,650	693	50,343
<i>Transactions with owners:</i>								
Share-based payment transaction	-	-	-	24	-	24	-	24
Dividends paid	-	-	-	-	(2,504)	(2,504)	-	(2,504)
<i>Total comprehensive income:</i>								
Profit for the year	-	-	-	-	4,779	4,779	811	5,590
Other comprehensive income for the year	-	(3,291)	-	-	199	(3,092)	-	(3,092)
Balance at December 31, 2015	54,569	(6,520)	132,591	15,871	(147,654)	48,857	1,504	50,361

* Re-presented, refer note 2 (iii)

Caledonia Mining Corporation Plc

Consolidated Statements of cash flows

For the years ended December 31

(In thousands of United States Dollars, unless indicated otherwise)

	<i>Note</i>	2015	* 2014	* 2013
Cash flows from operating activities	23	8,823	15,584	20,433
Interest received		1	14	23
Interest paid		(493)	(121)	(128)
Tax paid	11	(1,462)	(4,526)	(7,742)
Net cash from operating activities		6,869	10,951	12,586
Cash flows from investing activities				
Acquisition of property, plant and equipment		(16,567)	(6,150)	(11,396)
Net cash used in investing activities		(16,567)	(6,150)	(11,396)
Cash flows from financing activities				
Dividends paid		(2,504)	(3,620)	(5,870)
Advance dividend paid		-	-	(2,000)
Proceeds from the exercise of share options		-	-	456
Net cash used in financing activities		(2,504)	(3,620)	(7,414)
Net (decrease)/increase in cash and cash equivalents		(12,202)	1,181	(6,224)
Cash and cash equivalents at beginning of year		23,082	21,901	28,125
Net cash and cash equivalents at year end	15	10,880	23,082	21,901

* Re-presented, refer note 2 (iii)

Caledonia Mining Corporation Plc

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in thousands of United States dollars, unless indicated otherwise)

1 Reporting entity

Caledonia Mining Corporation (the “Company”) was a company domiciled in Canada as at December 31, 2015. The Company re-domiciled to Jersey Channel Islands on March 21, 2016 and changed its name to Caledonia Mining Corporation Plc (refer to note 31). The new address of the Company’s registered office is 43-45 La Motte Street, Jersey Channel Islands, JE4 8SD. The address for the year ending December 31, 2015 was Suite 4009, 1 King Street West, Toronto, Ontario, M5H 1A1, Canada. These consolidated financial statements of the Group as at December 31, 2015, December 31, 2014 and January 1, 2014; and for the years ended December 31, 2015, December 31, 2014 and December 31, 2013 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group is primarily involved in the operation of a gold mine and the exploration and development of mineral properties for precious metals.

2 Basis for preparation

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorised for issue by the Board of Directors on March 30, 2016.

(ii) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for equity-settled share-based payment arrangements measured at fair value on grant date.

(iii) Functional and change in presentation currency

Effective December 31, 2015, Caledonia Mining Corporation Plc changed its presentation currency in the consolidated financial statements from the Canadian dollar to the United States dollar (“US dollar”). The change in presentation currency was made to better reflect the Group's business activities and to improve investor ability to compare the Group's financial results with other publicly traded businesses in the industry. In making the change to a US dollar presentation currency, the Group applied the change retrospectively as if the new presentation currency had always been the Group's presentation currency. The change in presentation currency was applied retrospectively up to January 1, 2010, which was the date of initial adoption of IFRS by the Group. Equity was translated at the exchange rate at January 1, 2010, except for the foreign currency translation reserve which was reset to zero and with the balance recognised in retained earnings, in accordance with IFRS 1: *First-time Adoption of International Financial Reporting Standards*. The financial statements for all the years presented have been translated to a US dollar presentation currency. For comparative balances, assets and liabilities were translated into the presentation currency at the rate of exchange prevailing at the reporting date for those financial years, income and expenses were translated into the presentation currency using the exchange rate at the date of transaction or using a reasonable average exchange rate that approximates the exchange rates at the dates of the

Caledonia Mining Corporation Plc
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015, December 31, 2014 and December 31, 2013
(in thousands of United States dollars, unless indicated otherwise)

2 Basis for preparation (continued)

transactions in accordance with IAS 21: *The Effects of Changes in Foreign Exchange Rates*. Exchange rate differences arising on translation to the presentation currency were recognised in the foreign currency translation reserve in shareholders' equity.

(iv) Going concern

These consolidated financial statements have been prepared on a going concern basis.

3 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in estimates are recognised prospectively.

(a) Judgements, assumptions and estimation uncertainties

i) Indigenisation transaction

The indigenisation transaction of the Blanket Mine (1983) (Private) Limited ("Blanket Mine") required management to make significant judgements and assumptions which are explained in Note 5.

ii) Site restoration provisions

The site restoration provision has been calculated for the Blanket Mine based on an independent analysis of the rehabilitation costs as performed in 2015 and based on the internal assessment for Eersteling Gold Mining Company Limited. Estimates and assumptions are made when determining the inflationary effect on current restoration costs and the discount rate to be applied in arriving at the present value of the provision where the time value of money effect is significant. Assumptions, based on the current economic environment, have been made that management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized site rehabilitation provisions may be higher or lower than currently provided for.

Caledonia Mining Corporation Plc
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015, December 31, 2014 and December 31, 2013
(in thousands of United States dollars, unless indicated otherwise)

3 Use of estimates and judgements - (continued)

iii) Exploration and evaluation (“E&E”) expenditure

The application of the Group’s accounting policy for exploration and evaluation expenditures requires judgements when determining which expenditures are recognised as exploration and evaluation assets (“E&E properties”), disclosed under Property, plant and equipment as mineral properties not depreciated. The Group also makes estimates and assumptions regarding the possible impairment of E&E properties by evaluating whether it is likely that future economic benefits will flow to the Group, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available. The recoverability of the carrying amount of the South African mineral properties (if not impaired) is dependent upon the availability of sufficient funding to bring the properties into commercial production, the price of the products to be recovered, the exchange rate of the local currency relative to the currency of funding and the undertaking of profitable mining operations. As a result of these uncertainties, the actual amount recovered may vary significantly from the carrying amount.

iv) Income taxes

Significant estimates and assumptions are required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Group applies judgement in recognizing deferred tax assets relating to tax losses carried forward to the extent that there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses may be utilized or sufficient estimated taxable income against which the losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

v) Share based payment transactions

The Group measures the cost of equity-settled, share based payment transactions with employees, directors as well as with Indigenous Shareholders (refer note 5 and 20) by reference to the fair value of the equity instruments on the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the appropriate valuation model, considering the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. Additional information about significant judgements and estimates and assumptions for estimating fair value for share-based payment transactions are disclosed in note 20.

Caledonia Mining Corporation Plc

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in thousands of United States dollars, unless indicated otherwise)

Use of estimates and judgements - (continued)

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Group's share options.

vi) Impairment

At each reporting date, the Group determines if impairment indicators exist, and if present, performs an impairment review of the non-financial assets held in the Group. The exercise is subject to various judgemental decisions and estimates. Financial assets are also reviewed regularly for impairment. Further details of the judgements and estimates made for these reviews are set out in Note 4(g).

vii) Functional currency

The functional currency of each entity in the Group is determined after considering various primary and secondary indicators which require management to make numerous judgement decisions. The determination of the functional currency has a bearing on the translation process and ultimately the foreign currency translation reserve.

viii) Measurement of fair values

Some of the Group's accounting policies and disclosure require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework with respect to the measurement of fair values. This includes a valuation team member who has overall responsibility for overseeing all significant fair value measurements.

Significant valuation issues are reported to the Group's Audit Committee. No such issues were identified during the reporting period.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Where applicable, fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets and liabilities, either directly (i.e. as price) or indirectly (i.e. derives from prices).
- Level 3: inputs for the assets or liabilities that are not based for identical assets or observable market data (unobservable inputs).

Caledonia Mining Corporation Plc

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in thousands of United States dollars, unless indicated otherwise)

4 Significant accounting policies

Except as stated in note 4(p), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by the Group entities.

(a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variability in returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-controlling interests (“NCI”) and other components of equity. Any gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

iii) Non-controlling interests

NCI are measured at their proportionate share of the carrying amounts of the acquiree’s identifiable net assets at fair value at the acquisition date. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

i) Foreign operations

As stated in note 2(iii) the presentation currency of the Group is the US dollar. The functional currency of Caledonia Mining Corporation Plc is the Canadian dollar, and for its subsidiaries it is US dollar, Zambian Kwacha and South African Rand (“ZAR”). Subsidiary financial statements have been translated to US dollars as follows:

- Assets and liabilities are translated using the exchange rate at period end; and
- Income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions.

Caledonia Mining Corporation Plc

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in thousands of United States dollars, unless indicated otherwise)

4 Significant accounting policies – (continued)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from the item are considered to form part of the net investment in a foreign operation and are recognized in Other Comprehensive Income (“OCI”). If settlement is planned or likely in the foreseeable future, foreign exchange gains and losses are included in profit or loss. When settlement occurs, settlement will not be regarded as a partial disposal and accordingly the foreign exchange gain or loss previously recognised in OCI is not reclassified to profit or loss/reallocated to NCI.

When the Group disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in OCI related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in OCI related to the subsidiary are reallocated between controlling and non-controlling interests.

All resulting translation differences are reported in OCI.

ii) Foreign currency translation

In preparing the financial statements of the Group entities, transactions in currencies other than the Group entities’ functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities are translated using the current foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in profit or loss for the year.

Financial instruments

i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Caledonia Mining Corporation Plc

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in thousands of United States dollars, unless indicated otherwise)

4 Significant accounting policies - (continued)

The Group has the following non-derivative financial assets: trade and other receivables as well as cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables include trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts are repayable on demand and form an integral part of the Group's cash management process. The bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities consist of bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(d) Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognised as a deduction from equity, net of any tax effects.

Caledonia Mining Corporation Plc

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in thousands of United States dollars, unless indicated otherwise)

4 Significant accounting policies – (continued)

(e) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised within other income in profit or loss.

ii) Exploration and evaluation expenditure

Exploration costs are expensed as incurred, unless there is a high degree of confidence in the project's viability and it is probable that the project will return future economic benefits to the group when all further pre-production expenditure is capitalised. These costs include evaluation costs.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are capitalized in addition to the acquisition costs and disclosed under Property, plant and equipment as mineral properties not depreciated. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, direct administrative costs and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development. Exploration and evaluation assets are tested for impairment before the assets are transferred to mine under development. All direct costs related to the acquisition, exploration and development of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mineral properties being depleted.

Caledonia Mining Corporation Plc

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015, December 31, 2014 and December 31, 2013

(in thousands of United States dollars, unless indicated otherwise)

4 Significant accounting policies – (continued)

iii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iv) Depreciation

Depreciation is calculated to write off the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, except for mineral properties, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. On commencement of commercial production, depreciation of each mineral property development and certain mine specific plant and equipment is provided for on the unit-of-production basis using estimated proven and probable reserves. Where orebodies are not yet determinable because ore bearing structures are open at depth or are open laterally, the straight-line method of depreciation is applied over the estimated life of the mine. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- buildings 10 to 15 years
- plant and equipment 10 years
- fixtures and fittings including computers 4 to 10 years
- motor vehicles 4 years
- mineral properties 11 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(f) Inventories

Consumable stores are measured at the lower of cost and net realisable value. The cost of consumable stores is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of gold in process, cost includes an appropriate share of production overheads based on normal operating capacity and is valued on the weighted average cost principle. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Caledonia Mining Corporation Plc
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015, December 31, 2014 and December 31, 2013
(in thousands of United States dollars, unless indicated otherwise)

4 Significant accounting policies – (continued)

(g) Impairment

(i) Financial assets (including receivables)

A financial asset not classified as fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost provides objective evidence of impairment.

The Group considers evidence of impairment for receivables at both the specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

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4 Significant accounting policies – (continued)

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of a CGU exceeds its estimated recoverable amount. The estimated recoverable amount is the greater of its fair value less cost to of disposal and its estimated value in use. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of other assets in the unit (group of units) on a *pro rata* basis. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been an indication of reversal and a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

iii) Impairment of exploration and evaluation assets

The test for impairment of E&E assets can combine several CGUs as long as the combination is not larger than a segment. The definition of a CGU does, however, change once development activities have begun. There are special impairment triggers for E&E assets. Despite certain relief in respect of impairment triggers and the level of aggregation, the impairment standard is applied in measuring the impairment of E&E assets. Reversals of impairment losses are permitted in the event that the circumstances that resulted in impairment have changed.

E&E assets are only assessed for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and upon transfer to development assets (therefore there is no requirement to assess for indication at each reporting date until the entity has sufficient information to reach a conclusion about the commercial viability and technical feasibility of extraction). Indicators of impairment include the following:

- The entity's right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed.
- Substantive expenditure on further E&E activities in the specific area is neither budgeted nor planned.
- The entity has not discovered commercially viable quantities of mineral resources as a result of E&E activities in the area to date and has decided to discontinue such activities in the specific area.
- Even if development is likely to proceed, the entity has sufficient data indicating that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale.

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4 Significant accounting policies – (continued)

(h) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed when the related services are provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(5)

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(I) Share-based payment transactions

(i) Share-based payment relating to employees and directors

The grant date fair value of share-based payment awards granted to employees and directors is recognised as an expense, with a corresponding increase in equity, over the vesting period of the award. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period or immediately for awards already vested.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss.

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4 Significant accounting policies – (continued)

(ii) Share-based payment relating to the indigenisation transaction

The grant date fair value of equity-settled share-based payment transactions with Indigenisation Shareholders (note 5) was recognised immediately as an expense in 2012 in profit or loss, with a corresponding increase in equity, when the transaction became effective.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(k) Site restoration

The Group recognises liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mineral properties along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money and are related to the provision are used to calculate the net present value. The Group's estimates of rehabilitation costs, which are reviewed annually, could change as a result of changes in regulatory requirements, discount rates, effects of inflation and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mineral properties with a corresponding entry to the rehabilitation provision. Changes resulting from production are charged to profit or loss for the year. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of on-going current programs to prevent and control pollution is charged against profit or loss as incurred.

(l) Revenue

Revenue from the sale of precious metals is recognized when the metal is accepted at the refinery, risk and benefits of ownership are transferred and the receipt of proceeds is substantially assured. Revenue is measured at the fair value of the gold price receivable at the date of the transaction.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on the rehabilitation provisions and impairment losses recognised on financial assets, interest on bank overdraft balances and also

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4 Significant accounting policies – (continued)

include commitment costs on overdraft facilities. Finance income and finance costs further include foreign exchange differences on financial assets and financial liabilities.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax expense are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

(ii) Deferred tax

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the adjusted profit or loss attributable to common shareholders of the Group (see note 18) by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the

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4 Significant accounting policies – (continued)

weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees and directors as well as any dilution in Group earnings originating from dilutive partially recognised non-controlling interests at a subsidiary level.

- (p) The following standards, amendments to standards and interpretations to existing standards may possibly have an impact on the Group:

Standard/Interpretation		Effective date and expected adoption date*
IAS 1 (Amendments)	<p><i>Presentation of Financial Statements</i></p> <p>There is an emphasis on materiality. Specific single disclosures that are not material do not have to be presented – even if they are a minimum requirement of a standard. The order of notes to the financial statements is not prescribed. Instead, companies can choose their own order, and can also combine, for example, accounting policies with notes on related subjects. Specific criteria are provided for presenting subtotals on the balance sheet and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.</p> <p>The amendment is not expected to result in significant changes to the level of aggregation in the financial statements.</p>	December 31, 2016

* Annual periods ending on or after

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4 Significant accounting policies – (continued)

(q) Standards, amendments and interpretations issued but not yet effective – (continued)

IFRS 15	<p>This standard replaces IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i>, IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfer of Assets from Customers</i> and SIC-31 <i>Revenue – Barter of Transactions Involving Advertising Services</i>.</p> <p>The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. This new standard is not expected to have a significant impact on the Group since it is not expected to change the timing of when revenue is recognized and the amount of revenue recognized</p> <p>The Group has performed a preliminary assessment and expects no impact to the results or disclosures and is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in financial statements for the year ending December 31, 2016.</p>	December 31, 2018
IFRS 9	<p>IFRS 9 Financial Instruments</p> <p>On July 24, 2014, the IASB issued the final IFRS 9 <i>Financial Instruments</i> Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. This standard is not expected to have a significant impact on the Group as measurement categories are similar to IAS 39 even though the criteria for classification into these categories are significantly different. The IFRS 9 impairment model has also been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model. The change is not expected to increase the provision for bad debts recognized in the Group because of the short gold sales collection period.</p> <p>The Group will adopt the standard in the first annual period beginning on or after January 1, 2018.</p>	December 31, 2018
IFRS 16 Leases	<p>IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 <i>Leases</i>, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.</p> <p>The group and company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.</p>	December 31, 2019

* Annual periods ending on or after

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5 Blanket Zimbabwe Indigenisation Transaction

During 2012 the Group, to comply with Zimbabwean law that requires indigenous Zimbabweans own at least 51% of the Blanket Mine, entered into agreements to transfer a 51% ownership interest in Blanket Mine as follows:

- Sold a 16% interest to the National Indigenisation and Economic Empowerment Fund (“NIEEF”) for \$11.74 million.
- Sold a 15% interest to Fremiro, which is owned by Indigenous Zimbabweans, for \$11.01 million.
- Sold a 10% interest to Blanket Employee Trust Services (Private) Limited (BETS) for the benefit of present and future managers and employees for \$7.34 million. The shares in BETS are held by the Blanket Mine Employee Trust (Employee Trust) with Blanket Mine’s employees holding participation units in the Employee Trust.
- And donated a 10% ownership interest to the Gwanda Community Share Ownership Trust (Community Trust). In addition Blanket Mine paid a non-refundable donation of \$1 million to the Community Trust.

The Group facilitated the vendor funding of these transactions which is repaid by way of dividends from Blanket Mine. 80% of dividends declared by Blanket Mine are used to repay such loans and the remaining 20% unconditionally accrues to the respective Indigenous Shareholders.

Outstanding balances on the facilitation loans attract interest at a rate of 10% over the 12-month LIBOR. The timing of the repayment of the loans depends on the future financial performance of Blanket Mine and the extent of future dividends declared by Blanket Mine.

The facilitation loans relating to the Group were declared by Caledonia Holdings Zimbabwe (Private) Limited (“CHZ”) (Blanket Mine’s parent company) to a wholly-owned subsidiary of Caledonia Mining Corporation Plc as a dividend in specie on February 14, 2013 and withholding tax amounting to \$1.504 million was paid and expensed on March 5, 2013.

Accounting treatment

The directors of CHZ, a wholly owned subsidiary of the Company, performed an assessment, using the requirements of IFRS 10: *Consolidated Financial Statements* (IFRS 10), and concluded that CHZ should continue to consolidate Blanket Mine and accounted for the transaction as follows:

- Non-controlling interests (NCI) are recognised on the portion of shareholding upon which dividends declared by Blanket Mine accrue unconditionally to equity holders as follows:
 - 20% of the 16% shareholding of NIEEF;
 - 20% of the 15% shareholding of Fremiro;
 - 100% of the 10% shareholding of the Community Trust.

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5 Blanket Zimbabwe Indigenisation Transaction – (continued)

- This effectively means that NCI is recognised at Blanket Mine level at 16.2% of the net assets.
- The remaining 80% of the shareholding of NIEEF and Fremiro is recognised as non-controlling interests to the extent that their attributable share of the net asset value of Blanket Mine exceeds the balance on the facilitation loans including interest. At December 31, 2015 the attributable net asset value did not exceed the balance on the respective loan accounts and thus no additional NCI was recognised.
- The transaction with the BETS is accounted for in accordance with IAS 19 *Employee Benefits* (profit sharing arrangement) as the ownership of the shares does not ultimately pass to the employees. The employees are entitled to participate in 20% of the dividends accruing to the 10% shareholding in Blanket Mine if they are employed at the date of such distribution. To the extent that 80% of the attributable dividends exceed the balance on the BETS facilitation loan they will accrue to the employees at the date of such declaration.
- The Employee Trust and BETS are structured entities which are effectively controlled and consolidated by Blanket Mine. Accordingly, the shares held by BETS are effectively treated as treasury shares in Blanket Mine and no NCI is recognised.

Indigenisation shareholding percentages and facilitation loan balances

Balance of facilitation

USD 000's	Shareholding	NCI Recognised	NCI subject to facilitation loan	Dec, 31 2015	Dec, 31 2014	Jan, 1 2014
NIEEF	16%	3.2%	12.8%	11,907	11,907	11,742
Fremiro	15%	3.0%	12.0%	11,657	11,657	11,402
Community Trust	10%	10.0%	-	-	-	-
BETS ~	10%	-*	-*	7,772	7,772	7,573
	51%	16.2%	24.8%	31,336	31,336	30,675

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5 Blanket Zimbabwe Indigenisation Transaction – (continued)

The balance on the facilitation loans is reconciled as follows:

Balance at January 1, 2014	30,675
Interest accrued	2,407
Dividends used to repay loans	(1,746)
Balance at December 31, 2014	31,336
Interest accrued &	-
Dividends used to repay loans &	-
Balance at December 31, 2015	31,336

*The shares held by BETS are effectively treated as treasury shares (see above).

& A moratorium has been placed on interest until dividend payments resume at Blanket mine.

~ Accounted for under IAS19 *Employee Benefits*.

Facilitation loans are accounted for as equity instruments and are accordingly not recognised as loans receivable.

Advance dividends

In anticipation of completion of the underlying subscription agreements, Blanket Mine agreed to an advance dividend arrangements with NIEEF and the Community Trust as follows:

(a) Advances to the Community Trust against their right to receive dividends declared by Blanket Mine on their shareholding as follows:

- A \$2 million payment on or before September 30, 2012;
- A \$1 million payment on or before February 28, 2013; and
- A \$1 million payment on or before April 30, 2013.

These advance payments were debited to a loan account bearing interest at a rate of 10% over the 12-month LIBOR. The loan is repayable by way of set off of future dividends on the Blanket Mine shares owed by the Community Trust.

(b) An advance payment of \$1.8 million to NIEEF against their right to receive dividends declared by Blanket Mine on their shareholding. The advance payment was debited to an interest-free loan account and was repayable by way of set off of future dividends on the Blanket Mine shares owned by NIEEF. Whilst any amount remained outstanding on the NIEEF dividend loan account, a moratorium was placed on the NIEEF facilitation loan interest until dividends resume.

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5 Blanket Zimbabwe Indigenisation Transaction – (continued)

The advance dividend payments were recognised as distributions to shareholders and they are classified as equity instruments. The loans arising are not recognised as loans receivable, because repayment is by way of uncertain future dividends to be declared.

Blanket has suspended dividend payments from January 1, 2015 until early 2016 as a result of which the repayment of facilitation loans by Blanket's indigenous shareholders were also suspended. During this period, there was a moratorium on the interest on the outstanding facilitation loans. This is considered a modification and was not beneficial to the indigenous shareholders.

The movement in the advance dividend loans are reconciled as follows:

	NIEEF	Community Trust	Total
Balance at January 1, 2014	358	3,507	3,865
Interest accrued	-	334	334
Dividends used to repay advance dividends	(358)	(604)	(962)
Balance at December 31, 2014	-	3,237	3,237
Interest accrued &	-	-	-
Dividends used to repay advance dividends	-	-	-
Balance at December 31, 2015	-	3,237	3,237

& A moratorium has been placed on interest until dividend payments resume at Blanket mine.

6 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Currency risk (refer note 24)
- Interest rate risk (refer note 24)
- Credit risk (refer note 24)
- Liquidity risk (refer note 24)

This note and note 24 presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements. The Group is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Group assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

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6 Financial risk management – (continued)

The Board of Directors has responsibility to ensure that an adequate financial risk management policy is established and to approve the policy. The Group's Audit Committee oversees management's compliance with the Group's financial risk management policy. On February 10, 2016, a gold price hedge was entered into to manage the possible effect of gold price fluctuations (refer note 31). As at December 31, 2015 no financial instruments were in place to manage the gold price risk. The fair value of the Group's financial instruments approximates their carrying value unless otherwise noted. The types of risk exposure and the way in which such exposures are managed are as follows:

(a) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The Group does not use financial instruments to hedge its exposure to currency risk. Currency risk on the repayment of the sales and purchases are managed by regular repayments of the outstanding amounts.

(b) Interest rate risk

The Group is exposed to interest rate risk arising from its cash and cash equivalents invested with financial institutions as well as its overdraft facility. Management's policy is to invest cash in financial institutions with an investment grade credit-rating.

(c) Credit risk

Credit risk includes the risk of a financial loss to the Group if a gold sales customer fails to meet its contractual obligation. Gold sales were made to Fidelity Printers and Refiners in Zimbabwe during the year. The payment terms stipulated in the service delivery contract were adhered to in all circumstances. Cash is deposited only with banks with investment grade credit-rating.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages its liquidity risk by ensuring that there is sufficient capital and cash to meet its likely cash requirements, after taking into account cash flows from operations and the Group's holdings of cash and cash equivalents. The Group believes that these sources will be sufficient to cover the anticipated cash requirements. Senior management is also actively involved in the review and approval of planned expenditures by regularly monitoring cash flows from operations and anticipated investing and financing activities.

Since the inception of dollarization in Zimbabwe in 2009, all appropriate insurance cover has been reinstated. The Zimbabwean operations are now covered for public liability risk, assets all risk and comprehensive cover on all motor vehicles.

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7 Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the mining operations and exploration potential of the mineral properties. The Group's capital includes shareholders' equity, comprising issued share capital, reserves, accumulated other comprehensive income, accumulated deficit, bank loans and non-controlling interests.

	December 31, 2015	December 31, 2014	January 1, 2014
Total equity	50,361	50,343	48,591

The Group's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its on-going operations, to provide returns for shareholders, accommodate any rehabilitation provisions and to pursue growth opportunities. As at December 31, 2015, the Group is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy. Management is of the opinion that the capital is sufficient to safeguard its ability to continue as a going concern and maintain operations and exploration potential of the mineral properties.

8 Production costs

	2015	2014	2013
Salaries and wages	11,908	10,014	9,811
Consumable materials	14,479	14,565	14,049
Site restoration	-	29	147
Exploration	380	343	(280)
Safety	551	473	578
On mine administration	2,701	2,484	2,309
	30,019	27,908	26,614

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9	Administrative expense	2015	2014	2013
	Investor relations	513	514	702
	Audit fee	240	356	323
	Legal fee and disbursements	452	722	426
	Advisory services fee	355	24	27
	Listing fees	206	318	330
	Directors fees company	191	298	280
	Directors fees Blanket	60	38	73
	Employee costs	3,106	3,152	2,586
	Office costs - Zambia *	716	896	-
	Other office administration costs	547	16	-
	Unrecoverable VAT expenses and penalties	298	-	-
	Employee benefits relating to indigenisation	-	140	210
	Travel costs	325	303	308
	Donation to scholarship fund	-	-	2,035
	Donation to community	58	-	-
	Eersteling Gold Mine administration costs	111	120	246
	Professional consulting fees	444	490	-
		<u>7,622</u>	<u>7,387</u>	<u>7,546</u>

* The Zambian operations were closed down during 2015 and the companies in Zambia were struck off the companies register on September 2, 2015.

10 Finance income and finance costs

Finance income	2015	2014	2013
Interest received – Bank	1	14	23
Finance cost			
Interest paid – Bank	49	20	29
Unwinding of rehabilitation provision	43	33	-
Interest – South African Revenue Service	344	-	-
Finance charges – Overdraft	100	101	99
	<u>536</u>	<u>154</u>	<u>128</u>

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11	Tax expense	2015	2014	2013
	<i>Tax recognised in profit or loss</i>			
	<i>Current tax</i>	(197)	5,276	7,488
	Income tax– current year	506	4,582	4,991
	Income tax – Prior year overprovision	(1,636)	(194)	-
	Withholding tax expense	933	888	2,497
	<i>Deferred tax expense</i>	2,567	706	2,121
	Origination and reversal of temporary differences	2,567	468	2,121
	Change in effective tax rate	-	238	-
	Tax expense – recognised in profit or loss	2,370	5,982	9,609
	<i>Tax recognised in other comprehensive income</i>			
	Income tax - current year	(199)	(111)	-
	Tax expense	2,171	5,871	9,609
	Unrecognised deferred tax assets			
	Deferred tax assets have not been recognised in respect of the following items:	2015	2014	2013
	Tax losses carried forward	11,150	*19,957	14,319
		11,150	19,957	14,319

* Tax losses carried forward included an amount of \$9,357 relating to the Zambia operations which were shut down during the year.

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11 Tax expense - (continued)

Taxable losses expire as set out below for the entities incurring taxable losses within the group. Deferred tax assets have not been recognised for these items because future taxable income is not deemed probable to utilise these benefits against.

Year	Amount*
2026	2,451
2027	2,854
2028	2,139
2029	1,461
2030	1,567
2031	2,262
2032	2,667
2033	2,812
2034	3,710
2035	1,643
No expiry	17,553
	<u>41,119</u>

* Tax losses carried forward with no expiry, arose in the South African tax jurisdiction. The remainder arose in Canada.

Tax paid	2015	2014	2013
Net income tax payable at January 1	(1,617)	(1,064)	(1,528)
Current and withholding tax credit/(expense)	197	(5,276)	(7,488)
Income tax expense recognised through other comprehensive income	199	111	-
Foreign currency movement	103	86	208
Tax paid	<u>1,462</u>	<u>4,526</u>	<u>7,742</u>
Net income tax receivable/(payable) at December 31	<u>344</u>	<u>(1,617)</u>	<u>(1,064)</u>

Net income tax	December 31, 2015	December 31, 2014	January 1, 2014
Income tax receivable *	397	95	-
Income tax payable	<u>(53)</u>	<u>(1,712)</u>	<u>(1,064)</u>
Net income tax receivable/(payable)	<u>344</u>	<u>(1,617)</u>	<u>(1,064)</u>

* Receivable is due to an overpayment made to Her Majesty's Revenue and Customs during quarter 1 of 2015 as well as an overpayment to the Zimbabwe Revenue Authority during Quarter 4 of 2014. These overpayments cannot be offset against other tax jurisdictions.

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11 Tax expense - (continued)

Reconciliation of tax rate

	2015 %	2015	2014 %	2014	2013 %	2013
Profit for the year		5,590		5,946		(477)
Total tax expense		2,370		5,982		9,609
Profit before tax		7,960		11,928		9,132
Income tax at Company's domestic tax rate	26.5%	2,109	26.5%	3,161	26.5%	2,420
Tax rate differences in foreign jurisdictions		(63)		(349)		(1,272)
Change in tax rate		-		238		-
Foreign currency difference		(12)		34		(147)
Withholding tax – not offsetable		317		185		1,784
Permanent differences		1,105		1,584		1,186
Deemed interest on loans		31		636		-
Share based payments		6		-		17
Impairment		-		37		-
Non-deductible South African tax transactions		470		-		-
Royalties		632		881		-
Establishment fees		-		-		25
Donations		15		3		58
Unrealised foreign exchange		-		-		522
Other		(49)		27		564
Over provision of taxes in prior years		(1,636)		(194)		-
Change in unrecognized deferred tax assets		550		1,323		5,638
Tax expense - recognised in profit or loss		2,370		5,982		9,609

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11 Tax expense - (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	Net
	2015	2014	2015
Property, plant and equipment	-	(12,988)	(9,223)
Prepayments	-	(3)	(22)
Provisions	733	-	733
Assessed losses recognised	998	-	998
Tax assets/ (liabilities)	1,731	(9,245)	(8,680)

* The deferred tax liability consists of a deferred tax asset of \$58 from the South African operations and a deferred tax liability of \$11,318 due to the Zimbabwean operations. The amounts are in different tax jurisdictions and therefore not offsetable and presented separately in the Statement of financial position as a Non-current asset and a Non-current liability.

Movement in recognised deferred tax assets and liabilities

	Balance	Recognised	Foreign	Balance
	January 1,	in profit or	exchange	December
	2015	loss	movement	31, 2015
Property, plant and equipment	(9,223)	(3,765)	-	(12,988)
Prepayments	(22)	16	3	(3)
Provisions	565	184	(16)	733
Assessed loss recognised	-	998	-	998
Total	(8,680)	(2,567)	(13)	(11,260)

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11 Tax expense - (continued)	Balance January 1, 2014	Recognised in profit or loss	Foreign exchange movement	Balance December 31, 2014
Property, plant and equipment	(8,058)	(835)	(330)	(9,223)
Prepayments	-	-	(22)	(22)
Provisions	207	108	250	565
Inventory	(80)	-	80	-
Other	(36)	21	15	-
Total	(7,967)	(706)	(7)	(8,680)

	Balance January 1, 2013	Recognised in profit or loss	Foreign exchange movement	Balance December 31, 2013
Property, plant and equipment	(6,196)	(2,280)	418	(8,058)
Provisions	182	39	(14)	207
Inventory	66	153	(299)	(80)
Other	59	(33)	(62)	(36)
Total	(5,889)	(2,121)	43	(7,967)

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12	Property, plant and equipment								
		Land and buildings	Mineral properties depreciated	Mineral properties not depreciated	Plant and equipment	Fixtures and fittings	Motor vehicles	Total	
Cost									
Balance at January 1, 2013		4,563	11,399	10,909	19,473	1,204	1,794	49,342	
Additions		3,145	2,617	4,321	950	83	280	11,396	
Foreign exchange movement		(88)	-	28	(344)	(67)	1	(470)	
Balance at December 31, 2013		7,622	14,016	15,258	20,079	1,220	2,075	60,270	
Balance at January 1, 2014		7,622	14,016	15,258	20,079	1,220	2,075	60,270	
Additions		536	*3,070	1,688	1,740	114	18	7,166	
Disposals		-	-	-	(275)	-	(8)	(283)	
Reallocations between asset classes		(580)	1,661	-	(1,084)	3	-	-	
Foreign exchange movement		30	92	(3,684)	508	(145)	(114)	(3,313)	
Balance at December 31, 2014		7,608	18,839	13,262	20,968	1,192	1,971	63,840	

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12 Property, plant and equipment - (continued)							
Cost	Land and buildings	Mineral properties depreciated	Mineral properties not depreciated	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
Balance at January 1, 2015	7,608	18,839	13,262	20,968	1,192	1,971	63,840
Additions**	681	*14,359	1,595	1,144	149	265	18,193
Surrender of Zambian assets***	-	-	(11,527)	-	-	-	(11,527)
Reallocations between asset classes	(256)	-	1,012	(756)	-	-	-
Disposals	-	-	-	(124)	-	(77)	(201)
Foreign exchange movement	(44)	(89)	(69)	(606)	(64)	(90)	(962)
Balance at December 31, 2015	7,989	33,109	4,273	20,626	1,277	2,069	69,343

* Included in mineral properties depreciated is an amount of \$391 (2014: \$1,016; 2013:\$394) relating to rehabilitation asset capitalised refer note 21.

** Included in additions is an amount of \$26,192 (2014:\$11,295; 2013:\$3,625) relating to capital work in progress.

*** The Group surrendered all exploration rights relating to the Zambian operations for a nominal value. The Zambian assets were fully impaired in previous years.

There are commitments to purchase plant and equipment totalling \$1,376 (2014:\$552, 2013:\$166) at year end.

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12	Property, plant and equipment - (continued)					
	Land and buildings	Mineral properties depreciated	Mineral properties not depreciated	Plant and equipment	Fixtures and fittings	Motor vehicles
						Total
Accumulated depreciation and impairment losses						
Balance at January 1, 2013	985	2,041	-	7,810	988	808
Depreciation for the year	264	602	-	1,957	69	289
Impairment ****	(a)387	-	(b)13,314	88	-	-
Foreign exchange movement	(15)	(1)	86	(612)	(63)	1
Balance at December 31, 2013	1,621	2,642	13,400	9,243	994	1,098
Balance at January 1, 2014	1,621	2,642	13,400	9,243	994	1,098
Depreciation for the year	514	734	-	1,891	78	323
Impairment	-	-	-	164	14	-
Disposals	-	-	-	(214)	-	(8)
Foreign exchange movement	(372)	59	(1,873)	(954)	(140)	(110)
Balance at December 31, 2014	1,763	3,435	11,527	10,130	946	1,303
Balance at January 1, 2015	1,763	3,435	11,527	10,130	946	1,303
Depreciation for the year	559	451	-	1,894	98	320
Surrender of Zambian assets	-	-	(11,527)	-	-	-
Disposals ***	-	-	-	(117)	-	(51)
Foreign exchange movement	(1)	(105)	-	(383)	(48)	(69)
Balance at December 31, 2015	2,321	3,781	-	11,524	996	1,503
						20,125
12	Property, plant and equipment - (continued)					

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Carrying amounts

At December 31, 2013	6,001	11,374	1,858	10,836	226	977	31,272
At December 31, 2014	5,845	15,404	1,735	10,838	246	668	34,736
At December 31, 2015	5,668	29,328	4,273	9,102	281	566	49,218

*** The Group surrendered all exploration rights relating to the Zambian operations for a nominal value. The Zambian assets were fully impaired in previous years.

**** The impairments during fiscal 2013 relate to:

- (a) the cost of the mineral rights held by Eersteling Gold Mine.
- (b) exploration expenditure incurred at Caledonia Nama Limited in Zambia. The full carrying value of costs previously incurred and capitalised were impaired in 2013 for the following reasons:
 - Substantive expenditure on further E&E activities in the specific area is neither budgeted nor planned, and
 - The Group has not discovered commercially viable quantities of mineral resources as a result of E&E activities in the area to date and has decided to discontinue such activities in the specific area.

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13 Inventories

	December 31, 2015	December 31, 2014	January 1, 2014
Consumable stores	5,739	5,962	5,605
Gold in process	352	550	814
	6,091	6,512	6,419

Inventory comprises gold in progress at the Blanket Mine and consumable stores utilised by Blanket Mine. Consumables stores are disclosed net of any write downs or provisions for obsolete items, which amounted to \$46 (2014: Nil; 2013:\$53).

14 Trade and other receivables

	December 31, 2015	December 31, 2014	January 1, 2014
Bullion revenue receivable	-	-	1,554
VAT receivables	2,997	1,006	1,244
Deposits for stores and equipment and other receivables	842	749	838
	3,839	1,755	3,636

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in notes 6 and 24.

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15 Cash and cash equivalents

	December 31, 2015	December 31, 2014	January 1, 2014
Bank balances	12,568	23,082	23,580
Cash and cash equivalents in the statement of financial position	12,568	23,082	23,580
Bank overdrafts used for cash management purposes	(1,688)	-	(1,679)
Net cash and cash equivalents at year end	10,880	23,082	21,901

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 24.

The bank overdraft facility of \$5 million bears interest at 6.5% below the bank's base rate of 13%. The facility is unsecured, with no covenant requirements. The facility is repayable on demand.

16 Share capital

Authorised

Unlimited number of common shares of no par value.

Unlimited number of preference shares of no par value.

Issued

	Number of fully paid common shares	Amount
January 1, 2014	52,117,908	54,569
December 31, 2014	52,117,908	54,569
Cancelled*	39,000	-
December 31, 2015	52,078,908	54,569

* 39,000 treasury shares issued to Caledonia Mining Corporation Plc was cancelled during the year.

The holders of common share capital are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Group.

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17 Reserves

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations with functional currencies that differ from the presentation currency.

Share-based payment reserve

The share-based payment reserve comprises the fair value of equity instruments granted to employees, directors and service providers under share option plans and equity instruments issued to Zimbabwe indigenisation shareholders under the Indigenisation Transaction (refer Note 5).

Contributed surplus

The contributed surplus reserve comprises the reduction in stated capital as approved by shareholders at the special general meeting on January 24, 2013 so as to be able to commence dividend payments.

Reserves	December 31, 2015	December 31, 2014	January 1, 2014
Foreign currency translation reserve	(6,520)	(3,229)	(2,544)
Share-based payment reserve	15,871	15,847	15,847
Contributed surplus	132,591	132,591	132,591
Total	141,942	145,209	145,894

18 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2015 was based on the adjusted profit/(loss) attributable to shareholders of \$4,679 (2014: \$4,387; 2013: (\$2,809)), and a weighted average number of shares outstanding of 52,095,087 (2014: 52,117,908; 2013: 51,986,466).

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18 Earnings per share – (continued)

Weighted average number of shares

<i>(In number of shares)</i>	<i>Note</i>	2015	2014	2013
Issued share capital at beginning of year	16	52,117,908	52,117,908	51,446,178
Weighted average cancellation during the year		(22,821)	-	540,288
Weighted average number of shares at December 31		52,095,087	52,117,908	51,986,466

	2015	2014	2013
Profit attributable to shareholders	4,779	4,435	(2,967)
Blanket Mine Employee Trust Adjustment	(100)	(48)	158
Adjusted profit attributable to shareholders	4,679	4,387	(2,809)
Basic earnings/(loss) per share -\$	0.09	0.08	(0.05)

- Basic earnings are adjusted for the amounts that accrue to other equity holders of subsidiaries upon the full distribution of post-acquisition earnings to shareholders.
- Diluted earnings is calculated on the basis that the unpaid ownership interests of Blanket Mine's Indigenisation shareholders are effectively treated as options whereby the weighted average fair value for the period of the Blanket Mine shares issued to Indigenous Zimbabweans and which are subject to settlement of the loan accounts is compared to the balance of the loan accounts and any excess portion is regarded as dilutive. The difference between the number of Blanket Mine shares subject to the settlement of the loan accounts and the number of Blanket Mine shares that would have been issued at the average fair value is treated as the issue of shares for no consideration and regarded as dilutive shares. The calculated dilution is taken into account with additional earnings attributable to the dilutive shares in Blanket Mine, if any.

The interest of NIEEF and Fremiro shareholding were anti-dilutive in the current year (i.e. the value of the options was less than the outstanding loan balance) and accordingly there was no adjustment to fully diluted earnings attributable to common shareholders.

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18 Earnings per share – (continued)

The calculation of diluted earnings per share at December 31, 2015 was based on the adjusted profit/(loss) attributable to shareholders of \$4,679 (2014: \$4,387; 2013: (\$2,809)), and a weighted average number of shares and potentially dilutive shares outstanding of 52,203,255 (2014: 52,145,469; 2013: 52,007,646), calculated as follows:

Weighted average number of shares

<i>(In number of shares)</i>	2015	2014	2013
Weighted average number of shares at December 31	52,095,087	52,117,908	51,986,466
Effect of dilutive options	108,169	27,561	21,180
Weighted average number of shares (diluted) at December 31	52,203,255	52,145,469	52,007,646
Diluted earnings/(loss) per share - \$	0.09	0.08	(0.05)

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding. The potential dilutive effect of 2,132,751 (2014: 2,538,359; 2013: 2,576,920) for these options on common shares, were excluded from the above calculations because these options were anti-dilutive.

19 Defined Contribution Plan

Under the terms of the Mining Industry Pension Fund ("Fund") in Zimbabwe, eligible employees contribute a fixed percentage of their eligible earnings to the Fund. Blanket Mine makes a matching contribution plus an inflation levy as a fixed percentage of eligible earnings of these employees. The total contribution by Blanket Mine for the year ended December 31, 2015 was \$473 (2014: \$443; 2013:\$432).

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20 Share-based payments

At December 31, 2015 the Group has the following share-based payment arrangements:

(a) Share option programme

The Group has established a new Omnibus Equity Incentive Compensation Plan (“OEICP”) for grants after May 2015. Share options issued before May 2015 were issued in terms of the rolling stock option plan, which was superseded by the OEICP. In accordance with both plans, options are granted at an exercise price equal to the market price of the shares at the date of grant and vest according to dates set at the discretion of the Compensation Committee of the board of directors at the date of grant. All outstanding option awards that have been granted pursuant to the plans vest immediately.

Terms and conditions of share option programmes

The maximum term of the options under the OEICP is 10 years and under the rolling stock option plan 5 years. The terms and conditions relating to the grant of options under the rolling stock option plan are that all options are to be settled by physical delivery of shares. Under both plans the aggregate number of shares that may be issued pursuant to the grant of options, or under any other share compensation arrangements of the Company, will not exceed 10% of the aggregate issued and outstanding shares issued of the Company. Refer to note 31 for share based payment awards made after December 31, 2015.

At December 31, 2015, the Company has the following options outstanding:

Number of Options	Exercise Price Canadian \$	Expiry Date⁽¹⁾
1,161,000	1.30	Jan 31, 2016
30,000	0.70	May 11, 2016
744,920	0.90	Sept 10, 2018
190,000	0.72	Nov 21, 2018
25,000	0.80	Oct 8, 2025
90,000	0.74	Dec 22, 2025
<u>2,240,920</u>		

⁽¹⁾ In terms of the approved Plan, the expiry date of options that expire in a closed period will be extended by 10 days from the cessation of the close period. The options with an expiry date of January 31, 2016 will therefore expire 10 days after the publication of these financial statements.

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20 Share-based payments – (continued)

The continuity of the options granted, exercised, cancelled and expired under the Plan during fiscal 2015, 2014 and 2013 are as follows:

	Number of Options	Weighted Avg. Exercise Price Canadian \$
Options outstanding and exercisable at December 31, 2012	3,329,650	1.05
Exercised	(671,730)	0.70
Granted	190,000	0.72
Options outstanding and exercisable at December 31, 2013	2,847,920	1.11
Expired or forfeited	(282,000)	1.13
Options outstanding and exercisable at December 31, 2014	2,565,920	1.11
Expired or forfeited	(440,000)	1.11
Granted	115,000	0.73
Options outstanding and exercisable at December 31, 2015	2,240,920	1.08

The weighted average remaining contractual life of the outstanding options is 2.46 years (2014: 1.81 years; 2013: 2.26 years). No share options were exercised during fiscal 2015 and 2014. Future vesting of options is determined at the discretion of the Compensation Committee of the Board of Directors, at the time the options are granted.

Inputs for measurement of grant date fair values

The fair value of share based payments noted above was estimated using the Black-Scholes Option Pricing Model with the following assumptions.

Options granted	190,000	25,000	90,000
Grant date	November 21, 2013	October 7, 2015	December 21, 2015
Risk-free interest rate	0.95%	0.53%	0.53%
Expected dividend yield	6.8%	6.8%	6.8%
Expected stock price volatility (based on historical volatility)	57.88%	39.6%	41.2%
Expected option life in years	5	5	5
Exercise price (Canadian \$)	0.72	0.80	0.74
Share price at grant date (Canadian \$)	0.72	0.79	0.74
Fair value at grant date	0.356	0.27	0.27
Expected forfeiture rate	0%	0%	0%

During 2015 two share based payments were granted in grants of 25,000 and 90,000 share equity options (2014:Nil; 2013:190,000). The expense relating to share based payments granted amounted to \$24 (2014: nil; 2013: \$66).

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20 Share-based payments – (continued)

Expected volatility has been based on an evaluation of the historical volatility of the company's share price. The expected term has been based on historical experience.

(b) Equity instruments granted under the Blanket Mine Zimbabwe Indigenisation Transaction

The equity instruments granted under the Blanket Mine Zimbabwe Indigenisation Transaction (refer note 5), excluding Blanket Mine Employee Trust Services (Private) Limited (BETS), were accounted for as share-based payments under IFRS 2 *Share Based Payment*, whilst the equity instruments granted to BETS have been accounted for under IAS 19 *Employee benefits*. The fair value of the equity instruments on the grant date of September 5, 2012 was determined for each transaction as being the sum of the present value of the following components:

- The value of the shares at the point that any loans provided to purchase the shares or fund advance dividends are paid off;
- The value of any advance dividends paid to participants;
- The value of any “trickle dividends”, being the 20% entitlements, paid to participants while the loans to purchase the shares are outstanding.

To determine the fair value of the equity-settled share-based payment and take into account the unique features of each transaction, the Monte Carlo Simulation technique was used as the valuation model to allow for the uncertainty around the potential scenarios that affect the value of each arrangement. Projected market values were estimated using a stochastic modelling methodology based on Geometric Brownian Motion model. Additional equity instruments will vest to the Non-controlling interest to the extent that their attributable share of the net asset value of Blanket Mine exceeds the balance on the facilitation loans including interest. Refer to note 5 for the accounting treatment of the Non-controlling interests.

Assumptions used based on the grant date of September 5, 2012 were as follows:

Fair value of Blanket Mine	\$45,065
Expected volatility (based on historical volatility)	65%
Risk free rates	USD swap curve with country specific adjustments
Country specific adjustment	17.3%
Dividend yield	14.8%
Withholding tax	5% of dividends
Interest on loans	10%

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21 Provisions

Site restoration

Site restoration relates to the net present value of the estimated cost of closing down a mine and site and environmental restoration costs, estimated to be paid in 2026 for Blanket Mine based on the estimated life of mine. Site restoration costs at Blanket mine are capitalised to mineral properties depreciated at initial recognition and amortised systematically over the estimated life of the mine for costs relating to the decommissioning of property, plant and equipment.

Reconciliation of site restoration provision

Balance at January 1, 2013	1,022
Foreign exchange movement	(92)
Unwinding of discount	(1)
Change in estimate during the year	
- adjusted through profit or loss	147
- adjustment capitalised in Property, plant and equipment	394
Balance at December 31, 2013	<u>1,470</u>
Balance at January 1, 2014	1,470
Foreign exchange movement	(64)
Unwinding of discount	33
Change in estimate during the year	
- adjusted through profit or loss	29
- adjustment capitalised in Property, plant and equipment	1016
Balance at December 31, 2014	<u>2,484</u>
Balance at January 1, 2015	2,484
Foreign exchange movement	(156)
Unwinding of discount	43
Change in estimate during the year	
- adjusted through profit or loss	-
- adjustment capitalised in Property, plant and equipment	391
Balance at December 31, 2015	<u>2,762</u>

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21 Provisions – (continued)

The discount rates currently applied in the calculation of the net present value of the Blanket mine provision is 2.76% (2014: 2.32%; 2013: 2.75%), based on a nominal rate and cash flows estimated at 0% inflation. The Eersteling mine is under care and maintenance and the provision is not discounted. The gross rehabilitation costs before discounting amounted to \$3,006 (2014: \$2,486; 2013: \$1,645) for Blanket mine and \$459 (2014: \$616; 2013: \$652) for Eersteling mine.

22 Trade and other payables

	December 31, 2015	December 31, 2014	January 1, 2014
Trade payables	1,257	866	959
Audit fee	240	294	210
Other payables and accrued expenses	1,599	507	789
Financial liabilities	3,096	1,667	1,958
VAT payable and other taxes	329	357	331
Production and management bonus	1,792	-	1,031
Other employee benefits	114	102	163
Leave pay	1,325	1,134	818
Non-financial liabilities	3,560	1,593	2,343
Total	6,656	3,260	4,301

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 6 and note 24. Of the production and management bonus accrual at December 31, 2015, \$1,289 relates to production bonuses payable to the employees at Blanket and the balance relates to bonuses payable to employees at Caledonia Mining South Africa Proprietary Limited. The Directors consider the carrying amounts of trade and other payables as a reasonable approximation of their fair values.

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23 Cash flow information

Non-cash items and information presented separately on the cash flow statement:

	2015	2014	2013
Operating profit	8,495	12,068	9,237
Adjustments for:			
Loss on scrapping of Property, plant and equipment	33	62	-
Unrealised foreign exchange gains on cash held	(2,865)	(423)	(1,624)
Site restoration	-	29	(147)
Share-based payment expense	24	-	66
Depreciation	3,322	3,540	3,181
Write off of inventory	46	-	53
Impairment	-	178	13,789
Cash generated by operations before working capital changes	9,055	15,454	24,555
Inventories	375	(94)	(875)
Prepayments	(321)	(46)	(55)
Trade and other receivables	(1,472)	566	(1,865)
Trade and other payables	1,186	(296)	(1,327)
Cash flows from operating activities	8,823	15,584	20,433

24 Financial instruments

i) Credit risk

Exposure to credit risk

The carrying amount of financial assets as disclosed in the statements of financial position and related notes represents the maximum credit exposure. The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

Carrying amount	December 31, 2015	December 31, 2014	January 1, 2014
Canada	-	84	-
Zimbabwe	842	665	2,392
	842	749	2,392

Impairment losses

None of the trade and other receivables are past due at year-end. Trade and other receivables have a past history of payment shortly after year end and management identified no factors at year end that could cause doubt about the credit quality or recoverability of the trade and other receivables.

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24 Financial instruments (continued)

ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Non-derivative financial liabilities	Carrying amount	6 months or less
December 31, 2015		
Trade and other payables	3,096	3,096
Bank overdraft	1,688	1,688
	4,784	4,784
December 31, 2014		
Trade and other payables	1,667	1,667
	1,667	1,667
January 1, 2014		
Non-derivative financial liabilities		
Trade and other payables	1,958	1,958
Bank overdraft	1,679	1,679
	3,637	3,637

iii) Currency risk

As the Group operates in an international environment, some of the Group's financial instruments and transactions are denominated in currencies other than the US Dollar. The results of the Group's operations are subject to currency transaction risk and currency translation risk. The operating results and financial position of the Group are reported in US dollar in the Group's consolidated financial statements.

The fluctuation of the US dollar in relation to other functional currencies of entities within the Group will consequently have an impact upon the profitability of the Group and may also affect the value of the Group's assets and liabilities and the amount of shareholders' equity.

As noted below, the Group has certain financial assets and liabilities denominated in currencies other than the reporting currency. The Group does not use any derivative instruments to reduce its foreign currency

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24 Financial instruments (continued)

risks. To reduce exposure to currency transaction risk, the Group maintains cash and cash equivalents in the currencies used by the Group to meet short-term liquidity requirements.

Below is a summary of the assets and liabilities denominated in a currency other than the US dollar that would be affected by changes in exchange rates relative to the US dollar for reporting purposes. The values are the US dollar equivalent of the respective asset or liability that is denominated in Canadian dollars or South African rands.

	December 31, 2015	December 31, 2014	January 1, 2014
Cash and cash equivalents	132	470	416
Trade and other receivables	566	83	1
Trade and other payables	510	575	648

The following exchange rates applied during the year:

	Average rate during the year			Spot rate		
	2015	2014	2013	December 31, 2015	December 31, 2014	January 1, 2014
<i>(In US dollars)</i>						
CAD 1	0.7823	0.9057	0.9709	0.7210	0.8601	0.9349
Rand (ZAR) 1	0.0784	0.0923	0.1038	0.0644	0.0871	0.0967

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24 Financial instruments – (continued)

Sensitivity analysis

As a result of the group's monetary assets and liabilities denominated in foreign currencies which is different to the functional currency of the underlying entities, the profit or loss and equity in the underlying entities could be affected by movements between the functional currency and the foreign currency. The table below indicates net monetary assets/(liabilities) in the group that have a different functional currency and foreign currency. Amounts are indicated before elimination of intergroup balances.

	2015		2014		2013	
	USD'000		USD'000		USD'000	
	Functional currency		Functional currency		Functional currency	
	ZAR	CAD	ZAR	CAD	ZAR	CAD
Cash and cash equivalents	3,874	5,483	10,514	553	8,197	1,594
Trade and other payables	-	-	-	-	-	-
Intercompany balances*	(27,650)	44,390	(30,320)	48,484	(31,079)	57,207
	<u>(23,776)</u>	<u>49,873</u>	<u>(19,806)</u>	<u>49,037</u>	<u>(22,882)</u>	<u>58,801</u>

A reasonably possible strengthening or weakening of 5% of the various functional currencies against the foreign currencies, would have the following equal or opposite effect on profit or loss before tax for the group:

	2015		2014		2013	
	USD'000		USD'000		USD'000	
	Functional currency		Functional currency		Functional currency	
	ZAR	CAD	ZAR	CAD	ZAR	CAD
Cash and cash equivalents	194	274	526	28	410	80
Trade and other payables	-	-	-	-	-	-
Intercompany balances*	(1,382)	2,219	(1,516)	2,424	(1,554)	2,860

* These intercompany balances represent the exposure to foreign currency risk between functional currencies and foreign currencies at a subsidiary level. These balances eliminates on consolidation.

iv) Interest rate risk

The Group has no significant exposure to interest rate risk.

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24 Financial instruments – (continued)

v) Gold price risk

On February 10, 2016, a gold price hedge was entered into to manage the possible effect of gold price fluctuations (refer note 31). As at December 31, 2015 no financial instruments were in place to manage the gold price risk.

25 Dividends

The following dividends were declared and paid by the Company (excluding NCI):

	2015	2014	2013
\$0.048 per qualifying share (2014: \$0.054; 2013:\$0.098)	2,504	2,850	5,140

From the start of fiscal 2014 to October 6, 2015, the Company paid an annual aggregate dividend of six Canadian cents (\$0.060) per share.

26 Contingencies

The Group may be subject to various claims that arise in the normal course of business. Management believes there are no contingent liabilities of the Group arising from claims.

27 Related parties

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Directors of the company, as well as certain mine managers are considered key management.

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27 Related parties – (continued)

Employee contracts between Caledonia Mining South Africa Proprietary Limited and key management, include an option for respective key management to terminate such employee contract in the event of a change in control of the Company and to receive a severance payment equal to two years' compensation. If this was triggered as at December 31, 2015 the severance payment would have amounted to \$3,578 (2014: \$3,611; 2013: \$Nil). A change in control would constitute:

- the acquisition of more than 50% of the common shares; or
- the acquisition of right to exercise the majority of the voting rights of common shares; or
- the acquisition of the right to appoint the majority of the board of directors; or
- the acquisition of more than 50% of the assets; of

Caledonia Mining South Africa Proprietary Limited or Caledonia Mining Corporation Plc.

Key management personnel and director transactions:

A number of related parties transacted with the Group in the reporting period. The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	2015	2014	2013
Key management salaries and bonuses	2,452	1,781	1,482
Share-based payments	24	-	35
	2,476	1,781	1,517

Employees, officers, directors, consultants and other service providers also participate in the Group's share option program (see note 20). Group entities are set out in note 28. As at year end 1,739,020 (2014:1,584,520; 2013:2,114,520) share options related to directors and key management.

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27 Related parties – (continued)

		Transactions during the year		
	<i>Note</i>	2015	2014	2013
Management contract fees, allowances and bonus paid or accrued to a company for management services provided by the Group's former President and Chief Executive Officer.	(i)	-	850	715
Rent for office premises paid to a company owned by members of the former Chief Executive Officer's family.	(ii)	40	129	37
Legal fees and disbursements		-	-	85
Directors fees		191	298	280

- (iii) On July 15, 2014 Caledonia served a six month notice to Epicure Overseas S.A. for the termination of the contract between Caledonia and Epicure for the provision of the services of Mr. Stefan Hayden, who was at that time Caledonia's President and Chief Executive Officer ("CEO"). Negotiations for alternative arrangements to secure the continued services of Mr. Hayden as President and CEO failed to reach agreement. Accordingly, on November 18, 2014 Mr. Hayden stepped down as President and CEO and on December 6, 2014, Mr. Hayden resigned as a director of Caledonia. No payments other than the contractual payments that were due to Epicure Overseas SA for the provision of the services of Mr. Hayden during the notice period were made.
- (iv) The contract expired on September 2015.

Refer to note 5 and note 30 for transactions with Non-controlling interests. Refer to note 29 for management fees between Caledonia Mining South Africa Proprietary Limited and Blanket Mine (1983) (Private) Limited.

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28 Group entities

	Country of incorporation	Legal shareholding			Intercompany balances with Holding company		
		2015	2014	2013	2015	2014	2013
Subsidiaries of the Company		%	%	%			
Caledonia Holdings Zimbabwe (Private) Limited	Zimbabwe	100	100	100	-	-	-
Caledonia Mining Services Limited	Zimbabwe	100	100	100	-	-	-
Caledonia Kadola Limited ⁽⁴⁾	Zambia	-	100	100	-	-	-
Caledonia Mining (Zambia) Limited ⁽⁴⁾	Zambia	-	100	100	-	(15,499)	(15,499)
Caledonia Nama Limited ⁽⁴⁾	Zambia	-	100	100	-	(12,435)	(6,419)
Caledonia Western Limited ⁽⁴⁾	Zambia	-	100	100	-	-	-
Mulonga Mining Limited ⁽⁴⁾	Zambia	-	100	100	-	-	-
Eersteling Gold Mining Corporation Limited	South Africa	100	100	100	(12,585)	(12,575)	(12,509)
Fintona Investments Proprietary Limited	South Africa	100	100	100	(14,859)	(14,859)	(14,859)
Caledonia Mining South Africa Proprietary Limited	South Africa	100	100	100	(3,806)	(3,806)	(5,839)
Greenstone Management Services Limited	United Kingdom	100	100	100	7,846	7,846	1,850
Maid O' Mist Proprietary Limited	South Africa	100	100	100	-	-	-
Mapochs Exploration Proprietary Limited	South Africa	100	100	100	-	-	-
Caledonia Holdings (Africa) Limited	Barbados	100	100	100	-	-	-
Blanket (Barbados) Holdings Limited	Barbados	100	100	100	-	-	-
Blanket Mine (1983) (Private) Limited ⁽³⁾	Zimbabwe	⁽²⁾ 49	49	49	-	-	-
Blanket Employee Trust Services (Private) Limited (BETS) ⁽¹⁾	Zimbabwe	-	-	-	-	-	-

⁽¹⁾BETS and the Employee Trust are consolidated as structured entities.

⁽²⁾Refer to Note 5, for the effective shareholding. NCI has a 16.2% interest in cash flows of Blanket only.

⁽³⁾Blanket has no subsidiary companies.

⁽⁴⁾The Zambia operations were closed down during 2015 and the Companies in Zambia were struck of the Companies register on September 2, 2015.

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29 Operating Segments

The Group's operating segments have been identified based on geographic areas.

The Group has four reportable segments as described below, which are the Group's strategic business units. The strategic business units are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following geographical areas describe the operations of the Group's reportable segments: Corporate, Zimbabwe, South Africa and Zambia. The accounting policies of the reportable segments are the same as described in note 4.

The Corporate segment comprise the holding company and Greenstone Management Services Limited (UK) responsible for administrative functions within the group. The Zimbabwe operating segments comprise of Caledonia Holdings Zimbabwe Limited and subsidiaries. The Zambia segments consist of Nama copper project and cobalt project. The South Africa geographical segment comprise a gold mine as well as sales made by Caledonia Mining South Africa Proprietary Limited to the Blanket Mine.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management report that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments

2015	Corporate	Zimbabwe	South Africa	Zambia	Inter-group eliminations adjustments	Total
External Revenue	9,497	48,978	17,016	-	(26,514)	48,977
Royalties	-	(2,455)	-	-	-	(2,455)
Production costs	-	(30,955)	(12,174)	-	13,110	(30,019)
Management fee	-	(4,140)	4,140	-	-	-
Share based payment expense	(24)	-	-	-	-	(24)
Other income	9	55	46	-	-	110
Administrative expenses	(5,802)	(118)	(8,135)	(750)	7,183	(7,622)
Depreciation	-	(3,559)	(42)	-	279	(3,322)
Finance income	-	-	1	-	-	1
Finance expense	(344)	(190)	(2)	-	-	(536)
Foreign exchange gain/(loss)	431	-	2,419	-	-	2,850
Profit before income tax	3,767	7,616	3,269	(750)	(5,942)	7,960
Tax expense	522	(2,616)	(276)	-	-	(2,370)
Profit after income tax	4,289	5,000	2,993	(750)	(5,942)	5,590

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29 Operating Segments – (continued)

2015	Corporate	Zimbabwe	South Africa	Zambia	Inter-group elimination	Total
Geographic segment assets:						
Current (excluding intercompany)	8,857	10,386	4,918	1	(600)	23,562
Non-current (excluding intercompany)	40	50,613	370	-	(1,747)	49,276
Additions to property, plant and equipment	-	18,385	143	-	(335)	18,193
Intercompany balances	74,007	1,509	7,958	-	(83,474)	-
Geographic segment liabilities						
Current (excluding intercompany)	(433)	(6,497)	(1,469)	-	-	(8,397)
Non-current (excluding intercompany)	-	(13,621)	(459)	-	-	(14,080)
Intercompany balances	(16,734)	(3,507)	(37,290)	(25,943)	83,474	-
2014	Corporate	Zimbabwe	South Africa	Zambia	Inter-group eliminations adjustments	Total
External Revenue	3,719	53,513	7,167	-	(10,886)	53,513
Royalties	-	(3,522)	-	-	-	(3,522)
Production costs	-	(28,536)	(6,256)	-	6,884	(27,908)
Management fee	-	(4,680)	4,680	-	-	-
Other income/(expense)	-	16	9	-	-	25
Administrative expenses	(3,115)	(436)	(2,942)	(894)	-	(7,387)
Depreciation	-	(3,522)	(18)	-	-	(3,540)
Impairment	-	(81)	-	(97)	-	(178)
Finance income	14	-	-	-	-	14
Finance expense	-	(154)	-	-	-	(154)
Foreign exchange gain/(loss)	49	-	1,016	-	-	1,065
Profit before income tax	667	12,598	3,656	(991)	(4,002)	11,928
Tax expense	(1,067)	(3,594)	(1,321)	-	-	(5,982)
Profit after income tax	(400)	9,004	2,335	(991)	(4,002)	5,946

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29 Operating Segments – (continued)

2014	Corporate	Zimbabwe	South Africa	Zambia	Inter-group eliminations adjustments	Total
Geographic segment assets:						
Current	10,768	10,448	11,783	44	(1,300)	31,743
Non-current (excluding intercompany)	48	35,818	306	-	(1,436)	34,736
Additions to property, plant and equipment	-	7,022	47	97	-	7,166
Intercompany balances	101,920	1,503	29,060	-	(132,483)	-
Geographic segment liabilities						
Current	(994)	(2,412)	(1,566)	-	-	(4,972)
Non-current (excluding intercompany)	-	(10,571)	(593)	-	-	(11,164)
Intercompany balances	(33,955)	(902)	(72,406)	(25,220)	132,438	-
2013	Corporate	Zimbabwe	South Africa	Zambia	Inter-group eliminations adjustments	Total
External Revenue	-	63,217	10,309	-	(10,309)	63,217
Royalty	-	(4,412)	-	-	-	(4,412)
Production costs	-	(27,748)	(9,465)	-	10,599	(26,614)
Management fee	-	(4,680)	4,680	-	-	-
Other income/(expense)	5,602	(5,602)	-	-	-	-
Administrative expenses	(2,788)	(2,311)	(2,237)	-	210	(7,546)
Share-based payment	(66)	-	-	-	-	(66)
Depreciation	-	(3,398)	(15)	-	223	(3,181)
Impairment	-	(88)	(387)	(13,314)	-	(13,789)
Finance income	23	-	-	-	-	23
Finance expense	-	(128)	-	-	-	(128)
Foreign exchange gain/(loss)	108	1	2,268	-	(749)	1,628
Profit before income tax	2,879	14,851	5,153	(13,314)	(437)	9,132
Tax expense	(1,788)	(6,293)	(1,528)	-	-	(9,609)
Profit after income tax	1,091	8,558	3,625	(13,314)	(437)	(477)

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29 Operating Segments – (continued)

2013	Corporate	Zimbabwe	South Africa	Zambia	Inter-group eliminations adjustments	Total
Geographic segment assets:						
Current	14,084	9,909	9,766	41	-	33,800
Non-Current (excluding intercompany)	51	32,573	309	-	(1,661)	31,272
Expenditure on property, plant and equipment	-	9,185	34	2,560	(383)	11,396
Intercompany balances	56,931	1,658	5,878	-	(64,467)	-
Geographic segment liabilities						
Current	(150)	(5,358)	(1,529)	(7)	-	(7,044)
Non-current (excluding intercompany)		(8,751)	(686)	-	-	(9,437)
Intercompany balances	(3,367)	(732)	(36,110)	(24,258)	64,467	-

Major customer

Revenues from Fidelity Printers in Zimbabwe amounted to approximately \$48,977 (2014: \$53,513; 2013:\$Nil). Revenues from Rand Refinery in South Africa and Metalor Technologies in Switzerland amounted to \$63,217 in 2013.

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30 Non-controlling interests

Blanket Mine (1983) (Private) Limited NCI % - 16.2%

	2015	2014	2013
Current assets	10,386	10,448	9,909
Non-current assets	50,613	37,322	32,573
Current liabilities	(6,497)	(2,412)	(5,358)
Non-current liabilities	(13,621)	(10,571)	(8,751)
Net assets	40,881	(34,787)	(28,373)
Carrying amount of NCI	1,504	693	(48)
Revenue	48,977	53,515	63,217
Profit	5,000	8,860	15,372
Total comprehensive income	5,000	8,860	15,372
Profit allocated to NCI	811	1,511	2,490
Dividend paid to NCI	-	770	731

31 Subsequent events

i) Gold Hedge

In February 2016, the Company announced it had entered into a hedge in respect of 15,000 ounces of gold over a period of 6 months. The hedge protects the Company if the gold price falls below \$1,050 per ounce but gives Caledonia full participation if the price of gold exceeds \$1,079 per ounce. Blanket continues to sell all of its gold production to Fidelity Printers and Refiners Ltd ("Fidelity"), as required by Zimbabwean legislation, and receives the spot price of gold less an early settlement discount of 1.25%. The maximum cost of the hedge to Caledonia is \$435. The full accounting impact has not been determined at the date of approval of these financial statements.

ii) Recapitalisation of Blanket Mine (1983) (Private) Limited ("Blanket")

On February 26, 2016 Blanket entered into an agreement to recapitalise its cash resources by issuing shares to current shareholders as follows:

- Caledonia Holdings Zimbabwe (Private) Limited subscribed for 4,755,556 Founder shares with a par value of \$0.012 at \$1.051;
- A-class shareholders (NIEEF, BETS and Fremiro) subscribed for 3,979,140 A-class shares with a par value of \$0.005 at \$0.57; and
- GCSOT subscribed for 970,522 B class shares with a par value of \$0.005 for a nominal amount of \$4.8

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31 Subsequent events – (continued)

Founder shares will be paid for in a cash consideration of \$5 million funded through Greenstone Management Services Limited (United Kingdom). A class shares will be funded by increasing the Facilitation loans (described in note 5) by \$2.27 million on the same terms and conditions as the previous facilitation loan agreements. The B class shares were donated by Blanket. The transaction would not affect the current shareholding structure of the Company and the entity will continue to consolidate Blanket after the transaction.

Reserve Bank of Zimbabwe approval for these share transactions was obtained on March 1, 2016. The transaction is further dependant on the approval by the Zimbabwe Reserve Bank of the \$5 million loan from Greenstone Management Services Limited (United Kingdom) to Caledonia Holdings Zimbabwe (Private) Limited, which was received on March 14, 2016. The cash was transferred on March 22, 2016 and the financial effect of the recapitalisation cannot be determined at the date of approval of these financial statements.

iii) Re-domicile to Jersey

On December 21, 2015 the Company announced that it would seek shareholder approval to re-domicile from Canada to Jersey using a legal process called “Continuance”.

The reasons for the proposed Continuance included:

- the Company has no commercial operations in Canada, hence there is no reason for it to be domiciled in Canada and subject to Canadian taxes and the compliance costs associated with being a Canadian tax entity;
- Jersey is more conveniently located in relation to the Company’s operations in Southern Africa and the majority of its shareholder base which ranges from continental Europe to South Africa and North America; and
- Canadian withholding tax, which is currently applicable to dividends paid to the Company’s shareholders outside Canada, will be eliminated.

On February 18, 2016, shareholder approval was obtained and the Continuance became effective on March 21, 2016. The Continuance has no effect on the Company’s existing listings in Toronto and on AIM in London, or the trading facility on the OTCQX in the USA and the company’s shares will continue to be traded on these listing and trading platforms after the continuance is completed. The re-domicile to Jersey has no impact on these financial statements.

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31 Subsequent events – (continued)

iv) Share based payment awards

On January 12, 2016, key management were granted Restricted Share Units (“RSU’s”) and Performance Share Units (“PSU’s”) pursuant to provisions of the 2015 Omnibus Equity Incentive Compensation Plan. 303,225 RSU’s and 1,212,903 PSU’s were granted and approved by the Compensation Committee of the board of directors on January 12, 2016. 27,419 of the RSU’s will vest on December 31, 2016 and 275,806 on December 31, 2018 given that the service condition of the relevant employee(s) are fulfilled at these dates. The value of the vested RSU’s will be the amount of RSU’s vested multiplied by the Fair Market Value, as specified by the plan, on date of settlement. 109,677 PSU’s are expected to vest on December 31, 2016 and 1,103,226 on December 31, 2018, dependent on certain performance measures as vesting conditions.

On March 24, 2016 an additional 47,887 RSU’s and 191,549 PSU’s were granted to Mr. M Learmonth. The RSU’s will vest on December 31, 2018 given that the service condition is fulfilled on the same valuation basis as the RSU’s granted on January, 12, 2016. The PSU’s are expected to vest on December 31, 2018 based on certain performance measures.

The performance measures for all the above grants are determined with reference to the stage of the completion of the central shaft project, gold production targets and production cost per ounce targets. The vesting amounts of the PSU’s are determined by the quantity granted multiplied by the performance multiplier at vesting date. The performance multiplier varies between zero and 70% of target, to a maximum multiplier of 200%, if 200% of the performance measure targets are met. The settlement amounts of the PSU’s are determined by the number of PSU’s vested multiplied by the Fair Market Value, as specified by the Plan, on date of settlement.

Both RSU’s holders are entitled to receive cash equivalent dividends on the common shares of the Company from and after the date of grant until the settlement date, and such dividends will be automatically reinvested in additional RSU’s at the then applicable RSU’s Share Price. PSU’s holders are entitled to receive cash equivalent dividends on the underlying common shares of the Company from and after the vesting date until the settlement date, and such dividends will be automatically reinvested in additional PSU’s at the then applicable PSU’s Share Price.

All RSU’s and PSU’s awards will be settled in cash. No shares of the Company will be issued in connection with the RSU’s and PSU’s awards. The total financial effect of the share based payment transaction has not been determined at the date of approval of these financial statements.

v) Dividend Policy

On January 5, 2016 Caledonia announced that the revised dividend policy would amount to an annual dividend of 4.5 United States cents per annum, paid quarterly.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Date March 30, 2016

CALEDONIA MINING CORPORATION

By: /s/ Steven Curtis
Steven Curtis
Chief Executive Officer

Articles of Association

Companies (Jersey) Law (1991)

Public Company Limited by Shares

**ARTICLES OF ASSOCIATION
of
CALEDONIA MINING CORPORATION PLC**



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Companies (Jersey) Law (1991)
Public Company Limited by Shares
ARTICLES OF ASSOCIATION
of
CALEDONIA MINING CORPORATION PLC

1. DEFINITIONS AND INTERPRETATION

1. Definitions and interpretation

1.1 In these Articles, the following words and expressions have the meanings indicated below:

“these Articles”: these articles of association as originally adopted or as altered from time to time

“AIM”: the market known as AIM operated by the London Stock Exchange

“AIM Rules”: the AIM Rules for Companies as published from time to time by the London Stock Exchange

“Auditors”: the auditors of the Company for the time being or, in the case of joint auditors, any one of them

“Board”: the board of Directors from time to time of the Company or those Directors present at a duly convened meeting of the Directors at which a quorum is present

“clear days”: in relation to the period of a notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect

“Director”: a director for the time being of the Company

“Disclosure and Transparency Rules”: the UK Disclosure and Transparency Rules as amended from time to time relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made, as published by the Financial Conduct Authority of the United Kingdom

“electronic copy”, “electronic form” and “electronic means”: the meanings given to them by section 1168 of the UK Companies Act 2006

“entitled by transmission”: in relation to a share in the capital of the Company, entitled as a consequence of the death or bankruptcy of the holder or otherwise by operation of law

“Handbook”: the Handbook as published by the Financial Conduct Authority of the United Kingdom

“hard copy” and “hard copy form”: the meanings given to them by section 1168 of the UK Companies Act 2006;

“holder”: in relation to shares, the member whose name is entered in the Register as the holder of the shares (but, to the extent that these Articles would otherwise conflict with the Statutes, not including the Company itself in relation to shares held as treasury shares)

“International Financial Reporting Standards”: accounting standards issued by the International Accounting Standards Board

“London Stock Exchange”: the London Stock Exchange plc

“member”: a member of the Company (but, to the extent that these Articles would otherwise conflict with the Statutes, not including the Company itself in relation to shares held as treasury shares)

“Memorandum”: the memorandum of association of the Company as altered from time to time

“Office”: the registered office of the Company

“Operator”: the same meaning as “authorised operator” as provided for in the Order

“ordinary resolution”: a resolution of the Company in general meeting adopted by a simple majority of the votes cast at that meeting

“Order”: the Uncertificated Securities (Jersey) Order 1999, as amended from time to time and any provisions of or under the Companies Law which supplement or replace such Order;

“paid up”: paid up or credited as paid up

“participating class”: a class of shares title to which is permitted by an Operator to be transferred by a relevant system

“Register”: the register of members of the Company

“regulated market”: the meaning as given to it in the City Code on Takeovers and Mergers

“relevant system”: the computer-based system, and procedures, which enable title to units of a security to be evidenced and transferred without a written instrument, and which facilitate supplementary and

incidental matters in accordance with the Order

“Seal”: the common seal of the Company or any official seal kept by the Company pursuant to the Statutes

“Secretary”: the secretary of the Company or any other person appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary and any person appointed to perform the duties of secretary temporarily or in any particular case

“share”: a Preference Share or a Common Share, as the context requires subject to the rights of such share set out in Articles 5 and 6

“special resolution”: a resolution passed by a majority of two-thirds of the holders who (being entitled to do so) vote in person, or by proxy, at a general meeting of the Company or at a separate meeting of a class of members of the Company

“Statutes”: every statute (including any statutory instrument, order, regulation or subordinate legislation made under it) concerning companies that are incorporated in Jersey to the extent that it is for the time being in force or (where the context requires) was in force at a particular time, including but not limited to the Companies (Jersey) Law (1991) and the Order

“subsidiary”: the meaning given to it in the Statutes and includes a corporation, partnership or other entity, the financial results of which, pursuant to International Financial Reporting Standards, may be consolidated with the financial results of the Company

“system’s rules”: the rules, regulations, procedures, facilities and requirements of the relevant system concerned

“transfer instruction”: a properly authenticated dematerialised instruction on a relevant system in accordance with the Order in such form, in such manner and from such person as the Board may determine

“transmittee”: a person entitled to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law

“UK Companies Act 2006”: the United Kingdom Companies Act 2006

“UK FSMA”: the United Kingdom Financial Services and Markets Act 2000

“UK Listing Authority”: the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the UK FSMA

“uncertificated share”: means a share of a class which is at the relevant time a participating class title to which is recorded on the Register as being held in uncertificated form and references in these Articles to a share being held in uncertificated form shall be construed accordingly

“United Kingdom”: Great Britain and Northern Ireland

“working day”: the meaning given by section 1173 of the UK Companies Act 2006

1.2 The expressions “debenture” and “debenture holder” include “debenture stock” and “debenture stockholder”.

1.3 References to writing include any method of reproducing or representing words, symbols or other information in such form (including in electronic form or by making it available on a website) that it can be read or seen with the naked eye and a copy of it can be retained.

1.4 References to the execution of a document (including where execution is implied, such as in the giving of a written consent) include references to its being executed under hand or under seal or by any other method, and, in relation to anything sent or supplied in electronic form, include references to its being executed by such means and incorporating such information as the Board may from time to time stipulate for the purpose of establishing its authenticity and integrity.

1.5 Unless the context otherwise requires, words or expressions used in these Articles that are defined in the Statutes bear those meanings in these Articles (but as if the definitions contemplated their use in these Articles as well as in the relevant legislation), except that the word “company” shall include any body corporate.

1.6 Except where the contrary is stated or the context otherwise requires, any reference to a statute or statutory provision includes any order, regulation, instrument or other subordinate legislation made under it for the time being in force, and any reference to a statute, statutory provision,

order, regulation, instrument or other subordinate legislation includes any amendment, extension, consolidation, re-enactment or replacement of it for the time being in force.

- 1.7 Words importing the singular number only include the plural and vice versa. Words importing the masculine gender include the feminine and neuter gender. Words importing persons include corporations.
 - 1.8 References to a meeting shall not be taken as requiring more than one person to be present if any quorum requirement can be satisfied by one person.
 - 1.9 References to any security as being in certificated form or uncertificated form refer, respectively, to that security being a certificated unit of a security or an uncertificated unit of a security for the purposes of the Order.
 - 1.10 Headings are inserted for convenience only and shall not affect the construction of these Articles.
- 2. Standard Table excluded**
- 2.1 The regulations constituting the Standard Table prescribed pursuant to the Companies (Jersey) Law 1991 shall not apply to the Company and hereby are expressly excluded in their entirety.
- 3. Form of resolutions**
- 3.1 A special resolution shall be effective for any purpose for which an ordinary resolution is expressed to be required under the Statutes or these Articles.

2. SHARE CAPITAL

4. Issue of and rights attached to shares

- 4.1 Without prejudice to any special rights for the time being conferred on the holders of any class of shares (which special rights shall not be varied or abrogated except with such consent or sanction as is required by Article 9 and subject to the Statutes) (and, for the avoidance of doubt, without prejudice to Article 4.2) any share in the Company (including any share created on an increase or other alteration of share capital) may be issued with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividends, return of capital, voting or otherwise, as the Company may from time to time, by special resolution, determine.
- 4.2 The unissued shares for the time being in the capital of the Company shall be at the disposal of the Directors, and they may (subject to the provisions of Article 9) allot, grant options over, or otherwise dispose of them to such persons at such times and on such terms as they think proper.
- 4.3 The Directors may issue shares in the Company to any person and without any obligation to offer such shares to the members (whether in proportion to the existing shares held by them or otherwise). Shares issued by the Company are non-assessable and the holders are not liable to the Company or its creditors in respect thereof.
- 4.4 A share shall not be issued until the consideration for the share is fully paid in money or in property or past services that are not less in value than the fair equivalent of the money that the Company would have received if the share had been issued for money. In determining whether property or past services are the fair equivalent of a money consideration, the Directors may take into account reasonable charges and expenses of organisation and reorganisation and payments for property and past services reasonably expected to benefit the Company. For the

purposes of this Article 4.4, "property" does not include a promissory note or a promise to pay that is made by a person to whom a share is issued, or a person who does not deal at arm's length with a person to whom a share is issued.

5. Preference Shares

5.1 Issuable in series

Preference Shares may be issued from time to time in one or more series composed of such number of shares and with such preference, deferred or other special rights, privileges, restrictions and conditions attached thereto as shall be fixed hereby or from time to time before issuance by any resolution or resolutions providing for the issue of the shares of any series which may be passed by the Directors and confirmed and declared by special resolution including, without limiting the generality of the foregoing:

- 5.1.1 the rate, amount or method of calculation of any dividends, and whether such rate, amount or method of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment, the date or dates and place or places of payment thereof and the date or dates from which any such dividends shall accrue;
- 5.1.2 any right of redemption and/or purchase and the redemption or purchase prices and terms and conditions of any such right;
- 5.1.3 any right of retraction vested in the holders of Preference Shares of such series and the prices and terms and conditions of any such rights;
- 5.1.4 any right upon dissolution, liquidation or winding-up of the Company;
- 5.1.5 any voting rights;
- 5.1.6 any rights of conversion; and
- 5.1.7 any other provisions attaching to any such series of Preference Shares.

5.2 Priority of dividends

The Preference Shares of each series shall, with respect to the payment of dividends, be entitled to a preference over the Common Shares and over any other shares of the Company ranking junior to the Preference Shares.

5.3 Liquidation, dissolution and winding-up

Subject to the rights, privileges, restrictions and conditions that may be attached to a particular series of Preference Shares by the Directors in accordance with Article 5.1 of the conditions attaching to the Preference Shares, in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of assets of the Company among holders for the purpose of winding up its affairs, the holders of the Preference Shares shall be entitled to receive, before any distribution of any part of the assets of the Company among the holders of the Common Shares or any other shares of the Company ranking junior to the Preference Shares for each Preference Share, an amount equal to the price at which such Preference Share was issued together with, in the case of any Preference Share that is part of a series of Preference Shares entitled to cumulative dividends, all unpaid cumulative dividends (which for such purpose shall be calculated as if such cumulative dividends were accruing from day-to-day for the period from the expiration of the last period for which cumulative dividends have been paid up to and including the date of distribution) and, in the case of any Preference

Share that is part of a series of Preference Shares entitled to non-cumulative dividends, any dividends declared thereon and unpaid. After payment to the holders of the Preference Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Company in connection with the events contemplated by this Article.

5.4 Parity of series

No rights, privileges, restrictions or conditions attached to any series of Preference Shares shall confer upon the shares of such series a priority in respect of dividends or distribution of assets or return of capital in the event of the liquidation, dissolution or winding up of the Company over the shares of any other series of Preference Shares. The Preference Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, rank on a parity with the Preference Shares of every other series; provided however that in case such assets are insufficient to pay in full the amount due on all Preference Shares, then such assets shall be applied, firstly, to the payment equally and rateably of an amount equal to the price at which the Preference Shares of each series were issued and the premium payable thereon, if any, and secondly, rateably in payment of all accrued and unpaid cumulative dividends and declared but unpaid non-cumulative dividends.

5.5 Notices and Voting

5.5.1 Subject to the rights, privileges, restrictions and conditions that may be attached to a particular series of Preference Shares by the Directors in accordance with Article 5.1 of the conditions attaching to the Preference Shares, the holders of a series of Preference Shares shall not, as such, be entitled to receive notice of or to attend any meeting of the members and, subject to Article 120.2, shall not be entitled to vote at any such meeting (except where the holders of a specified class or series of shares are entitled to vote separately as a class).

5.5.2 The holders of Preference Shares, or of any series of Preference Shares, shall not be entitled to vote separately as a class or series (and no rights, privileges, restrictions or conditions attached to the Preference Shares or any series of Preference Shares shall entitle any holder of Preference Shares or of any series of Preference Shares to vote separately as a class or series) upon any proposal to amend the Articles to:

- (a) increase or decrease any maximum number of authorised Preference Shares or increase any maximum number of authorised shares of a class having rights or privileges equal or superior to the Preference Shares;
- (b) effect an exchange, reclassification or cancellation of all or part of the Preference Shares; or
- (c) create a new class of shares equal or superior to the Preference Shares.

5.5.3 Notwithstanding the aforesaid rights, privileges, restrictions and conditions on the right to vote, the holders of a series of Preference Shares are entitled to notice of meetings of members called for the purpose of authorising the dissolution of the Company or the sale, lease or exchange of all or substantially all the property of the Company other than in the ordinary course of business of the Company.

6. Common Shares

6.1 Dividends

Subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, the holders of the Common Shares shall be entitled to receive any dividends declared by the Company.

6.2 Liquidation, dissolution and winding-up

The holders of the Common Shares shall be entitled to receive the remaining property of the Company upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

6.3 Notices and voting

The holders of the Common Shares shall be entitled to one vote for each Common Share held at all meetings of holders, except meetings at which only holders of another specified class or series of shares are entitled to vote.

7. Payment of commissions

7.1 The Company may exercise the powers of paying commissions and brokerage conferred or permitted by the Statutes. Subject to the Statutes, any such commission may be satisfied by the payment of cash or by the allotment (or an option to call for the allotment) of fully or partly paid shares or partly in one way and partly the other.

8. Trusts not recognised

8.1 Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or recognise (except as otherwise provided by these Articles or by law or under an order of a court of competent jurisdiction) any interest in any share except an absolute right to the whole of the share in the holder.

9. Variation of rights

9.1 If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in a winding up) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than two-thirds in number of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as hereinafter provided (but not otherwise).

9.2 All the provisions in these Articles as to general meetings shall *mutatis mutandis* apply to every meeting of the holders of any class of shares. The Board may convene a meeting of the holders of any class of shares whenever it thinks fit and whether or not the business to be transacted involves a variation or abrogation of class rights.

10. Matters not constituting a variation of rights

10.1 The rights attached to any share or class of shares shall not, unless otherwise expressly provided by its terms of issue, be deemed to be varied, abrogated or breached by:

10.1.1 the creation or issue of further shares ranking *pari passu* with it; or

- 10.1.2 the purchase or redemption by the Company of any of its own shares (whether of that or any other class) or the sale of any shares (of that class or any other class) held as treasury shares.

3. CERTIFICATES

11. Right to certificates

- 11.1 Except as otherwise provided in these Articles, every person whose name is entered in the Register as a holder of shares in the Company shall be entitled, within the time specified by the Statutes and without payment, to one certificate for all the shares of each class registered in his name. Upon a transfer of part of the shares of any class registered in his name, every holder shall be entitled without payment to one certificate for the balance in certificated form of his holding. Upon request and upon payment, for every certificate after the first, of such reasonable sum (if any) as the Board may determine, every holder shall be entitled to receive several certificates for certificated shares of one class registered in his name (subject to surrender for cancellation of any existing certificate representing such shares). Every holder shall be entitled to receive one certificate in substitution for several certificates for certificated shares of one class registered in his name upon surrender to the Company of all the share certificates representing such shares.
- 11.2 Subject as provided in the preceding part of this Article, the Company shall not be bound to issue more than one certificate in respect of certificated shares registered in the names of two or more persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

12. Execution of certificates

- 12.1 Every certificate for share or loan capital or other securities of the Company (other than letters of allotment, scrip certificates or similar documents) shall be issued under the Seal (or in such other manner as the Board, having regard to the terms of issue, the Statutes and the requirements of the UK Listing Authority or the AIM Rules (as applicable), may authorise) and each share certificate shall specify the shares to which it relates, the distinguishing number (if any) of the shares and the amount paid up on the shares. The Board may determine, either generally or in relation to any particular case, that any signature on any certificate need not be autographic but may be applied by some mechanical or other means, or printed on the certificate, or that certificates need not be signed.

13. Replacement certificates

- 13.1 If a share certificate for certificated shares is worn out, defaced or damaged then, upon its surrender to the Company, it shall be replaced free of charge. If a share certificate for certificated shares is or is alleged to have been lost or destroyed it may be replaced without fee but on such terms (if any) as to evidence and indemnity and to payment of any exceptional out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board thinks fit. The Company shall be entitled to treat an application for a replacement certificate made by one of joint holders as being made on behalf of all the holders concerned.

14. Uncertificated securities

- 14.1 Pursuant and subject to the Order, the Board may permit title to some or all of the shares of any class to be evidenced otherwise than by a certificate and title to such shares to be transferred in accordance with the rules of a relevant system and may make arrangements for that class of shares to become a participating class. Title to some or all of the shares of a particular class

may only be evidenced otherwise than by a certificate where that class of shares is at the relevant time a participating class. The Board may also, subject to compliance with the Order and the rules of any relevant system, determine at any time that title to some or all of the shares of any class of shares may from a date specified by the Board no longer be evidenced otherwise than by a certificate or that title to such shares shall cease to be transferred by means of any particular relevant system. For the avoidance of doubt, shares which are uncertificated shares shall not be treated as forming a class which is separate from certificated shares with the same rights.

- 14.2 In relation to a class of shares which is a participating class and for so long as it remains a participating class, no provision of these Articles shall apply or have effect to the extent that it is inconsistent in any respect with:
 - 14.2.1 the holding of shares of that class in uncertificated form;
 - 14.2.2 the transfer of title to shares of that class by means of a relevant system;
 - 14.2.3 the exercise of any powers or functions by the Company or the effecting by the Company of any actions by means of a relevant system; and
 - 14.2.4 any provision of the Order.
- 14.3 Some or all of the shares of a class which is at the relevant time a participating class may be changed from uncertificated form to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided for in the Order and the rules of any relevant system.
- 14.4 Unless the Board otherwise determines or the Order or the rules of the relevant system concerned otherwise require, any shares issued or created out of or in respect of any uncertificated shares shall be uncertificated shares and any shares issued or created out of or in respect of any certificated shares shall be certificated shares.
- 14.5 Subject to the Statutes, the Directors may lay down regulations not included in these Articles which (in addition to, or in substitution for, any provisions in these Articles):
 - 14.5.1 apply to the issue, holding, exercise of rights in respect of or transfer of shares in uncertificated form;
 - 14.5.2 set out (where appropriate) the procedures for conversion and/or redemption of shares in uncertificated form; and/or
 - 14.5.3 which the Directors consider necessary or appropriate to ensure that these Articles are consistent with the Order and/or the Operator's rules and practices.
- 14.6 Such regulations will apply instead of any relevant provisions in these Articles which relate to the issue, holding, transfer, conversion and redemption of shares in uncertificated form or which are not consistent with the Order, in all cases to the extent (if any) stated in such regulations. If the Directors make any such regulation, Article 14.8 of this Article will (for the avoidance of doubt) continue to apply, when read in conjunction with those regulations.
- 14.7 Any instruction given by means of a relevant system shall be a dematerialised instruction given in accordance with the Order, the facilities and requirements of a relevant system and the Operator's rules and practices.

- 14.8 Where the Company is entitled under the Statutes, the Operator's rules and practices, these Articles or otherwise to dispose of or sell or otherwise procure the sale of any shares, the Directors may, in the case of any shares in uncertificated form, take such steps (subject to the Statutes, the Operator's rules and practices and these Articles) as may be required or appropriate, by instruction by means of a relevant system or otherwise to effect such disposal or sale, including (without limitation) by:
- 14.8.1 requesting or requiring the deletion of any computer based entries in the relevant system relating to the holding of such shares;
 - 14.8.2 altering such computer based entries so as to divest the holder of such shares of the power to transfer such shares other than to a person selected or approved by the Company for the purpose of such transfer;
 - 14.8.3 requiring any holder of such shares to take such steps as may be necessary to sell or transfer such shares as directed by the Company;
 - 14.8.4 (subject to any applicable law) otherwise rectify or change the Register in respect of any such shares in such manner as the Directors consider appropriate (including, without limitation, by entering the name of a transferee into the Register as the next holder of such shares); and/or
 - 14.8.5 appointing any person to take any steps in the name of any holder of such shares as may be required to change such shares to certificated form and/or to effect the transfer of such shares (and such steps shall be effective as if they had been taken by such holder).
- 14.9 In relation to any share in uncertificated form:
- 14.9.1 the Company may utilise the relevant system to the fullest extent available from time to time in the exercise of any of its powers or functions under the Statutes or these Articles or otherwise in effecting any actions and the Company may from time to time determine the manner in which such powers, functions and actions shall be so exercised or effected;
 - 14.9.2 the Company may, by notice to the holder of that share, require the holder to change the form of that share to certificated form within the period specified in the notice and to hold that share in certificated form for so long as required by the Company; and
 - 14.9.3 the Company shall not issue a share certificate.
- 14.10 The Company may by notice to the holder of any share in certificated form, direct that the form of such share may not be changed to uncertificated form for a period specified in such notice.

4. UNTRACED SHAREHOLDERS

15. Power to sell shares of untraced shareholders

- 15.1 Subject to the Order, the Company shall be entitled to sell at the best price reasonably obtainable any shares of a holder or transmittee if in respect of those shares:
- 15.1.1 no cheque, warrant or other financial instrument or payment sent by the Company in the manner authorised by these Articles has been cashed for a period of at least 12 years (the "qualifying period") and in the qualifying period the Company has paid at least three dividends and no dividend has been claimed;

- 15.1.2 the Company has at the expiration of the qualifying period given notice of its intention to sell such shares by two advertisements, one in a national newspaper published in the United Kingdom, Canada and Jersey and the other in a newspaper circulating in the area in which the last known address of the holder or the address at which service of notices may be effected in the manner authorised by these Articles is located; and
- 15.1.3 so far as the Board is aware, the Company has not during the qualifying period or the period of three months after the date of such advertisements (or the later of the two dates if they are published on different dates) and prior to the exercise of the power of sale received any communication from the holder or transmittee.

and where this power has arisen and at the time of its exercise that holder or transmittee holds, or is entitled by transmission to hold, any other shares issued in right of the shares to be sold, this power shall be deemed to have arisen also in relation to those other shares.

16. Manner of sale and creation of debt in respect of net proceeds

- 16.1 To give effect to any sale pursuant to the immediately preceding Article, the Board may:
 - 16.1.1 in the case of shares held in certificated form, authorise and instruct some person (which may include the holder of shares concerned) to execute an instrument of transfer of the shares; and
 - 16.1.2 in the case of shares held in uncertificated form, subject to the system's rules, require the Operator of a relevant system to convert any such share into certificated form in order to enable the Company to deal with the share in accordance with this Article, and after such conversion authorise and instruct some person to execute an instrument of transfer of the share (and to take such other steps as may be necessary to give effect to the sale or disposal)

and such instrument of transfer and the taking of such other steps as may be necessary shall be as effective as if they had been executed by the holder or transmittee of the shares. The transfer will be valid even if in respect of any of the shares no certificate accompanies the instrument of transfer. The transferee shall not be bound to see to the application of the purchase money and his title shall not be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

- 16.2 The net proceeds of sale shall belong to the Company, which shall be indebted to the former holder or transmittee for an amount equal to such proceeds and shall enter the name of such former member or other person in the books of the Company as a creditor for such amount. No trust shall be created in respect of the debt, no interest shall be payable in respect of it and the Company shall not be required to account for any monies earned on the net proceeds, which may be employed in the business of the Company or otherwise invested as the Board thinks fit.

5. TRANSFER OF SHARES

17. Form and execution of transfer

- 17.1 Subject to such of the restrictions of these Articles as may be applicable, a member may transfer all or any of his shares, in the case of shares held in certificated form, by an instrument of transfer executed by or on behalf of the transferor in any usual form or in any other form which the Board may approve or, in the case of shares held in uncertificated form, in accordance with the Order and the system's rules and otherwise in such manner as the Board in its absolute discretion shall determine. Subject to the Statutes, the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect of it.

- 17.2 Subject to the Statutes and notwithstanding any other provisions of these Articles, the Board shall have power to implement any arrangements it may think fit to enable:
- 17.2.1 title to any securities of the Company to be evidenced and transferred without a written instrument in accordance with the Order and the facilities and requirements of the relevant system concerned; and
 - 17.2.2 rights attaching to such securities to be exercised notwithstanding that such securities are held in uncertificated form where, in the Board's opinion, these Articles do not otherwise allow or provide for such exercise.

18. No fee for registration

- 18.1 No fee shall be charged for the registration of any instrument of transfer or document relating to or affecting the title to any share.

19. Retention of documents

- 19.1 Any instrument of transfer which is registered may be retained by the Company, but any instrument of transfer which the Board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

20. Other Registers

- 20.1 Subject to the Statutes, the Company may keep an overseas, local or other register in any place, and the Board may make and vary such regulations as it may think fit concerning the keeping of that register. The Company may appoint an agent to maintain any such registers, subject to the Companies (Jersey) Law 1991, as amended.

6. TRANSMISSION OF SHARES

21. Transmission

- 21.1 Where transmission occurs in relation to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law, the survivor or survivors (in the case of death) where he was a joint holder, and the transmittee where he was a sole holder or the only survivor of joint holders shall be the only person recognised by the Company as having any title to his shares; but nothing contained in this Article shall release the estate of a deceased member from any liability in respect of any share solely or jointly held by him.

22. Election by transmittee

- 22.1 A transmittee may, upon such evidence being produced as the Board may require and subject (where relevant) to the system's rules, elect either to become the holder of the share or to have some person nominated by him registered as the transferee. If he elects to become the holder, he shall give notice to the Company to that effect. If he elects to have another person registered, he shall, subject (where relevant) to the system's rules, effect or procure a transfer of the share in favour of that person. Subject to the Statutes, all the provisions of these Articles relating to the transfer of shares shall apply to the notice or instrument of transfer as if the death or bankruptcy of the member or other event giving rise to the transmission had not occurred and the notice or instrument of transfer was an instrument of transfer executed by the member.

23. Rights in respect of the share

- 23.1 A transmittee shall have the same rights to which he would be entitled if he were the holder of the share concerned, except that he shall not be entitled in respect of it to attend or vote at any general meeting of the Company or at any separate meeting of the holders of any class of shares in the Company until he is registered as the holder of the share. The Board may at any time give notice to such person requiring him to elect either to become the holder of the share or to transfer the share and, if the notice is not complied with within 60 clear days from the date of the notice, the Board may withhold payment of all dividends and other monies payable in respect of the share until he complies with the notice.

7. ALTERATION OF CAPITAL

24. Fractions

- 24.1 Whenever as a result of a consolidation, division or sub-division of shares any member would become entitled to fractions of a share, the Board may deal with the fractions as it thinks fit and, in particular, may sell the shares representing the fractions to any person (including, subject to the Statutes, the Company) and may distribute the net proceeds of sale in due proportion among those members except for amounts of £5.00 or less, which shall be retained for the benefit of the Company. To give effect to any such sale, the Board may authorise and instruct a person to take such steps as may be necessary (subject, in the case of shares held in uncertificated form, to the system's rules) to transfer or deliver the shares to, or in accordance with the directions of, the purchaser. Subject to the Statutes, where a shareholder holds shares in both certificated and uncertificated form, the Board may for these purposes treat them as separate holdings, and may at its discretion arrange for any shares representing fractions to be entered in the Register as held in certificated or uncertificated form in order to facilitate their sale under this Article. The transferee shall not be bound to see to the application of the purchase money and his title shall not be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

8. PURCHASE OF OWN SHARES AND DISSENT RIGHTS

25. Purchase of own shares

- 25.1 Subject to and in accordance with the provisions of the Statutes and to any rights conferred on the holders of any class of shares, the Company may purchase any of its shares of any class (including without limitation redeemable shares) in any way and at any price (whether at par or above or below par) and may hold such shares as treasury shares.
- 25.2 On a purchase by the Company of its own shares, neither the Company nor the Board shall be required to select the shares to be purchased rateably or in any particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital attached to any class of shares.

26. Dissent Rights

- 26.1 A holder of shares of any class of the Company entitled to vote with respect to the approval of a matter referred to below in this Article 26.1 may dissent if the Company resolves to:
- 26.1.1 amend these Articles to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

- 26.1.2 amend these Articles to add, change or remove any restriction on the business or businesses that the Company may carry on;
- 26.1.3 amalgamate or merge with another company other than a wholly-owned subsidiary;
- 26.1.4 be continued under the laws of another jurisdiction;
- 26.1.5 sell, lease or exchange all or substantially all its property under Article 120.2;
- 26.1.6 carry out a going-private transaction; or
- 26.1.7 amend these Articles to:
 - (a) add, change or remove the rights, privileges, restrictions or conditions attached to the shares of such class pursuant to Article 9 including, without limiting the generality of the foregoing, to:
 - (i) remove or change prejudicially rights to accrued dividends or rights to cumulative dividends;
 - (ii) add, remove or change prejudicially redemption rights;
 - (iii) reduce or remove a dividend preference or a liquidation preference; or
 - (iv) add, remove or change prejudicially conversion privileges, options, voting, transfer or pre-emptive rights, or rights to acquire securities of a corporation, or sinking fund provisions;
 - (b) increase the rights or privileges of any class of shares having rights or privileges equal or superior to the shares of such class;
 - (c) make any class of shares having rights or privileges inferior to the shares of such class equal or superior to the shares of such class;
 - (d) effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class; or
 - (e) constrain the issue, transfer or ownership of the shares of such class or change or remove such constraint,

and the Board shall take all reasonable steps to include as part of any special resolution, or together with any ordinary resolution, proposed and put before holders to approve such a matter, a special resolution, in accordance with the requirement set out in Article 26.26, to sanction the purchase by the Company of any dissenting holder's shares that the Company is obliged to make an offer to purchase in accordance with this Article 26.

- 26.2 The right to dissent applies even if there is only one class of shares.
- 26.3 In addition to any other right the holder may have, but subject to Article 26.26, a holder who complies with this Article is entitled, when the action approved by the resolution from which the holder dissents becomes effective, to be paid by the Company the fair value of the shares in respect of which the holder dissents, determined as of the close of business on the day before the resolution was adopted.

- 26.4 A dissenting holder may only claim under this Article with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting holder.
- 26.5 A dissenting holder shall send to the Company, at or before any meeting of holders at which a resolution referred to in Article 26.1 is to be voted on, a written objection to the resolution, unless the Company did not give notice to the holder of the purpose of the meeting and of their right to dissent.
- 26.6 The Company shall, within ten days after the holders adopt the resolution, send to each holder who has filed the objection referred to in Article 26.5 notice that the resolution has been adopted, but such notice is not required to be sent to any holder who voted for the resolution or who has withdrawn their objection.
- 26.7 A dissenting holder shall, within twenty days after receiving a notice under Article 26.6 or, if the holder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the Company a written notice containing
- 26.7.1 the holder's name and address;
 - 26.7.2 the number and class of shares in respect of which the holder dissents; and
 - 26.7.3 a demand for payment of the fair value of such shares.
- 26.8 A dissenting holder shall, within thirty days after sending a notice under Article 26.7, send the certificates representing the shares in respect of which the holder dissents to the Company or its transfer agent.
- 26.9 A dissenting holder who fails to comply with Article 26.8 has no right to make a claim under this Article.
- 26.10 The Company or its transfer agent shall endorse on any share certificate received under Article 26.8 a notice that the holder is a dissenting holder and shall forthwith return the share certificates to the dissenting holder.
- 26.11 On sending a notice under Article 26.7, a dissenting holder ceases to have any rights as a holder other than to be paid the fair value of their shares as determined under this Article 26 except where:
- 26.11.1 the holder withdraws that notice before the Company makes an offer under Article 26.12;
 - 26.11.2 the Company fails to make an offer in accordance with Article 26.12 and the holder withdraws the notice; or
 - 26.11.3 the Directors revoke the resolution to amend the Articles, terminate an amalgamation agreement or an application for continuance, or abandon a sale, lease or exchange,
- in which case the holder's rights are reinstated as of the date the notice was sent.
- 26.12 The Company shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the Company received the notice referred to in Article 26.7, send to each dissenting holder who has sent such notice:

- 26.12.1 a written offer to pay for their shares in an amount considered by the Directors to be the fair value, accompanied by a statement showing how the fair value was determined; or
 - 26.12.2 if Article 26.26 applies, a notification that it is unable lawfully to pay dissenting holders for their shares.
- 26.13 Every offer made under Article 26.12 for shares of the same class or series shall be on the same terms.
- 26.14 Subject to Article 26.26, the Company shall pay for the shares of a dissenting holder within ten days after an offer made under Article 26.12 has been accepted, but any such offer lapses if the Company does not receive an acceptance thereof within thirty days after the offer has been made.
- 26.15 Where the Company fails to make an offer under Article 26.12, or if a dissenting holder fails to accept an offer, the Company may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting holder.
- 26.16 If the Company fails to apply to the court under Article 26.15, a dissenting holder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.
- 26.17 An application under Article 26.15 or Article 26.16 shall be made to the Royal Court of Jersey.
- 26.18 A dissenting holder is not required to give security for costs in an application made under Article 26.15 or Article 26.16.
- 26.19 On an application to the court under Article 26.15 or Article 26.16:
 - 26.19.1 all dissenting holders whose shares have not been purchased by the Company shall be joined as parties and are bound by the decision of the court; and
 - 26.19.2 the Company shall notify each affected dissenting holder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.
- 26.20 On an application to the court under Article 26.15 or Article 26.16, the court may determine whether any other person is a dissenting holder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting holders.
- 26.21 The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting holders.
- 26.22 The final order of the court shall be rendered against the Company in favour of each dissenting holder and for the amount of the shares as fixed by the court.
- 26.23 The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting holder from the date the action approved by the resolution is effective until the date of payment.
- 26.24 If Article 26.26 applies, the Company shall, within ten days after the pronouncement of an order under Article 26.22, notify each dissenting holder that it is unable lawfully to pay dissenting holders for their shares.

- 26.25 If Article 26.26 applies, a dissenting holder, by written notice delivered to the Company within thirty days after receiving a notice under Article 26.24, may:
- 26.25.1 withdraw their notice of dissent, in which case the Company is deemed to consent to the withdrawal and the holder is reinstated to their full rights as a holder; or
 - 26.25.2 retain a status as a claimant against the Company, to be paid as soon as the Company is lawfully able to do so or, in liquidation, to be ranked subordinate to the rights of creditors of the Company but in priority to its holders.
- 26.26 The Company shall not purchase or make a payment to a dissenting holder under this Article unless the Company complies with article 57 of the Companies (Jersey) Law 1991, as amended; in other words, that the purchase has been sanctioned by a special resolution and that the Directors authorising the payment are able to make a statement of solvency as set out in article 55(9) of the Companies (Jersey) Law 1991, as amended.
- 26.27 For the purposes of this Article 26, “going-private transaction” means an amalgamation, arrangement, consolidation or other transaction involving the Company other than an acquisition of shares under article 117 of the Companies (Jersey) Law 1991, as amended, that results in the interest of a holder of participating securities of the Company being terminated without the consent of the holder and without the substitution of an interest of equivalent value in participating securities of the Company or of a body corporate that succeeds to the business of the Company, which participating securities have rights and privileges that are equal to or greater than the affected participating securities. For the purposes of the foregoing, “participating securities” means securities of a body corporate that give the holder of securities a right to share in the earnings of the body corporate and after the liquidation, dissolution or winding up of the body corporate, a right to share in its assets.

9. DISCLOSURE OF INTERESTS

27. Notice and disclosure obligations

- 27.1 The Company may give a disclosure notice to any person whom the Company knows or has reasonable cause to believe:
- 27.1.1 is interested in the Company's shares, or
 - 27.1.2 to have been so interested at any time during the three years immediately preceding the date on which the disclosure notice is issued (the “**disclosure period**”).
- 27.2 The disclosure notice may require the person:
- 27.2.1 to confirm that fact or (as the case may be) to state whether or not it is the case, and
 - 27.2.2 if he holds, or has during the disclosure period held, any such interest, to give such further information including in respect of any other person who has received a disclosure notice as may be required in accordance with the disclosure notice.
- 27.3 The notice may require the person to whom it is addressed to give particulars of his own present or past interest in the Company's shares held by him at any time during the disclosure period.
- 27.4 The notice may require the person to whom it is addressed, where:
- 27.4.1 his interest is a present interest and another interest in the shares subsists, or

27.4.2 another interest in the shares subsisted during the disclosure period at a time when his interest subsisted,

to give, so far as lies within his knowledge, such particulars with respect to that other interest as may be required by the notice.

27.5 The particulars referred to in Article 27.4 above include without limitation:

27.5.1 the identity of persons interested in the shares in question; and

27.5.2 whether persons interested in the same shares are or were parties to:

(a) an agreement to acquire interests in a particular company; or

(b) an agreement or arrangement relating to the exercise of any rights conferred by the holding of the shares; or

(c) the nature and extent of any interest in the shares.

27.6 The notice may require the person to whom it is addressed, where his interest is a past interest, to give (so far as lies within his knowledge) particulars of the identity of the person who held that interest immediately upon his ceasing to hold it.

27.7 The information required by the notice must be given within such reasonable time as may be specified in the notice.

27.8 The Company will keep a register of information received pursuant to this Article 27. The Company will within three days of receipt of such information enter on the register:

27.8.1 the fact the requirement was imposed and the date it was imposed; and

27.8.2 the information received in pursuance of the requirement.

27.9 If a disclosure notice is given by the Company to a person appearing to be interested in any share, a copy shall at the same time be given to the holder of the relevant share, but the accidental omission to do so or the non-receipt of the copy by the holder of the relevant share shall not prejudice the operation of the following provisions of this Article.

27.10 If the holder of, or any person appearing to be interested in, any share has been served with a disclosure notice and, in respect of that share (a “**default share**”), has been in default for the relevant period in supplying to the Company the information required by the disclosure notice, the restrictions referred to in Article 27.11 below shall apply. Those restrictions shall continue until:

27.10.1 the date seven days after the date on which the Board is satisfied that the default is remedied; or

27.10.2 the Company is notified that the default shares are the subject of an exempt transfer; or

27.10.3 the Board decides to waive those restrictions, in whole or in part.

27.11 The restrictions referred to in Article 27.10 above are as follows:

- 27.11.1 if the default shares in which any one person is interested or appears to the Company to be interested represent less than 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting or at any separate general meeting of the holders of any class of shares in the Company, or to exercise any other right conferred by membership in relation to meetings of the Company; or
- 27.11.2 if the default shares in which any one person is interested or appears to the Company to be interested represent at least 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled unless otherwise determined by the Board from time to time, in respect of those shares:
- (a) to attend or to vote, either personally or by proxy, at any general meeting or at any separate general meeting of the holders of any class of shares in the Company, or to exercise any other right conferred by membership in relation to meetings of the Company; or
 - (b) to receive any payment by way of dividend and no share shall be allotted in lieu of payment of a dividend; or
 - (c) to transfer or agree to transfer any of those shares or any rights in them.
- 27.12 The restrictions in Articles 27.11.1 and 27.11.2 above shall not prejudice the right of either the member holding the default shares or, if different, any person having a power of sale over those shares to sell or agree to sell those shares under an exempt transfer.
- 27.13 Any disclosure notice shall cease to have effect in relation to any shares transferred by the holder of such shares in accordance with the provisions in Article 27.12 above.
- 27.14 If any dividend or other distribution is withheld under Article 27.11.2 above, the member shall be entitled to receive it as soon as practicable after the restrictions contained in Article 27.11.2 cease to apply.
- 27.15 If, while any of the restrictions referred to above apply to a share, another share is allotted or offered in right of it (or in right of any share to which this paragraph applies), the same restrictions shall apply to that other share as if it were a default share. For this purpose, shares which the Company allots, or procures to be offered, *pro rata* (disregarding fractional entitlements and shares not offered to certain members by reason of legal or practical problems associated with issuing or offering shares outside Jersey, Canada or the United Kingdom) to holders of shares of the same class as the default share shall be treated as shares allotted in right of existing shares from the date on which the allotment is unconditional or, in the case of shares so offered, the date of the acceptance of the offer.
- 27.16 For the purposes of Articles 27.1 to 27.15:
- 27.16.1 an “**exempt transfer**” in relation to any share is a transfer pursuant to:
- (a) a sale of the share on a regulated market or an exchange regulated market in the United Kingdom on which shares of that class are listed or normally traded; and/or
 - (b) a sale of the whole beneficial interest in the share to a person whom the Board is satisfied is unconnected with the existing holder or with any other person appearing to be interested in the share; or

- (c) acceptance of a takeover offer;
- 27.16.2 the “**relevant period**” shall be, in a case falling within Article 27.11.1 above, 28 days and, in a case falling within paragraph 27.11.2 above, 14 days after the date of service of the disclosure notice;
- 27.16.3 the percentage of the issued shares of a class represented by a particular holding shall be calculated by reference to the shares in issue at the time when the disclosure notice is given; and
- 27.16.4 a person shall be treated as being interested or having an interest in shares where they have any direct or indirect interest whether contingent or otherwise in such shares whether by way of legal title or beneficial interest (whether by way of trust instrument, deed or otherwise) or arising by virtue of any contract, agreement, instrument, security, securities (in whatever form and whether publicly traded or not), trust, nominee or any other form of arrangement whatsoever (including, without limitation, by virtue of any warrant, option, derivative, conversion right or by virtue of any other instrument or agreement of a similar nature) and whether formal or informal in nature.
- 27.17 Without limiting Articles 27.1 to 27.16, each holder of shares shall be under an obligation to make notifications in accordance with the provisions of this Article.
- 27.18 The provisions of Chapter 5 of the Disclosure and Transparency Rules (“**DTR5**”) shall be deemed to be incorporated by reference into these Articles and accordingly the vote holder and issuer notification rules set out in DTR5 shall apply to the Company and each holder of shares.
- 27.19 For the purposes of the incorporation by reference of DTR5 into these Articles and the application of DTR5 to the Company and each holder of shares, the Company shall (for the purposes of Article 27 only) be deemed to be an “**issuer**”, as such term is defined in DTR5 and not, for the avoidance of doubt, a “**non-UK issuer**” (as such terms in defined in DTR5).
- 27.20 For the purposes of Articles 27.17 to 27.20 only, defined terms in DTR5 shall bear the meaning set out in DTR5, and if the meaning of a defined term is not set out in DTR5, the defined term shall bear the meaning set out in the glossary to the Handbook (in such case, read as the definition applicable to DTR5).
- 27.21 If the Company determines that a holder of shares (a “**Defaulting Shareholder**”) has not complied with the provisions of DTR5, referred to above with respect to some or all of such shares held by such holder of shares (the “**Default Shares**”), the Company shall have the right by delivery of notice to the Defaulting Shareholder (a “**Default Notice**”) to:
- 27.21.1 suspend the right of such Defaulting Shareholder to vote the Default Shares in person or by proxy at any meeting of the Company. Such a suspension shall have effect from the date on which the Default Notice is delivered by the Company to the Defaulting Shareholder until a date that is not more than 7 days after the Board has determined in its sole discretion that the Defaulting Shareholder has cured the non-compliance with the provisions of DTR5, provided however that the Company may at any time by subsequent written notice cancel or suspend the operation of a Default Notice; and/or
- 27.21.2 withhold, without any obligation to pay interest thereon, any dividend or other amount payable with respect to the Default Shares with such amount to be payable only after the Default Notice ceases to have effect with respect to the Default Shares; and/or

- 27.21.3 render ineffective any election to receive shares of the Company instead of cash in respect of any dividend or part thereof; and/or
- 27.21.4 prohibit the transfer of any shares of the Company held by the Defaulting Shareholder except with the consent of the Company or if the Defaulting Shareholder can provide satisfactory evidence to the Company to the effect that, after due inquiry, such Shareholder has determined that the Shares to be transferred are not Default Shares.
- 27.22 The Company shall use its reasonable endeavours to procure that persons discharging managerial responsibilities (as that term is defined in the Disclosure and Transparency Rules) comply with Chapter 3 of the Disclosure and Transparency Rules.

10. GENERAL MEETINGS

28. Convening general meetings

- 28.1 The Board may convene a general meeting whenever it thinks fit and shall do so on requisition in accordance with the Statutes except that a "members' requisition" in article 89 of the Companies (Jersey) Law 1991 shall be read as a requisition of members of the Company holding at the date of the deposit of the requisition not less than one-twentieth rather than one-tenth of the total voting rights of the members who have the right to vote at the meeting requisitioned.
- 28.2 The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and shall specify the meeting as such in the notice calling it. Not more than 13 months shall elapse between the date of one annual general meeting and the date of the next.

11. NOTICE OF GENERAL MEETINGS

29. Length of notice period

- 29.1 Any general meeting (including an annual general meeting) shall be convened by at least 21 clear days' notice. Subject to these Articles and to any restrictions imposed on any shares, the notice shall be given to all the members, to all transmittes and to the Directors and Auditors.
- 29.2 Notwithstanding that a general meeting is called by shorter notice than that specified in Article 29.1, it is deemed to have been duly called if it is so agreed by all the members entitled to attend and vote thereat.

30. Contents of notices

- 30.1 Every notice calling a general meeting shall specify:
- 30.1.1 the place, the day and the time of the meeting and the general nature of the business to be transacted;
- 30.1.2 (if such is the case) that the meeting is an annual general meeting and, if the notice is given more than six weeks before the annual general meeting, a statement of the right to require notice of a resolution to be moved or a matter to be included in the business of the meeting;
- 30.1.3 (if such is the case) that the meeting is convened to pass a special resolution;

- 30.1.4 with reasonable prominence that a member is entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote at the meeting, that a proxy need not be a member, and the address or addresses where appointments of proxy are to be deposited, delivered or received insofar as any such address is other than the postal address of the Office;
- 30.1.5 the address of the website on which relevant information (if any) has been published in advance of the meeting;
- 30.1.6 the procedures with which members must comply, and when, in order to be able to attend and vote at the meeting.
- 30.1.7 a statement of the right of members to ask questions.

31. Omission or non-receipt of notice

- 31.1 No proceedings at any meeting shall be invalidated by any accidental omission to give notice of the meeting, or to send an instrument of proxy, to any person entitled to receive it or, in the case of notice in electronic form or made available by means of a website, to invite any such person to appoint a proxy, or by reason of any such person not receiving any such notice, instrument or invitation.

32. Change of date, time or place of meeting

- 32.1 If for any reason the Board considers it impractical or undesirable to hold a meeting on the day, at the time or in the place specified in the notice calling the meeting it can change the date, time and place of the meeting (or whichever it requires), and may do so more than once in relation to the same meeting. References in these Articles to the time of the holding of the meeting shall be construed accordingly. The Board will, insofar as it is practicable, announce by advertisement in at least one newspaper with a national circulation the date, time and place of the meeting as changed, but it shall not be necessary to restate the business of the meeting in that announcement.

33. Members' power to include other matters in business dealt with at an annual general meeting

- 33.1 Members representing at least five per cent. of the total voting rights of all members who have a right to vote on the resolution at the annual general meeting to which the request relates (excluding any voting rights attached to any shares in the Company held as treasury shares), or not less than 100 members who have a relevant right to vote and who hold shares in the Company on which there has been paid up an average sum, per member, of at least £100, may require the Company to circulate, to members of the Company entitled to receive notice of the next annual general meeting, notice of a resolution which may be properly moved and is intended to be moved at that meeting and if so required the Company shall, unless the resolution:
 - 33.1.1 would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
 - 33.1.2 is defamatory of any person; or
 - 33.1.3 is frivolous or vexatious

give such notice in the same manner as set out in the provisions of sections 339(1) to 339(2) of the UK Companies Act 2006 as if it were a company incorporated in the United Kingdom to which such provisions apply.

- 33.2 A request by the members under Article 33.1 may be in hard copy or in electronic form and must:
- 33.2.1 identify the resolution of which notice is to be given;
 - 33.2.2 be authenticated (as defined in section 1146 of the UK Companies Act 2006) by the person or persons making it; and
 - 33.2.3 be received by the Company at least 90 days before the one year anniversary of the previous year's annual general meeting.
- 33.3 The business which may be dealt with at an annual general meeting includes a resolution of which notice is given in accordance with Article 33.1.
- 33.4 Where so requested by members representing at least five per cent. of the total voting rights of all members who have a relevant right to vote (excluding any voting rights attached to any shares in the Company held as treasury shares), or by not less than 100 members who have a relevant right to vote and who hold shares in the Company on which there has been paid up an average sum, per member, of at least £100, the Company shall circulate, to members of the Company entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to:
- 33.4.1 a matter referred to in a proposed resolution to be dealt with at that meeting; or
 - 33.4.2 other business to be dealt with at that meeting.
- 33.5 A request by the members under Article 33.4 may be in hard copy or in electronic form and must:
- 33.5.1 identify the statement to be circulated;
 - 33.5.2 be authenticated (as defined in section 1146 of the UK Companies Act 2006) by the person or persons making it; and
 - 33.5.3 be received by the Company by the date referred to in Article 33.2.3.
- 33.6 Where the Company is required under Article 33.4 to circulate a statement it must send a copy of it to each member of the Company entitled to receive notice of the meeting:
- 33.6.1 in the same manner as the notice of the meeting; and
 - 33.6.2 at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.
- 33.7 The expenses of the Company in complying with Article 33.4 need not be paid by the members who requested the circulation of the statement if:
- 33.7.1 the meeting to which the requests relate is the annual general meeting of the Company; and

- 33.7.2 requests sufficient to require the Company to circulate the statement are received before the end of the financial year preceding the meeting.
- 33.8 Unless Article 33.7 applies:
- 33.8.1 the expenses of the Company in complying with Article 33.4 must be paid by the members who requested the circulation of the statement unless the Company resolves otherwise; and
- 33.8.2 unless the Company has previously so resolved, it is not bound to comply with this Article unless there is deposited with or tendered to it, not later than the date referred to in Article 33.2.3, a sum reasonably sufficient to meet its expenses in doing so.
- 33.9 The Company may apply to the Royal Court of Jersey to seek a ruling that it is not required to circulate a members' statement under Article 33.4 on the basis that the rights under such Article are being abused.
- 33.10 In Article 33.4 "relevant right to vote" means:
- 33.10.1 in relation to a statement with respect to a matter referred to in a proposed resolution, a right to vote on that resolution at a meeting to which the requests relate; and
- 33.10.2 in relation to any other statement a right to vote at the meeting to which the requests relate.

34. Information rights

- 34.1 A member shall have the right to nominate another person, on whose behalf he holds shares, to enjoy information rights (as such term is defined in section 146 of the UK Companies Act 2006). The nominated person shall have the same rights as those contained in the provisions of section 146 to 149 (other than section 147(4)) of the UK Companies Act 2006, and the Company shall comply with all its obligations in respect of such information rights granted to a nominated person as if it were a company incorporated in the United Kingdom to which such provisions of the UK Companies Act 2006 apply provided that:
- 34.1.1 references to accounts, reports or other documents shall be construed as references to the corresponding documents (if any) under the Companies (Jersey) Law 1991;
- 34.1.2 references to section 1145 of the UK Companies Act 2006 shall not include sections 1145(4) and 1145(5); and
- 34.1.3 section 147(4) shall be replaced by the provisions of Article 136.20 with the reference to "member" being replaced by "nominated person".
- 34.2 This Article 34.2 applies to accounts for financial years beginning on or after 6 April 2008 and to auditors appointed for financial years beginning on or after 6 April 2008. Where so requested in the manner set out in section 527(4) of the UK Companies Act 2006 by members representing at least five per cent. of the total voting rights (excluding treasury shares) of all the members who have a right to vote at the general meeting at which the Company's annual accounts are laid, or by at least 100 members who have such right to vote and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100, the Company shall without prejudice to its obligations under the Companies (Jersey) Law 1991 publish on its website a statement setting out any matter relating to the audit of the Company's accounts or any circumstances connected with an auditor of the Company ceasing to hold office, and the Company shall comply with all the obligations relating to the publication of such statement

contained in the provisions of sections 527 to 529 (other than sections 527(5) and 527(6)) of the UK Companies Act 2006 as if it were a company incorporated in the United Kingdom, provided always that the Company shall not be required to comply with the obligation set out in section 527(1) of the UK Companies Act 2006 where the Board believes in good faith that the rights conferred by this Article 34.2 are being abused.

12. PROCEEDINGS AT GENERAL MEETINGS

35. Quorum

- 35.1 No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting. Except as otherwise provided by these Articles, two members entitled to vote at the meeting present in person or by proxy together holding or representing by proxy not less than five per cent. of the issued shares shall be a quorum for all purposes.

36. Procedure if quorum not present

- 36.1 If within five minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) after the time appointed for the commencement of the meeting a quorum is not present, the meeting shall (if requisitioned in accordance with the Statutes or these Articles) be dissolved or (in any other case) stand adjourned to such other day (not being less than ten clear days nor more than 28 days later) and at such time and place as the chairman of the meeting may decide and at such adjourned meeting one member present in person or by proxy (whatever the number of shares held by him) and entitled to vote shall be a quorum.
- 36.2 The Company shall give not less than seven clear days' notice of any meeting adjourned through want of a quorum and the notice shall specify that one member present in person or by proxy (whatever the number of shares held by him) and entitled to vote shall be a quorum.

37. Chairman of general meeting

- 37.1 The chairman (if any) of the Board or, in his absence, the deputy chairman (if any) shall preside as chairman at every general meeting. If there is no such chairman or deputy chairman, or if at any meeting neither the chairman nor a deputy chairman is present within five minutes after the time appointed for the commencement of the meeting, or if neither of them is willing to act as chairman, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman, if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, the persons present and entitled to vote shall elect one of their number to be chairman.
- 37.2 The chairman of the meeting may invite any person to attend and speak at any general meeting of the Company whom he considers to be equipped by knowledge or experience of the Company's business to assist in the deliberations of the meeting.
- 37.3 The decision of the chairman of the meeting as to points of order, matters of procedure or arising incidentally out of the business of a general meeting shall be conclusive, as shall be his decision, acting in good faith, on whether a point or matter is of this nature.

38. Attendance and speaking at general meetings

- 38.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 38.2 A person is able to exercise the right to vote at a general meeting when:
- 38.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
 - 38.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 38.3 The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 38.4 Each Director shall be entitled to attend and to speak at any general meeting of the Company and at any separate general meeting of the holders of any class of shares or debentures in the Company.

39. Meeting at more than one place and/or in a series of rooms

- 39.1 A general meeting or adjourned meeting may be held at more than one place. The notice of meeting will specify the place at which the chairman will be present (the "Principal Place") and a letter accompanying the notice will specify any other place(s) at which the meeting will be held simultaneously (but any failure to do this will not invalidate the notice of meeting).
- 39.2 A general meeting or adjourned meeting will be held in one room or a series of rooms at the place specified in the notice of meeting or any other place at which the meeting is to be held simultaneously.
- 39.3 If the meeting is held in more than one place and/or in a series of rooms, it will not be validly held unless all persons entitled to attend and speak at the meeting are able:
- 39.3.1 if excluded from the Principal Place or the room in which the chairman is present, to attend at one of the other places or rooms; and
 - 39.3.2 to communicate with one another audio-visually throughout the meeting.
- 39.4 The Board may make such arrangements as it thinks fit for simultaneous attendance and participation at the meeting and may vary any such arrangements or make new arrangements. Arrangements may be notified in advance or at the meeting by whatever means the Board thinks appropriate to the circumstances. Each person entitled to attend the meeting will be bound by the arrangements made by the Board.
- 39.5 Where a meeting is held in more than one place and/or a series of rooms, then for the purpose of these Articles the meeting shall consist of all those persons entitled to attend and participate in the meeting who attend at any of the places or rooms.

40. Security arrangements

- 40.1 The Board may direct that persons entitled to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate

in the circumstances and the Board may in its absolute discretion refuse entry to such general meeting to any person who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions. If any person has gained entry to a general meeting and refuses to comply with any such security arrangements or restrictions or disrupts the proper and orderly conduct of the general meeting, the chairman of the meeting may at any time without the consent of the general meeting require such person to leave or be removed from the meeting.

41. Adjournments

41.1 The chairman of the meeting may at any time without the consent of the meeting adjourn any meeting (whether or not it has commenced or a quorum is present) either indefinitely or to such time and place as he may decide if it appears to him that:

41.1.1 the persons entitled to attend cannot be conveniently accommodated in the place appointed for the meeting;

41.1.2 the conduct of persons present prevents, or is likely to prevent, the orderly continuation of business; or

41.1.3 an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.

41.2 In addition, the chairman of the meeting may at any time with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting either indefinitely or to such time and place as he may decide. When a meeting is adjourned indefinitely the time and place for the adjourned meeting shall be fixed by the Board.

41.3 No business shall be transacted at any adjourned meeting except business which might properly have been transacted at the meeting had the adjournment not taken place.

42. Notice of adjourned meeting

42.1 If a meeting is adjourned indefinitely or for 30 days or more or for lack of a quorum, at least seven clear days' notice specifying the place, the day and the time of the adjourned meeting shall be given, but it shall not be necessary to specify in the notice the nature of the business to be transacted at the adjourned meeting. Otherwise, it shall not be necessary to give notice of an adjourned meeting.

13. VOTES OF MEMBERS

43. Method of voting

43.1 At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll a poll is duly demanded. Subject to the Statutes, a poll may be demanded by:

43.1.1 the chairman of the meeting;

43.1.2 at least five members or proxies entitled to vote on the resolution;

43.1.3 any member or proxy alone or together with one or more others representing in aggregate at least one-tenth of the total voting rights of all the members having the right to attend and vote on the resolution (excluding any voting rights attached to any shares held as treasury shares); or

43.1.4 any member or proxy alone or together with one or more others holding or having been appointed in respect of shares conferring a right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right (excluding any voting rights attached to any shares held as treasury shares).

43.2 Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman of the meeting that a resolution has been carried or carried unanimously or by a particular majority or not carried by a particular majority or lost and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

44. Votes of members

44.1 Subject to the Statutes, to any rights or restrictions attached to any shares and to any other provisions of these Articles, on a show of hands every member who is present in person shall have one vote and on a poll every member shall have one vote for every share of which he is the holder. If the notice of the meeting has specified a time (which is not more than 48 hours, ignoring any part of a day that is not a working day, before the time fixed for the meeting) by which a person must be entered on the Register in order to have the right to attend and vote at the meeting, no person registered after that time shall be eligible to attend and vote at the meeting by right of that registration, even if present at the meeting. References in these Articles to members present in person shall be construed accordingly.

45. Votes of joint holders

45.1 In the case of joint holders of a share who are entitled to vote the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the Register.

46. Votes of member suffering incapacity

46.1 A member in respect of whom an order has been made by any competent court or official on the ground that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so on his behalf and that person may vote on a poll by proxy. The vote of such member shall not be valid unless evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote is deposited at the Office, or at such other place as is specified in accordance with these Articles for the deposit of appointments of proxy in hard copy form, not later than the last time at which an appointment of proxy should have been delivered in order to be valid for use at that meeting or on the holding of that poll.

47. Votes on a poll

47.1 On a poll, a member entitled to more than one vote on a poll need not, if he votes, use all his votes or cast all the votes he uses in the same way.

48. Right to withdraw demand for a poll

48.1 The demand for a poll may, before the earlier of the close of the meeting and the taking of the poll, be withdrawn but only with the consent of the chairman of the meeting and, if a demand is withdrawn, any other persons entitled to demand a poll may do so. If a demand is withdrawn, it shall not be taken to have invalidated the result of a show of hands declared before the demand

was made. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the chairman of the meeting may give whatever directions he considers necessary to ensure that the business of the meeting proceeds as it would have if the demand had not been made.

49. Procedure if poll demanded

- 49.1 If a poll is duly demanded, it shall be taken in such manner as the chairman of the meeting directs and he may appoint scrutineers (who need not be persons entitled to vote) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

50. When poll to be taken

- 50.1 A poll demanded on the election of a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or on such date (being not more than 30 days after the poll is demanded) and at such time and place and in such manner or by such means as the chairman of the meeting directs. No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case, at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

51. Continuance of other business after poll demanded

- 51.1 The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded.

52. Proposal or amendment of resolution

- 52.1 A resolution proposed by the chairman of the meeting does not need to be seconded. In the case of a resolution duly proposed as a special resolution, no amendment to that resolution (other than an amendment to correct an obvious error) may be considered or voted upon. In the case of a resolution duly proposed as an ordinary resolution, no amendment to that resolution (other than an amendment to correct an obvious error) may be considered or voted upon unless at least 48 hours prior to the time appointed for holding the meeting or adjourned meeting at which such ordinary resolution is to be proposed notice of the terms of the amendment and of the intention to move the amendment has been lodged in writing in hard copy form at the Office or received in electronic form at the electronic address at which the Company has or is deemed to have agreed to receive it, or the chairman of the meeting in his absolute discretion decides in good faith that it may be considered and voted upon.

53. Amendment of resolution ruled out of order

- 53.1 If an amendment is proposed to any resolution under consideration which the chairman of the meeting rules out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

54. Objections or errors in voting

- 54.1 If:

54.1.1 any objection shall be raised to the qualification of any voter;

54.1.2 any votes have been counted which ought not to have been counted or which might have been rejected; or

54.1.3 any votes are not counted which ought to have been counted

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless it is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman of the meeting decides that the same may have affected the decision of the meeting. The decision of the chairman of the meeting on such matters shall be conclusive.

14. PROXIES

55. Execution of an appointment of proxy

55.1 If the appointment of a proxy is:

55.1.1 in hard copy form, it shall be executed under the hand of the appointor or of his attorney authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign it;

55.1.2 in electronic form, it shall be executed by or on behalf of the appointor.

55.2 Subject as provided in this Article, in the case of an appointment of proxy purporting to be executed on behalf of a corporation by an officer of that corporation it shall be assumed, unless the contrary is shown, that such officer was duly authorised to do so on behalf of that corporation without further evidence of that authorisation.

55.3 The Board may (but need not) allow proxy appointments to be made in electronic form, and if it does it may make such appointments subject to such stipulations, conditions or restrictions, and require such evidence of valid execution, as the Board thinks fit.

55.4 A proxy need not be a member of the Company.

56. Times for deposit of an appointment of proxy

56.1 The appointment of a proxy shall:

56.1.1 if in hard copy form, be deposited at the Office or at any office of the Company's registrar or transfer agent as is specified for the purpose in the notice convening the meeting or in the instrument not less than 48 hours, ignoring any part of a day that is not a working day, before the time of the holding of the meeting or adjourned meeting at which the person named in the appointment proposes to vote, or by such later time as is specified in the notice or instrument; or

56.1.2 if in electronic form, where an address has been specified for the purpose of receiving documents or information by electronic means:

(a) in the notice convening the meeting, or

(b) in any instrument of proxy sent out by the Company in relation to the meeting, or

(c) in any invitation to appoint a proxy by electronic means issued by the Company in relation to the meeting,

be received at such address not less than 48 hours, ignoring any part of a day that is not a working day, before the time for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote, or by such later time as is specified in the notice, instrument or invitation;

56.1.3 in the case of a poll taken more than 48 hours after it is demanded, be deposited or received in that manner after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll, or by such later time as may be specified for the purpose; or

56.1.4 where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, be delivered at the meeting at which the poll was demanded to the chairman of the meeting or to any Director,

provided in each case that the power of attorney or other authority (if any) under which it is signed, or a copy of such authority certified notarially or in some other way approved by the Board, has been received in hard copy form (or, to the extent the Directors think fit, in electronic form) at the Office, or at such other address or place as is specified for the purpose in the notice convening the meeting or in the instrument, no later than the latest time for receipt of the appointment of proxy. An appointment of proxy that is not deposited, delivered or received in a manner so permitted shall be invalid unless the chairman of the meeting in his absolute discretion decides in good faith that it may be accepted.

56.2 Except as provided otherwise in any terms and conditions issued, endorsed or adopted by the Board to facilitate the appointment by members of more than one proxy to exercise all or any of the member's rights at a meeting, when two or more valid but differing appointments of proxy are deposited, delivered or received in respect of the same share for use at the same meeting, the one which is last deposited, delivered or received (regardless of its date or of the date of execution) shall be treated as replacing the others as regards that share; if the Company is unable to determine which was last deposited, delivered or received, none of them shall be treated as valid in respect of that share. The deposit, delivery or receipt of an appointment of a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned.

57. Form of appointment of proxy

57.1 The appointment of a proxy shall be in any usual form or any other form that the Board may approve and may relate to more than one meeting. The Board may, if it thinks fit but subject to the Statutes, include with the notice of any meeting forms of appointment of proxy for use at the meeting.

57.2 Appointments of proxies may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions, but the Company shall not be obliged to ascertain that any proxy has complied with those or any other instructions given by the appointor and no decision on any resolution shall be vitiated by reason only that any proxy has not done so.

57.3 A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. The appointment of a proxy shall be deemed to include all the relevant member's rights to attend and speak at the meeting and vote in respect of the share or shares concerned (but so that each proxy appointed by that member may vote on a show of hands notwithstanding that the member would only have had one vote if voting in person, and may demand or join in demanding a poll as if the proxy held the share or shares concerned) and, except to the extent that the appointment comprises instructions to vote in a particular way, to permit the proxy to vote or abstain as the proxy thinks fit on any business properly dealt with at the meeting, including a vote on any amendment of a resolution put to the meeting or on any motion to adjourn.

57.4 On a vote on a resolution on a show of hands at a meeting, every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote, except that if the proxy has been duly appointed by more than one member entitled to vote on the resolution and:

57.4.1 has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it, or

57.4.2 has been instructed to vote the same way (either for or against) on the resolution by all of those members except those who have given the proxy discretion as to how to vote on the resolution

the proxy is entitled to one vote for and one vote against the resolution.

57.5 The appointment shall, unless the contrary is stated in it, be as valid for any adjournment of the meeting as for the meeting to which it relates (regardless of any change of date, time or place effected in accordance with these Articles).

58. Validity of proxy

58.1 Subject to the Statutes, a vote given or poll demanded by proxy shall be valid, notwithstanding the previous determination of the proxy's authority unless notice of such determination was received by the Company at the Office (or at such other place at which the appointment of proxy was duly deposited or, where the appointment of the proxy was in electronic form, at the address at which such appointment was duly received) not later than the last time at which an appointment of proxy should have been deposited, delivered or received in order to be valid for use at the meeting or on the holding of the poll at which the vote was given or the poll demanded.

59. Maximum validity of proxy

59.1 A valid appointment of proxy shall cease to be valid after the expiration of 12 months from the date of its execution except that it will remain valid after that for the purposes of a poll or an adjourned meeting if the meeting at which the poll was demanded or the adjournment moved was held within the 12-month period.

15. DIRECTORS

60. Number of Directors

60.1 Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two but shall not be subject to any maximum number.

61. No shareholding qualification for Directors

61.1 No shareholding qualification for Directors shall be required.

16. REMUNERATION OF DIRECTORS

62. Ordinary remuneration

62.1 Each of the Directors (other than any Director who for the time being holds an executive office or employment with the Company or a subsidiary of the Company) shall be paid a fee for his services at such rate as may from time to time be determined by the Board or by a committee authorised by the Board. Such fee shall be deemed to accrue from day to day.

63. Expenses

- 63.1 The Directors may be paid all travelling, hotel and other expenses properly incurred by them in the conduct of the Company's business performing their duties as Directors including all such expenses incurred in connection with attending and returning from meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company.

64. Extra remuneration

- 64.1 Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company or goes or resides abroad for any purposes of the Company shall receive such remuneration or extra remuneration by way of salary, commission, participation in profits or otherwise as the Board or any committee authorised by the Board may determine in addition to or in lieu of any remuneration paid to, or provided for, such Director by or pursuant to any other of these Articles.

17. EXECUTIVE DIRECTORS

65. Executive Directors

- 65.1 The Board or any committee authorised by the Board may from time to time appoint one or more of its body to hold any employment or executive office with the Company for such period and on such other terms as the Board or any committee authorised by the Board may decide and may revoke or terminate any appointment so made. Any revocation or termination of the appointment shall be without prejudice to any claim for damages that the Director may have against the Company or that the Company may have against the Director for any breach of any contract of service between him and the Company. A Director so appointed may be paid such remuneration (whether by way of salary, commission, participation in profits or otherwise) in such manner as the Board or any committee authorised by the Board may decide.
- 65.2 The Board may from time to time appoint any person to any office or employment having a descriptive designation or title including the word "director" or attach to any existing office or employment with the Company such a designation or title and may at any time determine any such appointment or the use of any such designation or title. The inclusion of the word "director" in the designation or title of any such office or employment with the Company shall not imply that the holder of the office is a director of the Company nor shall such holder thereby be empowered in any respect to act as a director of the Company or be deemed to be a Director for any of the purposes of the Statutes or these Articles.

18. POWERS AND DUTIES OF DIRECTORS

66. General powers of the Company vested in the Board

- 66.1 The business of the Company shall be managed by the Board, which, subject to these Articles and any direction given by the Company by special resolution, may exercise all the powers of the Company. No alteration of these Articles and no such direction shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that direction had not been given.
- 66.2 The powers given by this Article shall not be limited by any special power given to the Board by any other Article.

19. DELEGATION OF DIRECTORS' POWERS

67. Agents

- 67.1 The Board may, by power of attorney or otherwise, appoint any person to be the agent of the Company on such terms (including terms as to remuneration) and subject to such conditions as it may decide and may delegate to any person so appointed any of its powers, authorities and discretions (with power to sub-delegate). The Board may remove any person so appointed and may revoke or vary the delegation but no person dealing in good faith and without notice of the revocation or variation shall be affected by it.
- 67.2 The power to delegate contained in this Article shall be effective in relation to the powers, authorities and discretions of the Board generally and shall not be limited by the fact that in certain Articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the Board or by committee authorised by the Board.

68. Delegation to individual Directors

- 68.1 The Board may entrust to and confer upon a Director any of its powers, authorities and discretions (with power to sub-delegate) upon such terms (subject to the Statutes) and subject to such conditions and with such restrictions as it may decide. The Board may from time to time revoke or vary all or any of them but no person dealing in good faith and without notice of the revocation or variation shall be affected by it.
- 68.2 The power to delegate contained in this Article shall be effective in relation to the powers, authorities and discretions of the Board generally and shall not be limited by the fact that in certain Articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the Board or by a committee authorised by the Board.

69. Delegation to committees

- 69.1 The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee consisting of such person or persons as it thinks fit (whether a member or members of its body or not) provided that the majority of the members of the committee are Directors. Subject to any restriction on sub-delegation imposed by the Board, any committee so formed may exercise its power to sub-delegate by sub-delegating to any person or persons (whether or not a member or members of the Board or of the committee). Subject to any regulations imposed on it by the Board, the proceedings of any committee consisting of two or more members shall be governed by the provisions in these Articles for regulating proceedings of the Board so far as applicable except that no meeting of that committee shall be quorate for the purpose of exercising any of its powers, authorities or discretions unless a majority of the committee present at the meeting are Directors. A member of a committee shall be paid such remuneration (if any) in such manner as the Board may decide, and, in the case of a Director, either in addition to or in place of his ordinary remuneration as a Director.
- 69.2 The power to delegate contained in this Article shall be effective in relation to the powers, authorities and discretions of the Board generally and shall not be limited by the fact that in certain of these Articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the Board or by a committee authorised by the Board.

20. SPECIFIC POWERS

70. Provision for employees

- 70.1 The Board may make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

71. Borrowing Powers

- 71.1 The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Statutes, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.
- 71.2 The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of such rights or powers of control the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Group (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the Adjusted Capital and Reserves.

- 71.3 For the purposes of this Article:

71.3.1 “the Adjusted Capital and Reserves” means the aggregate of:

- (a) the amount paid up on the share capital of the Company;
- (b) the amounts standing to the credit of the capital and revenue reserves of the Company and its subsidiary undertakings (including any capital redemption reserve, redenomination reserve, reserves arising on a revaluation of fixed assets or on consolidation and any credit balance on profit and loss account); and
- (c) the amounts, so far as attributable to the Company or a subsidiary undertaking, standing to the credit of investment grants equalisation account, deferred regional development grants equalisation account or any other equalisation account of a similar nature;

as shown by the then latest audited balance sheet but after:

- (d) excluding (so far as not already excluded) any sums set aside for taxation;
- (e) making such adjustments as may be appropriate to reflect any variation in the amount of the paid up share capital or reserves since the date of the relevant audited balance sheet and any variation in the amounts attributable to the interest of the Company in the share capital of any subsidiary undertaking and so that for this purpose if any issue or proposed issue of shares by a member of the Group for cash has been underwritten then such shares shall be deemed to have been issued and the amount (including any premium) of the subscription monies payable in respect thereof (not being monies payable later than six months after the date of allotment) shall to the extent so underwritten be deemed to have been paid up on the date when

the issue of such shares was underwritten (or, if such underwriting was conditional, on the date when it became unconditional); and

- (f) making such adjustments as may be appropriate in respect of any distribution declared, recommended or made by any member of the Group (otherwise than to a member of the Group) out of profits earned up to and including the date of the audited balance sheet of the Group to the extent that such distribution is not provided for in such balance sheet;
- (g) deducting the amount of any debit balance on profit and loss account existing at the date of the relevant audited balance sheet to the extent that a deduction has not already been made on that account;
- (h) deducting any amounts shown as attributable to minority interests;
- (i) adding back, if it is a liability, or deducting, if it is an asset, the amount (net of any related deferred tax asset or liability, as the case may be) that relates to any defined benefit pension scheme;
- (j) adding back sums equivalent to the amount of goodwill arising on acquisitions of companies and businesses remaining part of the Group at the date of calculation and which, at that date, had been written off against share capital and reserves in accordance with United Kingdom accounting practice; and
- (k) making such other (if any) adjustments as the Auditors after consultation with the Board may consider appropriate.

71.3.2 “borrowings” include not only items referred to as borrowings in the audited balance sheet but also the following, except in so far as otherwise taken into account:

- (a) the principal amount of any debentures or borrowed monies of any person, the beneficial interest in which is not for the time being owned by a member of the Group, and the payment or repayment of which is the subject of a guarantee or indemnity by a member of the Group or is secured on the assets of any member of the Group;
- (b) the outstanding amount raised by acceptances by any bank or accepting house under any acceptance credit opened on behalf of and in favour of any member of the Group, not being acceptances of trade bills for the purchase of goods or services in the ordinary course of business;
- (c) the principal amount of any debenture (whether secured or unsecured) of a member of the Group, which debenture is owned otherwise than by another member of the Group Provided that where the amount raised by the Company or any of its subsidiary undertakings by the issue of any debentures, debenture stocks, loan stocks, bonds, notes or other indebtedness is less than the nominal or principal amount thereof (including for these purposes any fixed or minimum premium payable on final redemption or repayment but disregarding the expenses of any such issue) the amount to be treated as monies borrowed for the purpose of this Article shall, so long as the nominal or principal amount of such monies borrowed is not presently due and payable, be the nominal or principal amount thereof (together with any fixed or minimum premium payable on final redemption or repayment) but after deducting therefrom the unexpired portion of any

discount applied to such amount in the audited balance sheet of the Group. Any references in this Article to debentures or monies borrowed or the nominal or principal amount thereof shall, accordingly, be read subject to this sub-paragraph;

- (d) the principal amount of any preference share capital of any subsidiary undertaking owned otherwise than by a member of the Group;
- (e) any fixed or minimum premium payable on the repayment of any borrowing or deemed borrowing; and
- (f) the capital value of any financial lease required to be capitalised and treated as a liability in the audited balance sheet by any applicable accounting standard from time to time in force,

but do not include:

- (g) monies borrowed by a member of the Group for the purpose of repaying the whole or any part of any borrowings of such member of the Group or any other member of the Group for the time being outstanding and so to be applied within six months of being so borrowed, pending their application for such purpose within such period;
- (h) monies borrowed by a member of the Group for the purpose of financing any contract in respect of which any part of the price receivable by that member or any other member of the Group is guaranteed or insured by the Export Credits Guarantee Department, or by any other governmental department or agency fulfilling a similar function, up to an amount equal to that part of the price receivable under the contract which is so guaranteed or insured;
- (i) for a period of 12 months from the date upon which a company becomes a member of the Group, an amount equal to the monies borrowed by such company outstanding at the date when it becomes such a member provided always that monies borrowed by the Group (including monies otherwise excluded by the application of this sub-paragraph) must not exceed an amount equal to three times the Adjusted Capital and Reserves;
- (j) an amount equal to the minority proportion of monies borrowed by a partly owned subsidiary of the Group (after excluding any monies borrowed owing between members of the Group) except to the extent that such monies borrowed are guaranteed by the Company or any wholly owned subsidiary undertaking of the Company. For these purposes the minority proportion shall be the proportion of the issued equity share capital of such partly owned subsidiary which is not for the time being beneficially owned within the Group. Monies borrowed by a member of the Group from a partly owned subsidiary of the Group which would fall to be excluded as being monies borrowed owing between members of the Group shall nevertheless be included to the extent of an amount equal to such minority proportion of such monies borrowed; and
- (k) sums advanced or paid to any member of the Group (or its agents or nominee) by customers of any member of the Group as unexpended customer receipts or progress payments pursuant to any contract between such customer and a member of the Group in relation thereto;

provided that, in calculating borrowings under this Article there shall be credited (subject, in the case of any item held or deposited by a partly owned subsidiary undertaking, to the exclusion of a proportion thereof equal to the proportion of the issued equity share capital of the partly owned subsidiary undertaking which is not attributable to the Company or any subsidiary undertaking of the Company) against the amount of any monies borrowed the aggregate of:

- (i) cash in hand of the Group; and
- (ii) cash deposits and the balance on each current account of the Group with banks in the United Kingdom and/or elsewhere if the remittance of the cash to the United Kingdom is not prohibited by any law, regulation, treaty or official directive; and
- (iii) the amount of all assets ("short term assets") as might be included in "Investments - short term loans and deposits" in a consolidated balance sheet of the Group prepared as at the date of the relevant calculation in accordance with the principles with which the then latest audited balance sheet was produced; and
- (iv) the amount of any cash or short term assets securing the repayment by the Group of any amount borrowed by the Group deposited or otherwise placed with the trustee, agent, lender or similar entity in respect of the relevant borrowing; and

71.3.3 where the aggregate principal amount of borrowings required to be taken into account for the purposes of this Article on any particular date is being ascertained:

- (a) monies borrowed by the Company or any subsidiary undertaking expressed in or calculated by reference to a currency other than sterling shall be converted into sterling by reference to the rate of exchange used for the conversion of such currency in preparation of the audited balance sheet which forms the basis of the calculation of the Adjusted Capital and Reserves or, if such calculation did not involve the relevant currency, by reference to the rate of exchange or approximate rate of exchange ruling as at the date of the aforesaid audited balance sheet as the Auditors may consider appropriate for this purpose; and
- (b) if under the terms of any borrowing or as the result of any exchange cover scheme, forward currency contract, option or other arrangement, the amount of money that would be required to discharge the principal amount of such borrowing in full if it fell to be repaid (at the option of the Company or by reason of default) on such date is less than the amount that would otherwise be taken into account in respect of such borrowing for the purpose of this Article, the amount of such borrowing to be taken into account for the purpose of this Article shall be such lesser amount;

71.3.4 "audited balance sheet" means the audited balance sheet of the Company prepared for the purposes of the Statutes or, if an audited consolidated balance sheet of the Company and its subsidiary undertakings (with such exceptions as may be permitted in the case of a consolidated balance sheet prepared for the purposes of the Statutes) has been prepared for those purposes for the same financial year, means that audited consolidated balance sheet in which event all references to reserves and profit and loss account shall be deemed to be references to consolidated reserves and consolidated profit and loss account respectively and there shall be excluded any amounts attributable to outside interests in subsidiary undertakings;

- 71.3.5 the Company may from time to time change the accounting convention on which the audited balance sheet is based, provided that any new convention adopted complies with the requirements of the Statutes; if the Company should prepare its main audited balance sheet on the basis of one such convention, but a supplementary audited balance sheet or statement on the basis of another, the main audited balance sheet shall be taken as the audited balance sheet for the purposes of this Article;
- 71.3.6 no amount shall be taken into account more than once in the same calculation; and
- 71.3.7 “the Group” means the Company and its subsidiary undertakings (if any) other than those subsidiary undertakings authorised or required to be excluded from consolidation in the Company’s group accounts pursuant to the Statutes.
- 71.4 The report of a suitably qualified accountant, such suitability to be determined by the Board, as to the amount of the Adjusted Capital and Reserves or borrowings or that the limit imposed by this Article has not been or will not in any particular circumstances be exceeded shall be conclusive and binding on all concerned. Nevertheless the Board may act in reliance on a bona fide estimate of the amount of the Adjusted Capital and Reserves at any time and if in consequence the limit contained in this Article is inadvertently exceeded an amount of borrowings equal to the excess may be disregarded until the expiration of three months after the date on which by reason of a report of a suitably qualified accountant, such suitability to be determined by the Board, or otherwise the Board became aware that such a situation has or may have arisen.
- 71.5 Notwithstanding the foregoing, no lender or other person dealing with the Company shall be concerned to see or inquire whether the limit imposed by this Article is observed and no borrowing incurred or security given in excess of such limit shall be invalid or ineffectual, except in the case of express notice to the lender or the recipient of the security at the time when the borrowing was incurred or the security given that the limit imposed by this Article had been or was thereby exceeded.
- 71.6 The Company shall keep or cause to be with the Register (or on any overseas branch register) a register of debt securities issued by it, showing with respect to each class or series of such securities:
- 71.6.1 the names, alphabetically arranged, and the latest known address of each person who is or has been a debt security holder;
- 71.6.2 the number of debt securities held by each debt security holder; and
- 71.6.3 the date and particulars of the issue and transfer of each debt security.

21. APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS

72. Retirement at annual general meetings

- 72.1 At each annual general meeting of the Company all the Directors shall retire.

73. Position of Retiring Director

- 73.1 Subject to these Articles, the Company at the meeting at which a Director retires may fill the vacated office and, in default, the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost. If he is not reappointed or

deemed to be reappointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

74. Eligibility for appointment as a Director

74.1 No person other than a Director retiring shall be appointed or reappointed a Director at any general meeting unless:

74.1.1 he is recommended by the Board; or

74.1.2 not less than seven nor more than 42 clear days before the day appointed for the meeting, notice executed by a member qualified to vote at the meeting (not being the person to be proposed) has been delivered to the Office (or received in electronic form at the electronic address at which the Company has or is deemed to have agreed to receive it) of the intention to propose that person for appointment or reappointment stating the particulars which would, if he were so appointed or reappointed, be required to be included in the Company's register of Directors together with notice executed by that person of his willingness to be appointed or reappointed.

75. Power of the Company to appoint Directors

75.1 Subject to these Articles, the Company may by ordinary resolution appoint any person who is willing to act to be a Director, either to fill a vacancy on or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with these Articles. A resolution for the appointment of two or more persons as Directors by a single resolution shall be void unless a resolution that it shall be so proposed has first been agreed to by the meeting without any vote being given against it.

76. Power of the Board to appoint Directors

76.1 Without prejudice to the power of the Company in general meeting under these Articles to appoint any person to be a Director, the Board may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with these Articles. Any Director so appointed shall hold office only until the conclusion of the next following annual general meeting and, if not reappointed at that meeting, shall vacate office at the conclusion of the meeting.

77. Company's power to remove a Director and appoint another in his place

77.1 The Company may by ordinary resolution remove any Director before the expiration of his period of office and may, subject to these Articles, by ordinary resolution appoint another person who is willing to act to be a Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or reappointed a Director.

78. Vacation of office by Directors

78.1 Without prejudice to the provisions for retirement or otherwise contained in these Articles, the office of a Director shall be vacated as soon as:

78.1.1 notification is received by the Company from the Director that he is resigning from office as Director, and such resignation has taken effect in accordance with its terms;

- 78.1.2 a bankruptcy order is made against him or he makes any arrangement or composition with his creditors generally in satisfaction of his debts;
 - 78.1.3 a registered medical practitioner who is treating him gives a written opinion to the Company stating that the Director has become physically or mentally incapable of acting as a director and may remain so for more than three months or, by reason of his mental health, a court makes an order which wholly or partly prevents him from personally exercising any powers or rights that he would otherwise have;
 - 78.1.4 without the permission of the Board, he is absent from meetings of the Board for six consecutive months and the Board resolves that his office is vacated;
 - 78.1.5 he ceases to be a Director by virtue of the Statutes or is prohibited by law from being a Director or is removed from office under these Articles;
 - 78.1.6 notice in writing that he is to vacate office executed by or on behalf of all the Directors other than him is delivered to the Office or tendered at a meeting of the Board, provided those Directors are not less than three in number. Separate notices in substantially the same form each executed by or on behalf of one or more of those Directors shall together be as effective as a single notice signed by all of them; or
 - 78.1.7 his contract of service or letter of appointment as a Director expires or is terminated without being renewed within 14 days.
- 78.2 The provisions contained in sections 215 to 221 of the UK Companies Act 2006 in relation to payments made to directors (or a person connected to such directors) for loss of office (and the circumstances in which such payments would require the approval of members) shall apply to the Company, and the Company shall comply with such provisions as if it were a company incorporated in the United Kingdom, notwithstanding section 217(4)(a) and section 219(6)(a) of such provisions.

22. DIRECTORS' INTERESTS

79. Transactions, offices, employment and interests

- 79.1 Subject to the Statutes, a Director notwithstanding his office:
- 79.1.1 may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company (otherwise than as Auditor) and in either such case on such terms as to remuneration (whether by way of salary, commission, participation in profits or otherwise) and otherwise as the Board may determine, and any such remuneration shall be either in addition to or in lieu of any remuneration provided for, by or pursuant to any other Article;
 - 79.1.2 may be a party to, or otherwise interested in, any contract with the Company or in which the Company is otherwise interested;
 - 79.1.3 may be a director or other officer of, or employed by, or a party to any contract with, or otherwise interested in, any undertaking in the same group as the Company or promoted by the Company or by any such undertaking, or in which the Company or any such undertaking is otherwise interested or as regards which the Company or any such undertaking has any powers of appointment;

- 79.1.4 shall not, by reason of his office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such contract or from any interest in such undertaking and no such office, employment or contract shall be liable to be avoided on the ground of any such interest or benefit;
- 79.1.5 shall not be in breach of his duties as a director by reason only of his excluding himself from the receipt of information, or from participation in decision-making or discussion (whether at meetings of the directors or otherwise), that will or may relate to any such office, employment, contract or interest; and
- 79.1.6 shall not be required to disclose to the Company, or use in relation to the Company's affairs, any confidential information obtained by him in connection with any such office, employment, contract or interest if his doing so would result in a breach of a duty or an obligation of confidence owed by him in that connection

provided that he has disclosed to the Board the nature and extent of any material interest of his, but no such disclosure shall be necessary of any office or employment with any subsidiary undertaking of the Company or any interest in a transaction or arrangement that would not be required to be declared by the Director under the Statutes, and a general notice given to the Board that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction or arrangement of the nature and extent so specified, and for the purposes of this Article an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

- 79.2 The Board may cause any voting power conferred by the shares in any other company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit, including the exercise of either of such powers in favour of a resolution appointing the Directors, or any of them, to be directors or officers of the other company, or in favour of the payment of remuneration to the directors or officers of the other company.
- 79.3 Except as otherwise provided by these Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any matter in which he has to his knowledge, directly or indirectly, an interest (other than his interest in shares or debentures or other securities of, or otherwise in or through, the Company) or duty which (together with any interest of a person connected with him) is material and, if he shall do so, his vote shall not be counted. A Director shall be entitled to vote on and be counted in the quorum in respect of any resolution concerning any of the following matters:
 - 79.3.1 the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
 - 79.3.2 the giving by the Company of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - 79.3.3 his subscribing or agreeing to subscribe for, or purchasing or agreeing to purchase, any shares, debentures or other securities of the Company or any of its subsidiary undertakings as a holder of securities, or his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures, or other securities by the Company or any of its subsidiary undertakings for subscription, purchase or exchange;

- 79.3.4 any contract concerning any company (not being a company in which the Director owns one per cent. or more (as defined in this Article)) in which he is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise;
- 79.3.5 any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings under which he benefits in a similar manner as the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the arrangement relates;
- 79.3.6 any contract concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors; or
- 79.3.7 any indemnity permitted by these Articles (whether in favour of the Director or others as well) against any costs, charges, expenses, losses and liabilities sustained or incurred by him as a director of the Company or of any of its subsidiary undertakings, or any proposal to provide funds to meet any expenditure incurred by him in defending himself in any criminal or civil proceeding in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company or any of its subsidiary undertakings, or any investigation, or action taken, by a regulatory authority in that connection, or for the purposes of any application for relief under the Companies (Jersey) Law 1991.
- 79.4 A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the Company or any company in which the Company is interested but, where proposals are under consideration concerning the appointment, or the settlement or variation of the terms or the termination of the appointment, of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, a separate resolution may be put in relation to each Director and in that case each of the Directors concerned shall be entitled to vote on and be counted in the quorum in relation to each resolution which does not concern either: (a) his own appointment or the settlement or variation of the terms or the termination of his own appointment; or (b) the appointment of another Director to an office or place of profit with a company in which the Company is interested and in which the Director seeking to vote or be counted in the quorum is interested by virtue of owning of one per cent. or more (as defined in this Article).
- 79.5 A company shall be deemed to be a company in which a Director owns one per cent. or more if and so long as he is directly or indirectly the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company. For this purpose, there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or remainder (if and so long as some other person is entitled to receive the income from such trust) and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder.
- 79.6 Where a company in which a Director owns one per cent. or more is materially interested in a contract, he shall also be deemed to be materially interested in that contract.
- 79.7 For the purposes of this Article, an interest of a person who is for the purposes of the UK Companies Act 2006 connected with a Director shall be treated as an interest of the Director.
- 79.8 References in this Article to a contract include references to any proposed contract and to any transaction or arrangement whether or not constituting a contract.

- 79.9 If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than the chairman of the meeting) to vote or be counted in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question shall be referred to the chairman of the meeting and his ruling in relation to the Director concerned shall be conclusive except in a case where the nature or extent of his interest (so far as it is known to the Director) has not been fairly disclosed to the Board. If any question shall arise in respect of the chairman of the meeting, the question shall be decided by resolution of the Board (for which purpose the chairman shall be counted in the quorum but shall not vote on the matter) and the resolution shall be conclusive except in a case where the nature or extent of the interest of the chairman of the meeting (so far as it is known to him) has not been fairly disclosed to the Board.
- 79.10 Subject to the Statutes, the Company may by ordinary resolution suspend or relax the provisions of this Article to any extent or ratify any contract not properly authorised by reason of a contravention of this Article.

23. DIRECTORS' GRATUITIES AND PENSIONS

80. Directors' gratuities and pensions

- 80.1 The Board or any committee authorised by the Board may exercise all the powers of the Company to provide benefits, whether by the payment of gratuities, pensions, annuities, allowances, bonuses or by insurance or otherwise, for any Director or former Director who holds or who has held but no longer holds any executive office, other office, place of profit or employment with the Company or with any body corporate which is or has been a subsidiary undertaking of the Company or a predecessor in business of the Company or of any such subsidiary undertaking, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him, and may (as well before as after he ceases to hold such office, place of profit or employment) establish, maintain, support, subscribe to and contribute to any scheme, trust or fund for the benefit of all or any such persons and pay premiums for the purchase or provision of any such benefits. The Board or any committee authorised by the Board may procure any of these matters to be done by the Company either alone or in conjunction with any other person.
- 80.2 No Director or former Director shall be accountable to the Company or the members for any benefit provided pursuant to this Article and the receipt of any such benefit shall not disqualify any person from being or becoming a Director.

24. PROCEEDINGS OF THE BOARD

81. Board meetings

- 81.1 The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. A Director may, and the Secretary on the requisition of a Director shall, convene a meeting of the Board. Board meetings must be held in Jersey or such other place as the Directors may determine provided that holding the Board meeting in such place shall not adversely affect the tax residency of the Company being in Jersey.

82. Notice of Board meetings

- 82.1 Notice of a Board meeting shall be given to each Director at least 48 hours before the time fixed for the meeting or such lesser period as may be reasonable under the circumstances and be deemed to be properly given to a Director if it is given to him personally or by word of mouth or sent in writing or in electronic form to him at his last known address or any other address given

by him to the Company for this purpose. A Director absent or intending to be absent from his normal address may request the Board that notices of Board meetings shall during his absence be sent to him at an address given by him to the Company for this purpose, but such notices need not be given any earlier than notices given to Directors not so absent and in the absence of any such request it shall not be necessary to give notice of a Board meeting to any Director who is for the time being absent from his normal address.

- 82.2 Notice of a Board meeting need not be given to Directors who waive their entitlement to notice of that meeting by giving notice to that effect to the Company not more than seven days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

83. Voting

- 83.1 Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote.

84. Quorum

- 84.1 The quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed at any other number shall be a simple majority of the Directors provided always that Board meetings must be held in Jersey (or such other place as the Directors may determine provided that holding the Board meeting in such place shall not adversely affect the tax residency of the Company being in Jersey).
- 84.2 Subject to these Articles, any Director who ceases to be a Director at a Board meeting may continue to be present and to act as a Director and be counted in the quorum until the termination of the Board meeting if no other Director objects and if otherwise a quorum of Directors would not be present.

85. Board vacancies below minimum number

- 85.1 The continuing Directors or a sole continuing Director may act notwithstanding any vacancies on the Board, but, if the number of Directors is less than the minimum number fixed by or in accordance with these Articles, the continuing Directors or Director may act only for the purpose of filling vacancies on the Board or of convening a general meeting of the Company. If there are no Directors or Director able or willing to act, any two members may call a general meeting of the Company for the purpose of appointing Directors.

86. Appointment of chairman

- 86.1 The Board may appoint a Director to be the chairman of the Board and may at any time remove him from that office. Unless he is unwilling to do so, the Director so appointed shall preside at every meeting of the Board at which he is present. But if there is no Director holding that office, or if the Director holding it is unwilling to preside or is not present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their number to be chairman of the meeting.

87. Competence of the Board

- 87.1 A meeting of the Board at which a quorum is present shall be competent to exercise all powers, authorities and discretions for the time being vested in or exercisable by the Board.

88. Participation in meetings by telephone

- 88.1 All or any of the members of the Board or of any committee of the Board may participate in a meeting of the Board or that committee by means of a conference telephone or any communication equipment that allows all persons participating in the meeting to hear and speak to each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the chairman of the meeting is and shall be deemed to be a meeting even if there is only one person physically present where it is deemed to take place.

89. Written resolutions

- 89.1 A resolution in writing signed by:

89.1.1 all the Directors then in office; or

89.1.2 by all the members of a committee of the Board

(but excluding any Director whose vote is not to be counted in respect of that particular matter) shall be as valid and effectual as if it had been passed at a meeting of the Board or that committee duly convened and held and may be contained in one document (or in several documents in all substantial respects in like form) each signed by one or more of the Directors or members of that committee. Any such document may be constituted by letter or (provided it is in writing) in electronic form or otherwise as the Board may from time to time approve.

90. Company books

- 90.1 The Board shall cause minutes to be made in books kept for the purpose of recording:

90.1.1 all appointments of officers made by the Board;

90.1.2 all proceedings at meetings of the Company, of the holders of any class of shares in the Company and of the Board and of committees of the Board, including the names of the Directors or members of a committee of the Board present at each such meeting.

- 90.2 Any such minutes, if purporting to be signed by the chairman of the meeting at which the appointments were made or proceedings held or by the chairman of the next succeeding meeting, shall be sufficient evidence of the facts stated in them without any further proof.

91. Validity of acts of the Board or a committee

- 91.1 All acts done by the Board or by a committee of the Board, or by a person acting as a Director or member of a committee of the Board shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any Director, member of a committee of the Board, or person acting as a Director, or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if each such person had been duly appointed and was qualified and had continued to be a Director or member of the committee and had been entitled to vote.

92. Liability of Directors for breach of Article 4.4

- 92.1 Directors who vote for or consent to a resolution authorising the issue of a share under Article 4.4 for a consideration other than money are jointly and severally liable to the Company to make

good any amount by which the consideration received is less than the fair equivalent of the money that the Company would have received if the share had been issued for money on the date of the resolution.

25. COMPANY SECRETARY

93. Appointment and removal of Company Secretary

- 93.1 Subject to the Statutes, the Secretary shall be appointed by the Board at such remuneration and upon such terms as it thinks fit. If thought fit, two or more persons may be appointed as joint Secretaries with the power to act jointly and severally. Any Secretary so appointed may be removed by the Board.
- 93.2 The Board may from time to time appoint an assistant or deputy secretary who, during such time as there may be no Secretary or no Secretary capable of acting, may act as Secretary and do any act authorised or required by these Articles or by law to be done by the Secretary. The signature of any document as Secretary by such assistant or deputy secretary shall be conclusive evidence (without invalidating that signature for any purpose) that at the time of signature there was no Secretary or no Secretary capable of acting.

26. THE SEAL

94. Use of seal

- 94.1 The Seal shall only be used by the authority of the Board or of a committee authorised by the Board in that behalf and, unless otherwise decided by the Board or any such committee, any document to which the Seal is applied must also be signed by at least one authorised person in the presence of a witness who attests the signature. For the purposes of this Article, an authorised person is any Director, the Secretary or any person authorised by the Board or such committee for the purpose of signing documents to which the Seal is applied.

27. DIVIDENDS

95. Company may declare dividends

- 95.1 Subject to the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board.

96. Board may pay interim dividends and fixed dividends

- 96.1 Subject to the Statutes, the Board may pay such interim dividends as appear to the Directors to be justified. If the share capital of the Company is divided into different classes, the Board may pay interim dividends on shares which confer deferred or non-preferred rights to dividends as well as on shares which confer preferential or special rights to dividends, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The Board may also pay at intervals settled by it any dividend payable at a fixed date if it appears to the Board that the financial position of the Company justifies the payment. If the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferred rights for any loss which they may suffer by reason of the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

97. Currency of dividends

- 97.1 Except in so far as the rights attaching to any share otherwise provide, any dividends or other monies payable on or in respect of any share may be declared in any currency or currencies, and paid in the same currency or currencies or in any other currency or currencies, and subject to such charges to cover the costs of conversion, as the Board may determine, using where required such basis of conversion (including the rate and timing of conversion) as the Board decides.

98. Waiver of dividends

- 98.1 The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the relevant member or transmittee and delivered to the Company and if or to the extent that it is accepted as such or acted upon by the Company.

99. Non-cash dividends

- 99.1 A general meeting declaring a dividend may, upon the recommendation of the Board, by ordinary resolution direct that it shall be satisfied wholly or partly by the distribution of assets and, in particular, of paid-up shares or debentures of any other company and, where any difficulty arises concerning such distribution, the Board may settle it as the Board thinks expedient and in particular may issue fractional certificates or, subject to the Statutes and, in the case of shares held in uncertificated form, the system's rules, authorise and instruct any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution of any assets and may determine that cash shall be paid to any member upon the basis of the value so fixed in order to secure equality of distribution and may vest any assets to be distributed in trustees as the Board may consider expedient.

100. Scrip dividends

- 100.1 Subject to the Statutes, the Board may, if authorised by an ordinary resolution of the Company, offer the holders of shares the right to elect to receive new shares, credited as fully paid, instead of cash for all or part (as determined by the Board) of any dividend. The following provisions shall apply:
- 100.1.1 an ordinary resolution may specify a particular dividend or dividends, or may specify all or any dividends, declared or paid within a specified period, but such period may not end later than the fifth anniversary of the date of the meeting at which the ordinary resolution is passed;
 - 100.1.2 the basis of allotment to each entitled holder of shares shall be such number of new shares credited as fully paid as have a value as nearly as possible equal to (but not greater than) the amount of the dividend (disregarding any tax credit) which he has elected to forego. For this purpose, the "value" of an ordinary share shall be deemed to be the average of the middle market quotations for the Company's shares on the London Stock Exchange as derived from the Daily Official List on the day on which the shares are first quoted "ex" the relevant dividend and the four subsequent dealing days or in such other manner as may be determined by or in accordance with the ordinary resolution. A certificate or report by a suitably qualified accountant, such suitability to be determined by the Board, as to the amount of the value in respect of any dividend shall be conclusive evidence of that amount;
 - 100.1.3 no fraction of an ordinary share shall be allotted and if any holder of shares would otherwise be entitled to fractions of a share, the Board may deal with the fractions as it

thinks fit, including (without limitation) determining that the whole or part of the benefit of fractional entitlements will be disregarded or accrue to the Company or that the value of fractional entitlements will be accumulated on behalf of a member (without entitlement to interest) and applied in paying up new shares in connection with a subsequent offer by the Company of the right to receive shares instead of cash in respect of a future dividend;

- 100.1.4 the Board shall not proceed with any election unless the Company has sufficient reserves or funds which may be capitalised to give effect to the election following the Board's determination of the basis of allotment;
- 100.1.5 on or as soon as practicable after announcing that the Board is to recommend or pay any dividend, the Board, if it intends to offer an election for that dividend, shall also announce that intention and, having determined the basis of allotment, shall notify the entitled holders of shares (other than any in relation to whom an election mandate in accordance with this Article is subsisting) of the right of election offered to them, and shall send with, or following, such notification, forms of election and shall specify the procedure to be followed and place at which, and the latest date and time by which, duly completed forms of election must be received in order to be effective;
- 100.1.6 the dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable in cash on shares in respect of which an election has been duly made (the "elected shares") and instead additional shares shall be allotted to the holders of the elected shares on the basis of allotment so determined. For such purpose, the Board shall capitalise, out of any amount standing to the credit of any reserve or fund (including the profit and loss account), whether or not it is available for distribution, as the Board may determine, and apply it in paying up in full the appropriate number of shares for allotment and distribution to the holders of the elected shares on that basis;
- 100.1.7 the additional shares so allotted shall be allotted as of the record date for the dividend for which the right of election has been offered and shall rank *pari passu* in all respects with the shares then in issue except that they will not rank for the dividend or other distribution entitlement in respect of which they have been issued. Unless the Board otherwise determines (and subject always to the Order and the system's rules), the shares so allotted shall be issued as shares in certificated form (where the shares in respect of which they have been allotted were in certificated form at the Scrip Record Time) or as shares in uncertificated form (where the shares in respect of which they have been allotted were in uncertificated form at the Scrip Record Time) provided that if the Company is unable under the system's rules to issue shares in uncertificated form to any person, such shares shall be issued as shares in certificated form. For these purposes, the "Scrip Record Time" means such time on the record date for determining the entitlements of members to make elections as described in this Article, or on such other date as the Board may in its absolute discretion determine.
- 100.2 The Board may establish or vary a procedure for election mandates whereby a holder of shares may elect concerning future rights of election offered to that holder under this Article until the election mandate is revoked following that procedure.
- 100.3 The Board may exclude from any offer any holders of shares if it believes that it is necessary or expedient to do so in relation to any legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange or other authority in, any territory or that for any other reason the offer should not be made to them.

101. Enhanced scrip dividends

- 101.1 Subject to the Statutes and without prejudice to the generality of Article 100, the Board may, in respect of any cash dividend or other distribution (or any part thereof) declared or payable in relation to any financial year or period of the Company, offer to each holder of shares the right to elect to receive new shares in respect of the whole or part of the shares held by them instead of such cash dividend, on any basis described in that Article but so that the entitlement of each holder of shares to such new shares shall be determined by the Board such that the value (determined on the basis decided on by the Board) of the new shares concerned may exceed the cash amount that such holders of shares would otherwise have received by way of dividend and, in respect of such offer, that Article shall take effect subject to this Article. Any offer made under this Article shall be an alternative to any offer made under that Article in respect of a particular cash dividend (but shall form part of any plan which is in operation thereunder).
- 101.2 Any exercise by the Board of the powers granted to the Board by this Article shall be subject to a special resolution approving the exercise of such powers in respect of the dividend in question or in respect of any dividends or other distributions declared or payable in respect of a specified financial year or period of the Company which include the dividend in question but such year or period may not end later than the conclusion of the annual general meeting next following the date of the meeting at which such resolution is passed. No further sanction shall be required under Article 100 in respect of an exercise of powers by the Board under this Article and any authority granted under this Article shall not preclude the granting to the Board of a separate authority under that Article.

102. No interest on dividends

- 102.1 No dividend or other monies payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

103. Payment procedure

- 103.1 All dividends and interest shall belong and be paid to those entitled members whose names shall be on the Register at the date at which such dividend shall be declared or at the date on which such interest shall be payable respectively, or at such other record date as the Company by ordinary resolution or the Board may determine notwithstanding any subsequent transfer or transmission of shares.
- 103.2 The Company may pay any dividend, interest or other monies payable in cash in respect of shares by direct debit, bank transfer, cheque, dividend warrant, money order or by any other method (including by electronic means) as the Board may consider appropriate.
- 103.3 Every such cheque, warrant or order shall be made payable to the person to whom it is sent, or to such other person as the holder or the joint holders may in writing direct, and may be sent by post or equivalent means of delivery directed to the registered address of the holder or, in the case of joint holders, to the registered address of the joint holder whose name stands first in the Register, or to such person and to such address as the holder or joint holders may in writing direct.
- 103.4 Every such payment made by direct debit or bank transfer shall be made to the holder or joint holders or to or through such other person as the holder or joint holders may in writing direct.
- 103.5 In respect of shares in uncertificated form, where the Company is authorised to do so by or on behalf of the holder or joint holders in such manner as the Board shall from time to time consider sufficient, the Company may pay any such dividend, interest or other monies by means of the relevant system. Every such payment shall be made in such manner as may be

consistent with the system's rules and, without prejudice to the generality of the foregoing, may include the sending by the Company or by any person on its behalf of an instruction to the Operator to credit the cash memorandum account of the holder or joint holders or, if permitted by the Company, of such person as the holder or joint holders may in writing direct.

- 103.6 The Company shall not be responsible for any loss of any such cheque, warrant or order and any payment made in any manner permitted by these Articles shall be at the sole risk of the holder or joint holders. Without prejudice to the generality of the foregoing, if any such cheque, warrant or order has been, or is alleged to have been, lost, stolen or destroyed, the Board may, on request of the person entitled thereto, issue a replacement cheque, warrant or order subject to compliance with such conditions as to evidence and indemnity and the payment of out of pocket expenses of the Company in connection with the request as the Board may think fit.
- 103.7 The issue of such cheque, warrant or order, the collection of funds from or transfer of funds by a bank in accordance with such direct debit or bank transfer or, in respect of shares in uncertificated form, the making of payment in accordance with the system's rules, shall be a good discharge to the Company.

104. Receipt by joint holders

- 104.1 If several persons are registered as joint holders of any share, any one of them may give effectual receipts for any dividend or other monies payable in respect of the share.

105. Where payment of dividends need not be made

- 105.1 The Company may cease to send any cheque or warrant through the post or to effect payment by any other means for any dividend or other monies payable in respect of a share which is normally paid in that manner on that share if in respect of at least two consecutive dividends payable on that share payment, through no fault of the Company, has not been effected (or, following one such occasion, reasonable enquiries have failed to establish any new address of the holder) but, subject to these Articles, the Company shall recommence payments in respect of dividends or other monies payable on that share by that means if the holder or transmittee claims the arrears of dividend and does not instruct the Company to pay future dividends in some other way.

106. Unclaimed dividends

- 106.1 All dividends, interest or other sums payable unclaimed for one year after having become due for payment may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. The retention by the Company of, or payment into a separate account of, any unclaimed dividend or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect of it. Any dividend, interest or other sum unclaimed after a period of 12 years from the date when it became due for payment shall be forfeited and shall revert to the Company.

28. CAPITALISATION OF PROFITS

107. Capitalisation of profits

- 107.1 Upon the recommendation of the Board, the Company may pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any undivided profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or all or any part of any sum standing to the credit of any reserve or fund (whether or not available for distribution).

- 107.2 Subject as provided below, the Board may appropriate the sum resolved to be capitalised to the members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf (subject to approval by ordinary resolution and to any subsisting special rights previously conferred on any shares or class of shares) in paying up in full shares of any class or debentures of the Company and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions, or partly in one way and partly in the other provided that:
- 107.2.1 the Company shall for the purposes of this Article be deemed to be such a member in relation to any shares held as treasury shares which, if not so held, would have ranked for any such distribution by way of dividend, but only insofar as the appropriated sum is to be applied in paying up in full shares of the Company; and
- 107.2.2 the capital redemption reserve, and any reserve or fund representing profits which are not available for distribution may only be applied in paying up in full shares of the Company.
- 107.3 The Board may authorise any person to enter on behalf of all the members concerned into an agreement with the Company providing for the allotment to them respectively, credited as fully paid, of any shares or debentures to which they are entitled upon such capitalisation and any matters incidental thereto, any agreement made under such authority being binding on all such members.
- 107.4 If any difficulty arises concerning any distribution of any capitalised reserve or fund, the Board may subject to the Statutes and, in the case of shares held in uncertificated form, the system's rules, settle it as the Board considers expedient and in particular may issue fractional certificates, authorise any person to sell and transfer any fractions or resolve that the distribution should be made as nearly as practicable in the correct proportion or may ignore fractions altogether, and may determine that cash payments shall be made to any members in order to adjust the rights of all parties as the Board considers expedient.

29. AUTHENTICATION OF DOCUMENTS

108. Authentication of documents

- 108.1 Any Director or the Secretary or any person appointed by the Board for the purpose shall have power to authenticate any documents or other information affecting these Articles and any resolutions passed by the Company or the Board or any committee and any books, records, accounts, documents and other communications relating to the business of the Company and to certify copies or extracts as true copies or extracts. Anything purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company, the Board or any committee which is certified as such in accordance with this Article shall be conclusive evidence in favour of all persons dealing with the Company upon the faith of such copy that such resolution has been duly passed or, as the case may be, that such minute or extract is a true and accurate record of proceedings at a duly constituted meeting.

30. RECORD DATES

109. Power to choose record date

- 109.1 Notwithstanding any other provision of these Articles, the Company or the Board may fix any date as the record date for any dividend, distribution, allotment or issue or for determining shareholders entitled to receive notice of and, subject to the Order, to vote at any meeting of shareholders.

31. ACCOUNTS AND OTHER RECORDS

110. Accounts

- 110.1 The Company shall keep accounting records and the Directors shall prepare accounts of the Company, made up to such date in each year as the Directors shall from time to time determine, in accordance with and subject to the Law.

111. Inspection of records

- 111.1 No member in his capacity as a member shall have any right of inspecting any record, book or document of any description belonging to the Company except as conferred by the Statutes or authorised by the Board or by ordinary resolution of the Company.

112. Destruction of documents

- 112.1 Subject to compliance with the system's rules, the Company may destroy:

- 112.1.1 any instrument of transfer of shares and any other document on the basis of which an entry is made in the Register, at any time after the expiration of six years from the date of registration;
- 112.1.2 any instruction concerning the payment of dividends or other monies in respect of any share or any notification of change of name or address, at any time after the expiration of two years from the date the instruction or notification was recorded; and
- 112.1.3 any share certificate which has been cancelled, at any time after the expiration of one year from the date of cancellation;

provided that the Company may destroy any such type of document after such shorter period as the Board may determine if a copy of such document is retained on microfilm or by other similar means and is not destroyed earlier than the original might otherwise have been destroyed in accordance with this Article.

- 112.2 It shall conclusively be presumed in favour of the Company that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and that every share certificate so destroyed was a valid and effective document duly and properly cancelled and that every other document so destroyed was a valid and effective document in accordance with its particulars recorded in the books or records of the Company provided that:

- 112.2.1 this Article shall apply only to the destruction of a document in good faith and without express notice that its retention was relevant to any claim (regardless of the parties to the claim);
- 112.2.2 nothing contained in this Article shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than the times referred to in this Article or in any case where the conditions of this Article are not fulfilled; and
- 112.2.3 references in this Article to the destruction of any document or thing include references to its disposal in any manner.

32. COMMUNICATIONS

113. Form of communications

- 113.1 Except to the extent that these Articles provide otherwise, and subject to compliance with the Statutes, anything sent or supplied by or to any person, including the Company, under these Articles may be sent or supplied, whether or not because the Statutes require it to be sent or supplied, in any way (including, except in the case of anything supplied to the Company, by making it available on a website) in which documents or information required to be sent or supplied may be sent or supplied by or to that person in accordance with the Statutes and these Articles.
- 113.2 Except insofar as the Statutes require otherwise, the Company shall not be obliged to accept any notice, document or other information sent or supplied to the Company in electronic form unless it satisfies such stipulations, conditions or restrictions (including for the purpose of authentication) as the Board thinks fit, and the Company shall be entitled to require any such notice, document or information to be sent or supplied in hard copy form instead.
- 113.3 Any notice, document or other communication (including copies of accounts or summary financial statements) to be given to or by any person pursuant to these Articles (other than a notice calling a meeting of Directors) shall be in writing except that, if it is in electronic form, it need not be in writing unless these Articles specifically require it to be.
- 113.4 A member who sends to the Company an address at which a document or information may be sent using electronic communications shall be entitled to have notices or other documents sent to him at that address or the address specified for that member in the Register (provided that, in the case of a document or information sent by electronic means, including without limitation any notification that the document or information is available on a website, the Company so agrees, which agreement the Company shall be entitled to withhold in its absolute discretion including, without limitation, in circumstances in which the Company considers that the sending of the document or information to such address using electronic communications would or might infringe the laws of any other jurisdiction), but otherwise:
- 113.4.1 no such member shall be entitled to receive any document or information from the Company; and
- 113.4.2 without prejudice to the generality of the foregoing, any notice of a general meeting of the Company which is in fact sent or purports to be sent to such member shall be ignored for the purpose of determining the validity of the proceedings at such general meeting.
- 113.5 Subject to the Statutes, the Board may from time to time issue, endorse or adopt terms and conditions relating to the use of electronic means under these Articles.
- 113.6 Nothing in these Articles shall prevent the Company from sending or supplying any notice, document or information in hard copy form instead of in electronic form on any occasion.
- 113.7 A member present, either in person or by proxy, at any meeting of the Company or of the holders of any class of shares in the capital of the Company shall be deemed to have been sent notice of the meeting and, where requisite, of the purposes for which it was called unless such member is present only for the purposes of protesting the adequacy of such notice and has so advised the Company prior to the meeting.
- 113.8 A document or information may be sent or supplied by the Company to the person or persons entitled by transmission to a share by sending it in any manner the Company may choose authorised by these Articles for the sending of a document or information to a member, addressed to them by name, or by the title of representative of the deceased, or trustee of the

bankrupt or by any similar description at the address (if any) as may be supplied for that purpose by or on behalf of the person or persons claiming to be so entitled. Until such an address has been supplied, a document or information may be sent in any manner in which it might have been sent if the death or bankruptcy or other event giving rise to the transmission had not occurred.

113.9 Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the Register, has been sent to a person from whom he derives his title.

113.10 Proof that a document or information was properly addressed, prepaid and posted shall be conclusive evidence that the document or information was sent. Proof that a document or information sent or supplied by electronic means was properly addressed shall be conclusive evidence that the document or information was sent or supplied. A document or information sent by the Company to a member by post shall be deemed to have been received:

113.10.1 if sent by first class post or special delivery post from an address in the United Kingdom or Jersey to another address in the United Kingdom or Jersey, or by a postal service similar to first class post or special delivery post from an address in another country to another address in that other country, on the day following that on which the document or information was posted;

113.10.2 if sent by airmail from an address in the United Kingdom or Jersey to an address outside the United Kingdom or Jersey, or from an address in another country to an address outside that country (including without limitation an address in the United Kingdom or Jersey), on the third day following that on which the document or information was posted; and

113.10.3 in any other case, on the second day following that on which the document or information was posted.

113.11 A document or information sent or supplied by the Company to a member in electronic form shall be deemed to have been received by the member on the day following that on which the document or information was sent to the member. Such a document or information shall be deemed received by the member on that day notwithstanding that the Company becomes aware that the member has failed to receive such document or information for any reason and notwithstanding that the Company subsequently sends a hard copy of such document or information by post to the member.

113.12 A document or information sent or supplied by the Company to a member by means of a website shall be deemed to have been received by the member:

113.12.1 when the document or information was first made available on the website; or

113.12.2 if later, when the member is deemed by Articles 113.10 or 113.11 to have received notice of the fact that the document or information was available on the website. Such a document or information shall be deemed received by the member on that day notwithstanding that the Company becomes aware that the member has failed to receive the relevant document or information for any reason and notwithstanding that the Company subsequently sends a hard copy of such document or information by post to the member.

113.13 Subject to the Statutes, if at any time the Company is unable effectively to convene a general meeting by notices sent through the post in Jersey, Canada or the United Kingdom as a result of the suspension or curtailment of postal services, notice of general meeting may be sufficiently

given by advertisement in Jersey, Canada and the United Kingdom. Any notice given by advertisement for the purpose of this Article shall be advertised in at least one newspaper having a national circulation. If advertised in more than one newspaper, the advertisements shall appear on the same date. Such notice shall be deemed to have been sent to all persons who are entitled to have notice of meetings sent to them on the day when the advertisement appears. In any such case, the Company shall send confirmatory copies of the notice by post, if at least seven days before the meeting the posting of notices to addresses throughout Jersey, Canada or the United Kingdom again becomes practicable.

- 113.14 A notice, document or other information may be served, sent or supplied by the Company in electronic form to a member who has agreed that notices, documents or information can be sent or supplied to them in that form and has not revoked such agreement.
- 113.15 Where the notice, document or other information is served, sent or supplied by electronic means, it may only be served, sent or supplied to an address specified for that purpose by the intended recipient (generally or specifically).
- 113.16 A notice, document or other information may be served, sent or supplied by the Company to a member by being made available on a website if the member has agreed (generally or specifically), or pursuant to Article 113.17 below is deemed to have agreed, that notices, documents or information can be sent or supplied to the member in that form and has not revoked such agreement.
- 113.17 If a member has been asked individually by the Company to agree that the Company may serve, send or supply notices, documents or other information generally, or specific notices, documents or other information to them by means of a website and the Company does not receive a response within a period of 28 days beginning with the date on which the Company's request was sent (or such longer period as the Directors may specify), such member will be deemed to have agreed to receive such notices, documents or other information by means of a website in accordance with Article 113.16 above (save in respect of any notices, documents or information that are required to be sent in hard copy form pursuant to the Statutes). A member can revoke any such deemed election in accordance with Article 113.20 below.
- 113.18 A notice, document or other information served, sent or supplied by means of a website must be made available in a form, and by a means, that the Company reasonably considers will enable the recipient: (i) to read it, and (ii) to retain a copy of it. For this purpose, a notice, document or other information can be read only if: (i) it can be read with the naked eye; or (ii) to the extent that it consists of images (for example photographs, pictures, maps, plans or drawings), it can be seen with the naked eye.
- 113.19 If a notice, document or other information is served, sent or supplied by means of a website, the Company must notify the intended recipient of: (i) the presence of the notice, document or other information on the website, (ii) the address of the website; (iii) place on the website where it may be accessed, and (iv) how to access the notice, document or information. The document or information is taken to be sent on the date on which the notification required by this Article is sent or if later, the date on which the document or information first appeared on the website after that notification is sent.
- 113.20 Any amendment or revocation of a notification given to the Company or agreement (or deemed agreement) under this Article shall only take effect if in writing, signed (or authenticated by electronic means) by the member and on actual receipt by the Company thereof.
- 113.21 Communications sent to the Company by electronic means shall not be treated as received by the Company if it is rejected by computer virus protection arrangements.

- 113.22 Where these Articles require or permit a notice or other document to be authenticated by a person by electronic means, to be valid it must incorporate the electronic signature or personal identification details of that person, in such form as the Directors may approve, or be accompanied by such other evidence as the Directors may require to satisfy themselves that the document is genuine.
- 113.23 For the avoidance of doubt, where a member of the Company has received a document or information from the Company otherwise than in hard copy form, he is entitled to require the Company to send to him a version of the document or information in hard copy form within 21 days of the Company receiving the request.
- 113.24 Nothing in this Article 113 shall require the Company to take any action or step which could cause the Company to breach any applicable securities laws, regulations or similar.

114. Communication with joint holders

- 114.1 In the case of joint holders of a share, all notices, documents or other information shall be given to the joint holder whose name stands first in the Register in respect of the joint holding and shall be deemed to have been given to all the joint holders. Any agreement by that holder that notices, documents and other information may be sent or supplied in electronic form or by being made available on a website shall be binding on all the joint holders.

115. Communications after transmission

- 115.1 Any notice, document or other information sent or supplied to any member pursuant to these Articles shall, notwithstanding that the member is then dead or bankrupt or that any other event giving rise to the transmission of the share by operation of law has occurred and whether or not the Company has notice of the death, bankruptcy or other event, be deemed to have been properly sent or supplied in respect of any share registered in the name of that member as sole or joint holder.
- 115.2 Unless agreed otherwise with the relevant transmittee, the Company may send or supply any notice, document or other information to a transmittee in any manner in which it might have been sent or supplied to the member from whom the transmittee derives title to the relevant share, and as if the transmittee's address were the same as the member's address in the Register or the electronic address (if any) specified by the member; but the Company shall not be entitled to assume that the address or electronic address is correct if sending notice to the transmittee under Article 27.

116. When notice deemed served

- 116.1 Any notice, document or other information:
- 116.1.1 if sent by the Company by post or other delivery service shall be deemed to have been received on the day (whether or not it is a working day) following the day (whether or not it was a working day) on which it was put in the post or given to the delivery agent and, in proving that it was duly sent, it shall be sufficient to prove that the notice, document or information was properly addressed, prepaid and put in the post or duly given to the delivery agent;
- 116.1.2 if sent by the Company by electronic means shall be deemed to have been received on the same day that it was sent, and proof that it was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence that it was sent;

- 116.1.3 if made available on a website shall be deemed to have been received when notification of its availability on the website is deemed to have been received or, if later, when it is first made available on the website;
- 116.1.4 not sent by post or other delivery service but delivered personally or left by the Company at the address for that member on the Register shall be deemed to have been received on the day (whether or not it was a working day) and at the time it was so left;
- 116.1.5 sent or delivered by a relevant system shall be deemed to have been received when the Company (or a sponsoring system-participant acting on its behalf) sends the issuer instructions relating to the notice, document or information;
- 116.1.6 sent or supplied by the Company by any other means agreed by the member concerned shall be deemed to have been received when the Company has duly performed the action it has agreed to take for that purpose; and
- 116.1.7 to be given by the Company by advertisement shall be deemed to have been received on the day on which the advertisement appears.

117. Record date for communications

- 117.1 Any notice, document or information may be sent or supplied by the Company by reference to the Register as it stands at any time not more than 21 days before the day it was sent or supplied. No change in the Register after that time shall invalidate the delivery of that notice, document or information, and every transmittee or other person not on the Register in relation to a particular share at that time who derives any title or interest in the share shall be bound by the notice, document or information without the Company being obliged to send or supply it to that person.

118. Loss of entitlement to receive communications

- 118.1 If on two consecutive occasions notices, documents or information have been sent to any member at the registered address or his address (including an electronic address) for the service of notices but, through no fault of the Company, have been undelivered, such member shall not from then on be entitled to receive notices, documents or other information from the Company until he has notified to the Company in writing a new address to be either his registered address or his address (including an electronic address) for the service of notices.

119. Notice when post not available

- 119.1 If at any time postal services within Jersey, Canada or the United Kingdom are suspended or curtailed so that the Company is unable effectively to convene a general meeting or a meeting of the holders of any class of shares in its capital by notice sent through the post, the Board may decide that the only members to whom notice of the meeting must be sent are those to whom notice to convene the meeting can validly be sent by electronic means and those to whom notification as to the availability of the notice of meeting on a website can validly be sent by electronic means. In any such case the Company shall also advertise the meeting in at least two national daily newspapers published in Jersey, Canada and the United Kingdom. If at least six clear days prior to the meeting the giving of notices by post to addresses throughout Jersey, Canada and the United Kingdom has, in the Board's opinion, become practicable, the Company shall send confirmatory copies of the notice by post or such other manner as is permitted under these Articles to the persons entitled to receive them when postal services are running normally.

- 119.2 At any time that postal services within Jersey, Canada and the United Kingdom are suspended or curtailed, any other notice or information considered by the Board to be capable of being supplied by advertisement shall, if advertised in at least one such newspaper, be deemed to have been notified to all members and transmittes to whom it would otherwise have been supplied in hard copy form.

33. WINDING UP AND SALE OF ASSETS

120. Distribution in specie on winding up

- 120.1 If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, and subject to any rights, restrictions, limitations and privileges attaching to any class or series of shares, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with such sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with such sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.
- 120.2 A sale, lease or exchange of all or substantially all the property of the Company other than in the ordinary course of business of the Company shall require approval by special resolution. Each share of the Company shall carry the right to vote on such special resolution whether or not it otherwise carries the right to vote.

34. INDEMNITY

121. Indemnity

- 121.1 In so far as the Statutes allow and subject to the rules made by the competent authority of any other regulated or exchange regulated market on which the shares of the Company may be listed, every present and former Director, Secretary or other officer of the Company shall be indemnified out of the assets of the Company against any costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution or discharge of his duties or exercise of his powers or otherwise in relation thereto, including (without prejudice to the generality of the foregoing) any liability incurred in defending any proceedings (whether civil or criminal) which relates to anything done or omitted or alleged to have been done or omitted by him in any such capacity, and in which judgment is given in his favour or in which he is acquitted or in connection with any application under the Statutes in which relief is granted to him by any court of competent jurisdiction.

122. Power to insure

- 122.1 The Board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a director or other officer (unless the office is or was as Auditor) or employee of the Company or of any present or former subsidiary undertaking of the Company or of any body corporate in which the Company has or had an interest (whether direct or indirect) or who is or was at any time a trustee of any pension fund or employee benefits trust in which any employee of the Company or of any such undertaking or body corporate is or has been interested, indemnifying such person against any liability which may attach to him, and any loss or expenditure which he may incur, in relation to anything actually or allegedly done or omitted to be done by him as a director, officer, employee or trustee, whether or not it involves

any negligence, default, breach of duty or breach of trust by him in relation to the Company or the relevant undertaking, body corporate, fund or trust.

Exhibit 4.1

Stock Option Plan (revised 2015)

CALEDONIA MINING CORPORATION

2015 OMNIBUS EQUITY INCENTIVE COMPENSATION PLAN

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CALEDONIA MINING CORPORATION

2015 OMNIBUS EQUITY INCENTIVE COMPENSATION PLAN

ARTICLE 1

ESTABLISHMENT, PURPOSE AND DURATION

1.1 **Establishment of the Plan.** Caledonia Mining Corporation, a Canadian federal corporation (the “**Company**”), hereby establishes an incentive compensation plan to be known as the 2015 Omnibus Equity Incentive Compensation Plan (the “**Plan**”). The Plan permits the grant of Stock Options, Share Appreciation Rights, Restricted Shares, Restricted Share Units, Deferred Stock Units, Performance Shares, Performance Units and Share-Based Awards. The Plan shall be adopted and become effective on the date approved by the Board (the “**Effective Date**”), provided that no Awards may be exercised, paid or settled until the Plan has been approved by the shareholders of the Company and the Toronto Stock Exchange.

1.2 **Purpose of the Plan.** The purposes of the Plan are: (i) to promote a significant alignment between officers and employees of the Company and its Affiliates (as defined below) and the growth objectives of the Company; (ii) to associate a portion of participating employees’ compensation with the performance of the Company over the long term; and (iii) to attract, motivate and retain the critical employees to drive the business success of the Company.

1.3 **Duration of the Plan.** The Plan shall commence as of the Effective Date, as described in Section 1.1 herein, and shall remain in effect until terminated by the Board (as defined below) pursuant to Article 15 hereof.

1.4 **Successor Plan.** This Plan shall in respect of Options (as defined below) serve as the successor to the Company’s current Incentive Stock Option Plan dated April 10, 2007 (the “**Predecessor Plan**”), and no further awards shall be made under the Predecessor Plan from and after the Effective Date of this Plan. Each Option granted under the Predecessor Plan shall continue to be governed solely by the terms and conditions of the instrument evidencing such grant.

ARTICLE 2

DEFINITIONS

Whenever used in the Plan, the following terms shall have the respective meanings set forth below, unless the context clearly requires otherwise, and when such meaning is intended, such term shall be capitalized.

“**Affiliate**” means any corporation, partnership or other entity (i) in which the Company, directly or indirectly, has majority ownership interest or (ii) which the Company controls. For the purposes of this definition, the Company is deemed to “**control**” such corporation, partnership or other entity if the Company possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, partnership or other entity, whether through the ownership of voting securities, by contract or otherwise, and includes a corporation which is considered to be a subsidiary for purposes of consolidation under International Financial Reporting Standards.



“**Award**” means, individually or collectively, a grant under this Plan of Options, SARs, Restricted Shares, Restricted Share Units, Performance Shares, Performance Units or Share-Based Awards, in each case subject to the terms of this Plan.

“**Award Agreement**” means either (i) a written agreement entered into by the Company or an Affiliate of the Company and a Participant setting forth the terms and provisions applicable to Awards granted under this Plan; or (ii) a written statement issued by the Company or an Affiliate of the Company to a Participant describing the terms and provisions of such Award. All Award Agreements shall be deemed to incorporate the provisions of the Plan. An Award Agreement need not be identical to other Award Agreements either in form or substance.

“**Beneficial Ownership**” shall have the meaning ascribed to such term in Section 90 of the OSA.

“**Blackout Period**” means a period of time during which the Participant cannot sell Shares, due to applicable law or policies of the Company in respect of insider trading.

“**Board**” or “**Board of Directors**” means the Board of Directors of the Company.

“**Cause**” means any of:

- (a) dishonesty of the Participant as it relates to the performance of his duties in the course of his employment by, or as an officer or director of, the Company or an Affiliate;
- (b) fraud committed by the Participant;
- (c) willful disclosure of confidential or private information regarding the Company or an Affiliate by the Participant;
- (d) the Participant aiding a competitor of the Company or an Affiliate;
- (e) misappropriation of a business opportunity of the Company or an Affiliate by the Participant;
- (f) willful misconduct or gross negligence in the performance of the Participant’s duties under his or her employment agreement;
- (g) a breach by the Participant of a material provision of his or her employment agreement or the Code of Business Conduct and Ethics adopted by the Company from time to time;
- (h) the willful and continued failure on the part of the Participant to substantially perform duties in the course of his employment by, or as an officer of, the Company or an Affiliate, unless such failure results from an incapacity due to mental or physical illness;
- (i) willfully engaging in conduct that is demonstrably and materially injurious to the Company or an Affiliate, monetarily or otherwise; or
- (j) any other act or omission by the Participant which would amount to just cause for termination at common law.

“**Change of Control**” shall occur if any of the following events occur:

- (a) the acquisition, directly or indirectly and by any means whatsoever, by any person, or by a group of persons acting jointly or in concert, of beneficial ownership or control or direction over that number of Voting Securities which is greater than 50% of the total issued and outstanding Voting Securities immediately after such acquisition, unless such acquisition arose as a result of or pursuant to:
 - (i) an acquisition or redemption by the Company of Voting Securities which, by reducing the number of Voting Securities outstanding, increases the



proportionate number of Voting Securities beneficially owned by such person to 50% or more of the Voting Securities then outstanding;

- (ii) acquisitions of Voting Securities which were made pursuant to a dividend reinvestment plan of the Company;
- (iii) the receipt or exercise of rights issued by the Company to all the holders of Voting Securities to subscribe for or purchase Voting Securities or securities convertible into Voting Securities, provided that such rights are acquired directly from the Company and not from any other person;
- (iv) a distribution by the Company of Voting Securities or securities convertible into Voting Securities for cash consideration made pursuant to a public offering or by way of a private placement by the Company ("Exempt Acquisitions");
- (v) a stock-dividend, a stock split or other event pursuant to which such person receives or acquires Voting Securities or securities convertible into Voting Securities on the same *pro rata* basis as all other holders of securities of the same class ("Pro-Rata Acquisitions"); or
- (vi) the exercise of securities convertible into Voting Securities received by such person pursuant to an Exempt Acquisition or a Pro-Rata Acquisition ("Convertible Security Acquisitions");

provided, however, that if a person shall acquire 50% or more of the total issued and outstanding Voting Securities by reason of any one or a combination of (1) acquisitions or redemptions of Voting Shares by the Company, (2) Exempt Acquisitions, (3) Pro-Rata Acquisitions, or (4) Convertible Security Acquisitions and, after such share acquisitions or redemptions by the Company or Exempt Acquisitions or Pro-Rata Acquisitions or Convertible Security Acquisitions, acquires additional Voting Securities exceeding one per cent of the Voting Securities outstanding at the date of such acquisition other than pursuant to any one or a combination of Exempt Acquisitions, Convertible Security Acquisitions or Pro-Rata Acquisitions, then as of the date of such acquisitions such acquisition shall be deemed to be a "Change of Control";

- (b) the replacement by way of election or appointment at any time of one-half or more of the total number of the then incumbent members of the Board of Directors, unless such election or appointment is approved by 50% or more of the Board of Directors in office immediately preceding such election or appointment in circumstances where such election or appointment is to be made other than as a result of a dissident public proxy solicitation, whether actual or threatened; and
- (c) any transaction or series of transactions, whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, whereby all or substantially all of the shares or assets of the Company become the property of any other person (the "Successor Entity"), (other than a subsidiary of the Company) unless:
 - (i) individuals who were holders of Voting Securities immediately prior to such transaction hold, as a result of such transaction, in the aggregate, more than 50% of the voting securities of the Successor Entity;
 - (ii) a majority of the members of the board of directors of the Successor Entity is comprised of individuals who were members of the Board of Directors immediately prior to such transaction; and
 - (iii) after such transaction, no person or group of persons acting jointly or in concert, holds more than 50% of the voting securities of the Successor Entity



unless such person or group of persons held securities of the Company in the same proportion prior to such transaction.

“Change of Control Price” means (i) the highest price per Share offered in conjunction with any transaction resulting in a Change of Control (as determined in good faith by the Committee if any part of the offered price is payable other than in cash), or (ii) in the case of a Change of Control occurring solely by reason of a change in the composition of the Board, the highest Fair Market Value of the Shares on any of the thirty (30) trading days immediately preceding the date on which a Change of Control occurs, except if the relevant participant is subject to taxation under the ITA such Change of Control price shall be deemed to be a price determined by the Committee based on the closing price of a Share on the TSX on the trading day preceding the Change of Control date or based on the volume weighted average trading price of the Shares on the TSX for the five trading days immediately preceding the Change of Control date.

“Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

“Committee” means the Board of Directors or if so delegated in whole or in part by the Board, the Compensation Committee of the Board of Directors, or any other duly authorized committee of the Board appointed by the Board to administer the Plan or.

“Company” means Caledonia Mining Corporation, a Canadian federal corporation, and any successor thereto as provided in Article 17 herein.

“Consultant” means a Person that:

- (i) is engaged to provide services to the Company or an Affiliate other than services provided in relation to a distribution of securities of the Company or an Affiliate;
- (ii) provides the services under a written contract with the Company or an Affiliate; and
- (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate;

provided that with respect to Consultants who are U.S. Persons, such Consultants shall be granted Awards under this Plan only if:

- (i) they are natural persons;
- (ii) they provide bona fide services to the Company or its majority-owned subsidiaries; and
- (iii) such services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Company’s securities.

“Deferred Share Unit” means an Award denominated in units that provides the holder thereof with a right to receive Shares or cash or a combination thereof upon settlement of the Award, granted under Article 9 herein and subject to the terms of this Plan.

“Director” means any individual who is a member of the Board of Directors of the Company.

“Disability” means the Participant’s inability to substantially fulfil his or her duties on behalf of the Company or an Affiliate for a continuous period of six (6) months or more or the Participant’s inability to substantially fulfil his or her duties on behalf of the Company or an Affiliate for an aggregate period of six (6) months or more during any consecutive



twelve (12) month period; and if there is any disagreement between the Company or an Affiliate and the Participant as to the Participant's Disability or as to the date any such Disability began or ended, the same shall be determined by a physician mutually acceptable to the Company and the Participant whose determination shall be conclusive evidence of any such Disability and of the date any such Disability began or ended.

"Dividend Equivalent" means a right with respect to an Award to receive cash, Shares or other property equal in value and form to dividends declared by the Board and paid with respect to outstanding Shares. Dividend Equivalents shall not apply to an Award unless specifically provided for in the Award Agreement, and if specifically provided for in the Award Agreement shall be subject to such terms and conditions set forth in the Award Agreement as the Committee shall determine.

"Employee" means any employee of the Company or an Affiliate. Directors who are not otherwise employed by the Company or an Affiliate shall not be considered Employees under this Plan.

"Fair Market Value" or **"FMV"** means, unless otherwise required by any applicable provision of the Code or any regulations thereunder or by any applicable accounting standard for the Company's desired accounting for Awards or by the rules of the TSX, a price that is determined by the Committee, provided that such price cannot be less than the greater of (i) the volume weighted average trading price of the Shares on the TSX for the five trading days immediately prior to the grant date or (ii) the closing price of the Shares on the TSX on the trading day immediately prior to the grant date.

"Fiscal Year" means the Company's fiscal year commencing on January 1 and ending on December 31 or such other fiscal year as approved by the Board.

"Freestanding SAR" means a SAR that is not a Tandem SAR, as described in Article 7 herein.

"Grant Price" means the price against which the amount payable is determined upon exercise of a SAR.

"Insider" shall have the meaning ascribed thereto in Section 1(1) of the OSA.

"ITA" means the *Income Tax Act* (Canada).

"Non-Employee Director" means a Director who is not an Employee.

"Notice Period" means any period of contractual notice or reasonable notice that the Company or the Affiliate may be required at law, by contract or otherwise agrees to provide to a Participant upon termination of employment, whether or not the Company or Affiliate elects to pay severance *in lieu* of providing notice to the Participant, provided that where a Participant's employment contract provides for an increased severance or termination payment in the event of termination following a Change of Control, the Notice Period for the purposes of the Plan shall be the Notice Period under such contract applicable to a termination which does not follow a Change of Control.

"Option" means the conditional right to purchase Shares at a stated Option Price for a specified period of time subject to the terms of this Plan.

"Option Price" means the price at which a Share may be purchased by a Participant pursuant to an Option, as determined by the Committee.

"OSA" means the *Securities Act* (Ontario), as may be amended from time to time.

"Participant" means an Employee, Non-Employee Director or Consultant who has been selected to receive an Award, or who has an outstanding Award granted under the Plan.

"Performance-Based Compensation" means compensation under an Award that is granted in order to provide remuneration solely on account of the attainment of one or more Performance Goals under circumstances that satisfy the requirements of Section 162(m) of the Code.



“Performance Goal” means a performance criterion selected by the Committee for a given Award.

“Performance Period” means the period of time during which the assigned performance criteria must be met in order to determine the degree of payout and/or vesting with respect to an Award.

“Performance Share” means an Award granted under Article 10 herein and subject to the terms of this Plan, denominated in Shares, the value of which at the time it is payable is determined as a function of the extent to which corresponding performance criteria have been achieved.

“Performance Unit” means an Award granted under Article 10 herein and subject to the terms of this Plan, denominated in units, the value of which at the time it is payable is determined as a function of the extent to which corresponding performance criteria have been achieved.

“Period of Restriction” means the period when an Award of Restricted Share or Restricted Share Units is subject to forfeiture based on the passage of time, the achievement of performance criteria, and/or upon the occurrence of other events as determined by the Committee, in its discretion.

“Person” shall have the meaning ascribed to such term in Section 1(1) of the OSA.

“Restricted Share” means an Award of Shares subject to a Period of Restriction, granted under Article 8 herein and subject to the terms of this Plan.

“Restricted Share Unit” means an Award denominated in units subject to a Period of Restriction, with a right to receive Shares or cash or a combination thereof upon settlement of the Award, granted under Article 8 herein and subject to the terms of this Plan.

“Retirement” or **“Retire”** means a Participant’s permanent withdrawal from employment or office with the Company or Affiliate on terms and conditions accepted and determined by the Board.

“Shares” means common shares of the Company.

“Share Appreciation Right” or **“SAR”** means the conditional right to receive the difference between the FMV of a Share on the date of exercise over the Grant Price, pursuant to the terms of Article 7 herein and subject to the terms of this Plan.

“Share-Based Award” means an equity-based or equity-related Award granted under Article 11 herein and subject to the terms of this Plan, and not otherwise described by the terms of this Plan.

“Successor Entity” has the meaning ascribed thereto under subsection (c) of the definition of Change of Control.

“Tandem SAR” means a SAR that the Committee specifies is granted in connection with a related Option pursuant to Article 7 herein and subject to the terms of this Plan, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be cancelled) or a SAR that is granted in tandem with an Option but the exercise of such Option does not cancel the SAR, but rather results in the exercise of the related SAR. Regardless of whether an Option is granted coincident with a SAR, a SAR is not a Tandem SAR unless so specified by the Committee at the time of grant.

“Total Share Authorization” has the meaning ascribed thereto under Section 4.1.

“TSX” means the Toronto Stock Exchange and at any time the Shares are not listed and posted for trading on the TSX, shall be deemed to mean such other stock exchange or trading platform upon which the Shares trade and which has been designated by the Committee.



“**Voting Power**” shall mean such number of Voting Securities as shall enable the holders thereof to cast all the votes which could be cast in an annual election of directors of a company.

“**Voting Securities**” shall mean any securities of the Company ordinarily carrying the right to vote at elections of directors and any securities immediately convertible into or exchangeable for such securities.

ARTICLE 3 ADMINISTRATION

3.1 **General.** The Committee shall be responsible for administering the Plan. The Committee may employ attorneys, consultants, accountants, agents and other individuals, any of whom may be an Employee, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee shall be final, conclusive and binding upon the Participants, the Company, and all other interested parties.

3.2 **Authority of the Committee.** The Committee shall have full and exclusive discretionary power to interpret the terms and the intent of the Plan and any Award Agreement or other agreement ancillary to or in connection with the Plan, to determine eligibility for Awards, and to adopt such rules, regulations and guidelines for administering the Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions, including grant, exercise price, issue price and vesting terms, determining Performance Goals applicable to Awards and whether such Performance Goals have been achieved, and, subject to Article 15, adopting modifications and amendments, or subplans to the Plan or any Award Agreement, including, without limitation, any that are necessary or appropriate to comply with the laws or compensation practices of the jurisdictions in which the Company and Affiliates operate.

3.3 **Delegation.** The Committee may delegate to one or more of its members any of the Committee’s administrative duties or powers as it may deem advisable; provided, however, that any such delegation must be permitted under applicable corporate law.

ARTICLE 4 SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS

4.1 **Number of Shares Available for Awards.** Subject to adjustment as provided in Section 4.2 herein, the number of Shares hereby reserved for issuance to Participants under the Plan, together with Shares reserved for issue under any other share compensation arrangements of the Company, shall not exceed the number which represents 10% of the issued and outstanding Shares from time to time (the “**Total Share Authorization**”). Subject to applicable law, the requirements of the TSX and any shareholder or other approval which may be required, the Board may in its discretion amend the Plan to increase such limit without notice to any Participants.

The number of Shares reserved for issue to Insiders pursuant to this Plan, together with Shares reserved for issue to Insiders under any other share compensation arrangements of the Company, shall not exceed 10% of the aggregate outstanding Shares of the Company. Within any one-year period, the number of Shares issued to Insiders pursuant to this Plan and



all other share compensation arrangements of the Company shall not exceed 10% of the aggregate outstanding Shares of the Company. If the number of Shares shall be increased or decreased as a result of a stock split, consolidation reclassification or recapitalization and not as a result of the issuance of Shares for additional consideration or by way of a stock dividend in the ordinary course, the Company may make appropriate adjustments to the maximum number of Shares which may be issued from the treasury of the Company under the Plan.

This Plan is an “evergreen” plan whereby the number of Shares equivalent to the number of Awards and securities of any other share compensation arrangements that have been issued, exercised, terminated, cancelled, redeemed, repurchased or expired, at any time, are immediately re-reserved for issuance under the Plan and available for future issuances subject to the limits contained herein.

4.2 Adjustments in Authorized Shares. In the event of any corporate event or transaction (collectively, a “**Corporate Reorganization**”) (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company) such as a merger, arrangement, amalgamation, consolidation, reorganization, recapitalization, separation, stock dividend, extraordinary dividend, stock split, reverse stock split, split up, spin-off or other distribution of stock or property of the Company, combination of securities, exchange of securities, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee shall make or provide for such adjustments or substitutions, as applicable, in the number and kind of Shares that may be issued under the Plan, the number and kind of Shares subject to outstanding Awards, the Option Price or Grant Price applicable to outstanding Awards, the Total Share Authorization, the limit on issuing Awards other than Options granted with an Option Price equal to at least the FMV of a Share on the date of grant or Share Appreciation Rights with a Grant Price equal to at least the FMV of a Share on the date of grant, and any other value determinations applicable to outstanding Awards or to this Plan, as are equitably necessary to prevent dilution or enlargement of Participants’ rights under the Plan that otherwise would result from such corporate event or transaction. In connection with a Corporate Reorganization, the Committee shall have the discretion to permit a holder of Options to purchase (at the times, for the consideration, and subject to the terms and conditions set out in this Plan) and the holder will then accept on the exercise of such Option, *in lieu* of the Shares that such holder would otherwise have been entitled to purchase, the kind and amount of shares or other securities or property that such holder would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date thereof, that holder had owned all Shares that were subject to the Option. Such adjustments shall be made automatically, without the necessity of Committee action, on the customary arithmetical basis in the case of any stock split, including a stock split effected by means of a stock dividend, and in the case of any other dividend paid in Shares.

The Committee shall also make appropriate adjustments in the terms of any Awards under the Plan as are equitably necessary to reflect such corporate event or transaction and may modify any other terms of outstanding Awards, including modifications of performance criteria and changes in the length of Performance Periods. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on



Participants under the Plan, provided that any such adjustments must comply with Section 409A of the Code with respect to any U.S. Participants.

Subject to the provisions of Article 13 and any applicable law or regulatory requirement, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance, assumption, substitution or conversion of Awards under this Plan in connection with any such corporate event or transaction, upon such terms and conditions as it may deem appropriate. Additionally, the Committee may amend the Plan, or adopt supplements to the Plan, in such manner as it deems appropriate to provide for such issuance, assumption, substitution or conversion as provided in the previous sentence.

ARTICLE 5 ELIGIBILITY AND PARTICIPATION

5.1 **Eligibility.** Individuals eligible to participate in the Plan include all Employees, Non-Employee Directors and Consultants.

5.2 **Actual Participation.** Subject to the provisions of the Plan, the Committee may, from time to time, in its sole discretion select from among eligible Employees, Non-Employee Directors and Consultants, those to whom Awards shall be granted under the Plan, and shall determine in its discretion the nature, terms, conditions and amount of each Award.

ARTICLE 6 STOCK OPTIONS

6.1 **Grant of Options.** Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee in its discretion.

6.2 **Award Agreement.** Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and any such other provisions as the Committee shall determine.

6.3 **Option Price.** The Option Price for each grant of an Option under this Plan shall be determined by the Committee and shall be specified in the Award Agreement. The Option Price for an Option shall be not less than the FMV of the Shares on the date of grant.

6.4 **Duration of Options.** Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no Option shall be exercisable later than the tenth (10th) anniversary date of its grant. Notwithstanding the foregoing, the expiry date of any Option shall be extended to the tenth business day following the last day of a Blackout Period if the expiry date would otherwise occur in a Blackout Period or within five days of the end of the Blackout Period.

6.5 **Exercise of Options.** Options granted under this Article 6 shall be exercisable at such times and on the occurrence of such events, and be subject to such restrictions and conditions, as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant.



6.6 Payment. Options granted under this Article 6 shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified or accepted by the Committee, or by complying with any alternative procedures which may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares (subject to the application of any cashless exercise procedures accepted by the Committee).

The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash, certified cheque or wire transfer; or (b) by any other method approved or accepted by the Committee in its sole discretion subject to the rules of the TSX and such rules and regulations as the Committee may establish. Such methods may include cashless exercise and settlement.

Subject to Section 6.7 and any governing rules or regulations, as soon as practicable after receipt of a notification of exercise and full payment for the Shares, the Shares in respect of which the Option has been exercised shall be issued as fully-paid and non-assessable shares of the Company. As of the business day the Company receives such notice and such payment, the Participant (or the person claiming through him, as the case may be) shall be entitled to be entered on the share register of the Company as the holder of the number of Shares in respect of which the Option was exercised and to receive as promptly as possible thereafter a certificate or evidence of book entry representing the said number of Shares. The Company shall cause to be delivered to or to the direction of the Participant Share certificates or evidence of book entry Shares in an appropriate amount based upon the number of Shares purchased under the Option(s), but in any event, on or before the 15th day of the third month of the year following the year in which the Option was exercised.

6.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted pursuant to this Plan as it may deem advisable, including, without limitation, requiring the Participant to hold the Shares acquired pursuant to exercise for a specified period of time, or restrictions under applicable laws or under the requirements of any stock exchange or market upon which such Shares are listed and/or traded.

6.8 Death, Retirement and Termination of Employment.

- (a) **Death:** If a Participant dies while an Employee, Director of, or Consultant to, the Company or an Affiliate:
- (i) the executor or administrator of the Participant's estate may exercise Options of the Participant equal to the number of Options that were exercisable at the Termination Date (as defined at Section 6.8(d) below);
 - (ii) the right to exercise such Options terminates on the earlier of: (i) the date that is 12 months after the Termination Date; and (ii) the date on which the exercise period of the particular Option expires. Any Options held by the Participant that are not yet vested at the Termination Date immediately expire and are cancelled and forfeited to the Company on the Termination Date; and



- (iii) such Participant's eligibility to receive further grants of Options under the Plan ceases as of the Termination Date.
- (b) **Retirement: If a Participant voluntarily Retires then:**
 - (i) any Options held by the Participant that are exercisable at the Termination Date continue to be exercisable by the Participant until the earlier of: (i) the date that is six months after the Termination Date; and (ii) the date on which the exercise period of the particular Option expires. Any Options held by the Participant that are not yet vested at the Termination Date immediately expire and are cancelled and forfeited to the Company on the Termination Date,
 - (ii) the eligibility of a Participant to receive further grants under the Plan ceases as of the date that the Company or an Affiliate, as the case may be, provides the Participant with written notification that the Participant's employment or term of office or engagement, is terminated, notwithstanding that such date may be prior to the Termination Date, and
 - (iii) notwithstanding (b)(i) and (ii) above, unless the Committee, in its sole discretion, otherwise determines, at any time and from time to time, Options are not affected by a change of employment arrangement within or among the Company or an Affiliate for so long as the Participant continues to be an employee of the Company or an Affiliate.
- (c) **Termination of Employment: Where a Participant's employment or term of office or engagement terminates (for any reason other than death or voluntary Retirement (whether such termination occurs with or without any or adequate notice or reasonable notice, or with or without any or adequate compensation *in lieu* of such notice)), then:**
 - (i) any Options held by the Participant that are exercisable at the Termination Date continue to be exercisable by the Participant until the earlier of: (i) the date that is three months after the Termination Date; and (ii) the date on which the exercise period of the particular Option expires. Any Options held by the Participant that are not yet vested at the Termination Date immediately expire and are cancelled and forfeited to the Company on the Termination Date,
 - (ii) the eligibility of a Participant to receive further grants under the Plan ceases as of the date that the Company or an Affiliate, as the case may be, provides the Participant with written notification that the Participant's employment or term of office or engagement, is terminated, notwithstanding that such date may be prior to the Termination Date, and
 - (iii) notwithstanding (c)(i) and (ii) above, unless the Committee, in its sole discretion, otherwise determines, at any time and from time to time, Options are not affected by a change of employment arrangement within or among the Company or an Affiliate for so long as the Participant continues to be an employee of the Company or an Affiliate.
- (d) **For purposes of section 6.8, the term, "Termination Date" means, in the case of a Participant whose employment or term of office or engagement with the Company or an Affiliate terminates:**
 - (i) by reason of the Participant's death, the date of death;
 - (ii) for any reason whatsoever other than death, the date of the Participant's last day actively at work for or actively engaged by the Company or the Affiliate,



as the case may be; and for greater certainty “Termination Date” in any such case specifically does not mean the date on which any period of contractual notice or reasonable notice that the Company or the Affiliate, as the case may be, may be required at law to provide to a Participant would expire; and

- (iii) the resignation of a director shall be considered to be a Retirement whereas the expiry of a director’s term on the Board without re-election (or nomination for election) shall be considered to be a termination of his or her term of office.

6.9 **Nontransferability of Options.** Except as otherwise provided in a Participant’s Award Agreement at the time of grant or thereafter by the Committee, an Option granted under this Article 6 may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant’s Award Agreement at the time of grant or thereafter by the Committee, all Options granted to a Participant under this Article 6 shall be exercisable during such Participant’s lifetime only by such Participant.

ARTICLE 7

SHARE APPRECIATION RIGHTS

7.1 **Grant of SARs.** Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time and upon such terms as shall be determined by the Committee in its discretion. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs.

The SAR Grant Price for each grant of a Freestanding SAR shall be determined by the Committee and shall be specified in the Award Agreement. The SAR Grant Price may include a Grant Price based on one hundred percent (100%) of the FMV of the Shares on the date of grant, a Grant Price that is set at a premium to the FMV of the Shares on the date of grant, or is indexed to the FMV of the Shares on the date of grant, with the index determined by the Committee, in its discretion, provided that the Grant Price may never be less than the FMV of the Shares on the date of Grant. The Grant Price of Tandem SARs shall be equal to the Option Price of the related Option.

7.2 **SAR Agreement.** Each SAR Award shall be evidenced by an Award Agreement that shall specify the Grant Price, the term of the SAR, and any such other provisions as the Committee shall determine.

7.3 **Term of SAR.** The term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion, and except as determined otherwise by the Committee and specified in the SAR Award Agreement, no SAR shall be exercisable later than the tenth (10th) anniversary date of its grant. Notwithstanding the foregoing, the expiry date of any SAR shall be extended to the tenth business day following the last day of a Blackout Period if the expiry date would otherwise occur in a Blackout Period or within five days of the end of the Blackout Period.

7.4 **Exercise of Freestanding SARs.** Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes.



7.5 **Exercise of Tandem SARs.** With respect to Participants who are not subject to taxation under the ITA, Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. With respect to Participants subject to taxation under the ITA, prior to exercising a Tandem SAR the Participant must elect to receive the Tandem SAR in consideration for the disposition of that Participant's right to receive shares under the Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

7.6 **Payment of SAR Amount.** Upon the exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount representing the difference between the FMV of the underlying Shares on the date of exercise over the Grant Price. At the discretion of the Committee, the payment upon SAR exercise may be in cash, Shares of equivalent value (based on the FMV on the date of exercise of the SAR, as defined in the Award Agreement or otherwise defined by the Committee thereafter), in some combination thereof, or in any other form approved by the Committee at its sole discretion. Payment shall be made no earlier than the date of exercise nor later than 2½ months after the close of the year in which the SAR is exercised. The Committee's determination regarding the form of SAR payout shall be set forth or reserved for later determination in the Award Agreement for the grant of the SAR.

7.7 **Termination of Employment.** Each Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment or other relationship with the Company or Affiliates. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

7.8 **Nontransferability of SARs.** Except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, a SAR granted under the Plan may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, all SARs granted to a Participant under the Plan shall be exercisable during such Participant's lifetime only by such Participant.

7.9 **Other Restrictions.** Without limiting the generality of any other provision of this Plan, the Committee may impose such other conditions and/or restrictions on any Shares received upon exercise of a SAR granted pursuant to the Plan as it may deem advisable. This includes, but is not limited to, requiring the Participant to hold the Shares received upon exercise of a SAR for a specified period of time.

ARTICLE 8

RESTRICTED SHARE AND RESTRICTED SHARE UNITS

8.1 **Grant of Restricted Shares or Restricted Share Units.** Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Restricted Shares and/or Restricted Share Units to Participants in such amounts and upon such terms as the Committee shall determine.



8.2 **Restricted Share or Restricted Share Unit Agreement.** Each Restricted Share and/or Restricted Share Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Restricted Shares or the number of Restricted Share Units granted, the settlement date for Restricted Share Units, and any such other provisions as the Committee shall determine, provided that unless otherwise determined by the Committee or as set out in any Award Agreement, no Restricted Share Unit shall vest later than three years after the date of grant.

8.3 **Nontransferability of Restricted Share and Restricted Share Units.** Except as otherwise provided in this Plan or the Award Agreement, the Restricted Shares and/or Restricted Share Units granted herein may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until the end of the applicable Period of Restriction specified in the Award Agreement (and in the case of Restricted Share Units until the date of settlement through delivery or other payment), or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Award Agreement at the time of grant or thereafter by the Committee. All rights with respect to the Restricted Shares and/or Restricted Share Units granted to a Participant under the Plan shall be available during such Participant's lifetime only to such Participant, except as otherwise provided in the Award Agreement at the time of grant or thereafter by the Committee.

8.4 **Other Restrictions.** The Committee shall impose, in the Award Agreement at the time of grant or anytime thereafter, such other conditions and/or restrictions on any Restricted Shares or Restricted Share Units granted pursuant to this Plan as it may deem advisable, including, without limitation, a requirement that Participants pay a stipulated purchase price for each Restricted Share or each Restricted Share Unit, restrictions based upon the achievement of specific performance criteria, time-based restrictions on vesting following the attainment of the performance criteria, time-based restrictions, restrictions under applicable laws or under the requirements of any stock exchange or market upon which such Shares are listed or traded, or holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Shares or Restricted Share Units.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Restricted Shares, or Shares delivered in settlement of Restricted Share Units, in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

Except as otherwise provided in this Article 8, Restricted Shares covered by each Restricted Share Award shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapse, and Restricted Share Units shall be settled through payment in cash, Shares, or a combination of cash and Shares as the Committee, in its sole discretion, shall determine.

8.5 **Certificate Legend.** In addition to any legends placed on certificates pursuant to Section 8.4 herein, each certificate representing Restricted Shares granted pursuant to the Plan may bear a legend such as the following:

“The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary or by operation of law, is



subject to certain restrictions on transfer as set forth in the 2015 Omnibus Equity Incentive Compensation Plan and in the associated Award Agreement. A copy of the Plan and such Award Agreement may be obtained from the Chief Financial Officer of Caledonia Mining Corporation.”

8.6 **Voting Rights.** To the extent required by law, Participants holding Restricted Shares granted hereunder shall have the right to exercise full voting rights with respect to those Shares during the Period of Restriction. A Participant shall have no voting rights with respect to any Restricted Share Units granted hereunder.

8.7 **Dividends and Other Distributions.** During the Period of Restriction, Participants holding Restricted Shares or Restricted Share Units granted hereunder may, if the Committee so determines, be credited with dividends paid with respect to the underlying Shares or Dividend Equivalents while they are so held in a manner determined by the Committee in its sole discretion. Dividend Equivalents shall not apply to an Award unless specifically provided for in the Award Agreement. The Committee may apply any restrictions to the dividends or Dividend Equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or Dividend Equivalents, including cash, Shares, Restricted Shares or Restricted Share Units.

8.8 **Death, Retirement and other Termination of Employment.**

- (a) **Death:** If a Participant dies while an Employee, Director of, or Consultant to, the Company or an Affiliate:
- (i) any Restricted Share or Restricted Share Units held by the Participant that have not vested as at the Termination Date (as defined at Section 8.8(e) below) shall vest immediately;
 - (ii) any Restricted Shares and Restricted Share Units held by the Participant that have vested (including Restricted Shares and Restricted Share Units vested in accordance with Section 8.8(a)(i)) as at the Termination Date (as defined at Section 8.8(e) below), shall be paid to the Participant's estate in accordance with the terms of the Plan and Award Agreement; and
 - (iii) such Participant's eligibility to receive further grants of Restricted Share Units or Restricted Shares under the Plan ceases as of the Termination Date.
- (b) **Disability:** If a Participant suffers a Disability while an Employee, Director of, or Consultant to, the Company or an Affiliate and, as a result, his or her employment or engagement with the Company or an Affiliate is terminated:
- (i) the number of Restricted Shares or Restricted Share Units held by the Participant and that have not vested (collectively referred to in this Section 8.8 as the "Unvested Awards") shall be reduced to be equal to the product of (A) the number of Unvested Awards; and (B) the fraction obtained when dividing (x) the number of calendar days from the date of the award of the Unvested Awards to the Termination Date (as defined at Section 8.8(e) below) and (x) the number of calendar days from the date of the award of the Unvested Awards to the original vesting date set out in the Award Agreement;



- (ii) the number of Unvested Awards, as calculated pursuant to Section 8.8(b)(i), shall continue to vest in accordance with the terms of the Plan and Award Agreement; and
 - (iii) such Participant's eligibility to receive further grants of Restricted Share Units or Restricted Shares under the Plan ceases as of the Termination Date.
- (c) **Retirement: If a Participant voluntarily Retires then:**
 - (i) any Restricted Share Units held by the Participant that have vested before the Termination Date (as defined at Section 8.8(e) below) shall be paid to the Participant;
 - (ii) any Unvested Awards held by the Participant at the Termination Date (as defined at Section 8.8(e) below) shall continue to vest in accordance with the terms of the Plan and Award Agreement following the Termination Date (as defined at Section 8.8(e) below) until the earlier of: (i) the date determined by the Committee, in its sole discretion; and (ii) the date on which the Restricted Share Units vest pursuant to the original Award Agreement in respect of such Unvested Awards; and
 - (iii) such Participant's eligibility to receive further grants of Restricted Share Units or Restricted Shares under the Plan ceases as of the Termination Date.
- (d) **Termination other than Death, Disability or Retirement: Unless determined otherwise by the Committee, where a Participant's employment or term of office or engagement terminates for any reason other than death, Disability or Retirement (whether such termination occurs with or without any or adequate notice or reasonable notice, or with or without any or adequate compensation *in lieu* of such notice), then:**
 - (i) any Restricted Share Units held by the Participant that have vested before the Termination Date (as defined at Section 8.8(e) below) shall be paid to the Participant. Any Restricted Share Units or Restricted Shares held by the Participant that are not yet vested at the Termination Date (as defined at Section 8.8(e) below) will be immediately cancelled and forfeited to the Company on the Termination Date;
 - (ii) the eligibility of a Participant to receive further grants under the Plan ceases as of the date that the Company or an Affiliate provides the Participant with written notification that the Participant's employment or term of office or engagement, is terminated, notwithstanding that such date may be prior to the Termination Date; and
 - (iii) notwithstanding Sections 8.8(d)(i) and (ii) above, unless the Committee, in its sole discretion, otherwise determines, at any time and from time to time, Restricted Share Units and Restricted Shares are not affected by a change of employment arrangement within or among the Company or an Affiliate for so long as the Participant continues to be an employee of the Company or an Affiliate.
- (e) **For purposes of section 8.8, the term, "Termination Date" means, in the case of a Participant whose employment or term of office or engagement with the Company or an Affiliate terminates:**
 - (i) by reason of the Participant's death, the date of death;



- (ii) by reason of termination for Cause, resignation by the Participant or Retirement, the Participant's last day actively at work for or actively engaged by the Company or an Affiliate;
 - (iii) by reason of Disability, the date of the Participant's last day actively at work for or actively engaged by the Company or an Affiliate;
 - (iv) for any reason whatsoever other than death, termination for Cause, Retirement or termination by reason of Disability, the later of the (A) date of the Participant's last day actively at work for or actively engaged by the Company or the Affiliate, and (B) the last date of the Notice Period; and
 - (v) the resignation of a director and the expiry of a director's term on the Board without re-election (or nomination for election) shall each be considered to be a termination of his or her term of office.
- (f) **Change of Control:** The occurrence of a Change of Control will not result in the vesting of Unvested Awards, provided that: (i) such Unvested Awards will continue to vest in accordance with the Plan and Award Agreement; and (ii) any Successor Entity agrees to assume the obligations of the Company in respect of such Unvested Awards.
- (g) **Termination Following a Change of Control:** Where a Participant's employment or term of office or engagement is terminated for any reason, other than for Cause, during the 24 months following a Change in Control, any Unvested Awards as at the date of such termination shall be deemed to have vested as at the date of such termination and shall become payable as at the date of termination.

8.9 Payment in Settlement of Restricted Share Units. When and if Restricted Share Units become payable, the Participant issued such units shall be entitled to receive payment from the Company in settlement of such units in cash, Shares (issued from treasury) of equivalent value (based on the FMV, as defined in the Award Agreement at the time of grant or thereafter by the Committee), in some combination thereof, or in any other form, all as determined by the Committee at its sole discretion. The Committee's determination regarding the form of payout shall be set forth or reserved for later determination in the Award Agreement for the grant of the Restricted Share Units. In the event settlement is made by payment in cash, such payment shall be made by the earlier of (i) 2½ months after the close of the year in which such conditions or restrictions were satisfied or lapsed and (ii) December 31 of the third year following the year of the grant date.

ARTICLE 9

DEFERRED SHARES UNITS

9.1 Grant of Deferred Share Units. Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Deferred Share Units to Participants in such amounts and upon such terms as the Committee shall determine.

9.2 Deferred Share Unit Agreement. Each Deferred Share Unit grant shall be evidenced by an Award Agreement that shall specify the number of Deferred Share Units granted, the settlement date for Deferred Share Units, and any other provisions as the Committee shall determine, including, but not limited to a requirement that Participants pay a stipulated purchase price for each Deferred Share Unit, restrictions based upon the achievement of specific performance criteria, time-based restrictions, restrictions under applicable laws or under the requirements of any stock exchange or market upon which the



Shares are listed or traded, or holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Deferred Share Units.

9.3 **Nontransferability of Deferred Share Units.** Except as otherwise provided in this Plan or the Award Agreement, the Deferred Share Units granted herein may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated. All rights with respect to the Deferred Share Units granted to a Participant under the Plan shall be available during such Participant's lifetime only to such Participant, except as otherwise provided in the Award Agreement at the time of grant or thereafter by the Committee.

9.4 **Termination of Employment, Consultancy or Directorship.** Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Deferred Share Units following termination of the Participant's employment or other relationship with the Company or Affiliates. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Deferred Share Units issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

ARTICLE 10

PERFORMANCE SHARES AND PERFORMANCE UNITS

10.1 **Grant of Performance Shares and Performance Units.** Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Performance Shares and/or Performance Units to Participants in such amounts and upon such terms as the Committee shall determine.

10.2 **Value of Performance Shares and Performance Units.** Each Performance Share and Performance Unit shall have an initial value equal to the FMV of a Share on the date of grant. The Committee shall set performance criteria for a Performance Period in its discretion, which, depending on the extent to which they are met, will determine, in the manner determined by the Committee and set forth in the Award Agreement, the value and/or number of each Performance Share or Performance Unit that will be paid to the Participant.

10.3 **Earning of Performance Shares and Performance Units.** Subject to the terms of this Plan and the applicable Award Agreement, after the applicable Performance Period has ended, the holder of Performance Shares/Performance Units shall be entitled to receive payout on the value and number of Performance Shares/Performance Units, determined as a function of the extent to which the corresponding performance criteria have been achieved. Notwithstanding the foregoing, the Company shall have the ability to require the Participant to hold any Shares received pursuant to such Award for a specified period of time.

10.4 **Form and Timing of Payment of Performance Shares and Performance Units.** Payment of earned Performance Shares/Performance Units shall be as determined by the Committee and as set forth in the Award Agreement. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Performance Shares/Performance Units in the form of cash or in Shares issued from treasury (or in a combination thereof) equal to the value of the earned Performance Shares/Performance Units at the end of the applicable Performance Period. Any Shares may be granted subject to any restrictions deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement for the grant of the Award or reserved for later determination. In no event will delivery of such Shares or



payment of any cash amounts be made later than the earlier of (i) 2½ months after the close of the year in which such conditions or restrictions were satisfied or lapsed and (ii) December 31 of the third year following the year of the grant date.

10.5 **Dividends and Other Distributions.** The Committee shall determine whether Participants holding Performance Shares will receive Dividend Equivalents with respect to dividends declared with respect to the Shares. Dividends or Dividend Equivalents may be subject to accrual, forfeiture or payout restrictions as determined by the Committee in its sole discretion.

10.6 **Death and other Termination of Employment.**

- (a) **Death:** If a Participant dies while an Employee, Director of, or Consultant to, the Company or an Affiliate:
 - (i) the number of Performance Shares or Performance Share Units held by the Participant that have not vested (collectively referred to in this Section 10.6 as “Unvested Awards”) shall be adjusted as set out in the applicable Award Agreement (collectively referred to in this Section 10.6 as “Deemed Awards”);
 - (ii) any Deemed Awards shall vest immediately;
 - (iii) any Performance Shares and Performance Shares Units held by the Participant that have vested (including Deemed Awards vested in accordance with Section 10.6(a)(ii) shall be paid to the Participant’s estate in accordance with the terms of the Plan and Award Agreement; and
 - (iv) such Participant’s eligibility to receive further grants of Performance Shares or Performance Share Units under the Plan ceases as of the Termination Date (as defined at Section 10.6(e) below).
- (b) **Disability:** If a Participant suffers a Disability while an Employee, officer or director of or Consultant to the Company or an Affiliate and as a result his or her employment with the company or Affiliate is terminated:
 - (i) Unvested Awards shall be reduced to be equal to the product of (A) the number of Unvested Awards; and (B) the fraction obtained when dividing (x) the number of calendar days from the date of the award of the Unvested Awards to the Termination Date (as defined at Section 10.6(e) below) and (x) the number of calendar days from the date of the award of the Unvested Awards to the original vesting date set out in the Award Agreement;
 - (ii) the number of Unvested Awards, as calculated pursuant to Section 10.6(b)(i), shall continue to vest in accordance with the terms of its Plan and Award Agreement; and
 - (iii) such Participant’s eligibility to receive further grants of Performance Share Units or Performance Shares under the Plan ceases as of the Termination Date.
- (c) **Retirement:** If a Participant voluntarily Retires then:
 - (i) any Performance Shares or Performance Share Units held by the Participant that have vested before the Termination Date shall be paid to the Participant;



- (ii) any Unvested Awards held by the Participant at the Termination Date (as defined at Section 10.6(e) below) shall continue to vest in accordance with the terms of the Plan and Award Agreement following the Termination Date until the earlier of: (i) the date determined by the Committee, in its sole discretion; and (ii) the date on which the Performance Share Units vest pursuant to the original Award Agreement in respect of such Unvested Awards; and
 - (iii) such Participant's eligibility to receive further grants of Performance Shares or Performance Share Units under the Plan ceases as of the Termination Date.
 - (d) **Termination other than Death, Disability or Retirement:** Unless determined otherwise by the Committee, where a Participant's employment or term of office or engagement terminates for any reason other than death (whether such termination occurs with or without any or adequate notice or reasonable notice, or with or without any or adequate compensation in lieu of such notice), then:
 - (i) any Performance Share Units or Performance Shares held by the Participant that have vested before the Termination Date shall be paid to the Participant in accordance with the terms of the Plan and Award Agreement. Any Performance Shares Units or Performance Shares held by the Participant that are not yet vested at the Termination Date will be immediately cancelled and forfeited to the Company on the Termination Date;
 - (ii) the eligibility of a Participant to receive further grants under the Plan ceases as of the date that the Company or an Affiliate provides the Participant with written notification that the Participant's employment or term of office or engagement, is terminated, notwithstanding that such date may be prior to the Termination Date; and
 - (iii) notwithstanding Sections 10.6(c)(i) and (ii) above, unless the Committee, in its sole discretion, otherwise determines, at any time and from time to time, Performance Share Units or Performance Shares are not affected by a change of employment arrangement within or among the Company or an Affiliate for so long as the Participant continues to be an employee of the Company or an Affiliate.
 - (e) For purposes of this Section 10.6, the term, "Termination Date" has the meaning set out in Section 8.8(e).
 - (f) **Change of Control:** The occurrence of a Change of Control will not result in the vesting of Unvested Awards, provided that:
 - (i) such Unvested Awards will continue to vest in accordance with the Plan and the Award Agreement;
 - (ii) the level of achievement of Performance Goals for Fiscal Years completed prior to the date of the Change of Control shall be based on the actual performance achieved to the date of the Change of Control and the level of achievement of Performance Goals for Fiscal Years completed following the date of the Change of Control shall be based on the assumed achievement of 100% of the Performance Goals; and
 - (iii) any Successor Entity agrees to assume the obligations of the Company in respect of such Unvested Awards.
 - (g) **Termination following Change of Control:** For the period of 24 months following a Change of Control, where a Participant's employment or term of office or engagement is terminated for any reason, other than for Cause:



- (i) any Unvested Awards as at the date of such termination shall be deemed to have vested as at the date of such termination and shall become payable as at the date of termination; and
- (ii) the level of achievement of Performance Goals for any Unvested Awards that are deemed to have vested pursuant to (i) above, shall be based on the actual performance achieved at the end of the Fiscal Year immediately prior to the date of termination.

10.7 **Nontransferability of Performance Shares and Performance Units.** Except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, Performance Shares/Performance Units may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement or otherwise by the Committee at any time, a Participant's rights under the Plan shall inure during such Participant's lifetime only to such Participant.

ARTICLE 11

FULL VALUE SHARE-BASED AWARDS

11.1 **Share-Based Awards.** The Committee may, to the extent permitted by the TSX, grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted Shares and issuance of unrestricted Shares in satisfaction of compensation (including salary, bonus or other incentive)) in such amounts and subject to such terms and conditions, including, but not limited to, being subject to performance criteria, or in satisfaction of such obligations, as the Committee shall determine; provided that the maximum number of Share-Based Awards issued in any calendar year shall not exceed one per cent (1%) of the issued and outstanding Shares on January 1 of such calendar year. Such Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares, subject to applicable corporate law and securities law requirements.

11.2 **Termination of Employment.** Each Award Agreement shall set forth the extent to which the Participant shall have the right to receive Share-Based Awards following termination of the Participant's employment or other relationship with the Company or Affiliates. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Share-Based Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

11.3 **Nontransferability of Share-Based Awards.** Except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, Share-Based Awards may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement at the time of grant or thereafter by the Committee, a Participant's rights under the Plan shall be exercisable during such Participant's lifetime only by such Participant.

ARTICLE 12

BENEFICIARY DESIGNATION

12.1 **Beneficiary.** A Participant's "beneficiary" is the person or persons entitled to receive payments or other benefits or exercise rights that are available under the Plan in the



event of the Participant's death. A Participant may designate a beneficiary or change a previous beneficiary designation at such times as prescribed by the Committee and by using such forms and following such procedures approved or accepted by the Committee for that purpose. If no beneficiary designated by the Participant is eligible to receive payments or other benefits or exercise rights that are available under the Plan at the Participant's death, the beneficiary shall be the Participant's estate.

12.2 **Discretion of the Committee.** Notwithstanding the provisions above, the Committee may, in its discretion, after notifying the affected Participants, modify the foregoing requirements, institute additional requirements for beneficiary designations, or suspend the existing beneficiary designations of living Participants or the process of determining beneficiaries under this Article 12, or both, in favor of another method of determining beneficiaries.

ARTICLE 13 RIGHTS OF PERSONS ELIGIBLE TO PARTICIPATE

13.1 **Employment.** Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or an Affiliate to terminate any Participant's employment, consulting or other service relationship with the Company or an Affiliate at any time, nor confer upon any Participant any right to continue in the capacity in which he or she is employed or otherwise serves the Company or an Affiliate.

Neither an Award nor any benefits arising under this Plan shall constitute part of an employment or service contract with the Company or an Affiliate, and, accordingly, subject to the terms of this Plan, this Plan may be terminated or modified at any time in the sole and exclusive discretion of the Committee or the Board without giving rise to liability on the part of the Company or an Affiliate for severance payments or otherwise, except as provided in this Plan.

For purposes of the Plan, unless otherwise provided by the Committee, a transfer of employment of a Participant between the Company and an Affiliate or among Affiliates, shall not be deemed a termination of employment. The Committee may provide in a Participant's Award Agreement or otherwise the conditions under which a transfer of employment to an entity that is spun off from the Company or an Affiliate shall not be deemed a termination of employment for purposes of an Award.

13.2 **Participation.** No Employee or other Person eligible to participate in the Plan shall have the right to be selected to receive an Award. No person selected to receive an Award shall have the right to be selected to receive a future Award, or, if selected to receive a future Award, the right to receive such future Award on terms and conditions identical or in proportion in any way to any prior Award.

13.3 **Rights as a Shareholder.** A Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.



ARTICLE 14 CHANGE OF CONTROL

14.1 **Accelerated Vesting and Payment.** Subject to the provisions of Section 14.2 or as otherwise provided in the Plan or the Award Agreement, in the event of a Change of Control, the Committee shall have the discretion to unilaterally determine that all outstanding Awards shall be cancelled upon a Change of Control, and that the value of such Awards, as determined by the Committee in accordance with the terms of the Plan and the Award Agreements, shall be paid out in cash in an amount based on the Change of Control Price within a reasonable time subsequent to the Change of Control.

14.2 **Alternative Awards.** Notwithstanding Section 14.1, no cancellation, acceleration of vesting, lapsing of restrictions, payment of an Award, cash settlement or other payment shall occur with respect to any Award if the Committee reasonably determines in good faith prior to the occurrence of a Change of Control that such Award shall be honored or assumed, or new rights substituted therefor (with such honored, assumed or substituted Award hereinafter referred to as an “**Alternative Award**”) by any successor to the Company or an Affiliate as described in Article 16; provided, however, that any such Alternative Award must:

- (a) be based on stock which is traded on the TSX and/or an established securities market in London, England or the United States;
- (b) provide such Participant with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under such Award, including, but not limited to, an identical or better exercise or vesting schedule (including vesting upon termination of employment) and identical or better timing and methods of payment;
- (c) recognize, for the purpose of vesting provisions, the time that the Award has been held prior to the Change of Control; and
- (d) have substantially equivalent economic value to such Award (determined prior to the time of the Change of Control).

ARTICLE 15 AMENDMENT, MODIFICATION, SUSPENSION AND TERMINATION

15.1 **Amendment, Modification, Suspension and Termination.**

- (a) Except as set out in clauses (b) and (c) below, and as otherwise provided by law, or stock exchange rules, the Committee or Board may, at any time and from time to time, alter, amend, modify, suspend or terminate the Plan or any Award in whole or in part without notice to, or approval from, shareholders, including, but not limited to for the purposes of:
 - (i) making any amendments to the general vesting provisions of any Award;
 - (ii) making any amendments to the general term of any Award provided that no Award held by an Insider may be extended beyond its original expiry date;
 - (iii) making any amendments to add covenants or obligations of the Company for the protection of Participants;
 - (iv) making any amendments not inconsistent with the Plan as may be necessary or desirable with respect to matters or questions which, in the good faith



opinion of the Board, it may be expedient to make, including amendments that are desirable as a result of changes in law or as a “housekeeping” matter; or

- (v) making such changes or corrections which are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error.
- (b) Other than as expressly provided in an Award Agreement or as set out herein with respect to a Change of Control, the Committee shall not alter or impair any rights or increase any obligations with respect to an Award previously granted under the Plan without the consent of the Participant.
- (c) The following amendments to the Plan shall require the prior approval of the Company’s shareholders:
 - (i) A reduction in the Option Price of a previously granted Option or the Grant Price of a previously granted SAR benefitting an Insider of the Company or one of its Affiliates except for adjustments to the Option Price or Grant Price applicable to outstanding Awards pursuant to Section 4.2 hereof.
 - (ii) Any amendment or modification which would increase the total number of Shares available for issuance under the Plan.
 - (iii) An increase to the limit on the number of Shares issued or issuable under the Plan to Insiders of the Company;
 - (iv) An extension of the expiry date of an Option or SAR, other than as otherwise permitted hereunder in relation to a Blackout Period or otherwise; or
 - (v) Any amendment to the amendment provisions of the Plan under this Section 15.1.

15.2 **Adjustment of Awards Upon the Occurrence of Unusual or Nonrecurring Events.** The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events in addition to the events described in Section 4.2 hereof affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan.

15.3 **Awards Previously Granted.** Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, suspension or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

ARTICLE 16 WITHHOLDING

16.1 **Withholding.** The Company or any Affiliate shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company or any Affiliate, an amount sufficient to satisfy federal, state and local taxes or provincial, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising or as a



result of this Plan or any Award hereunder. The Committee may provide for Participants to satisfy withholding requirements by having the Company withhold and sell Shares or the Participant making such other arrangements, including the sale of Shares, in either case on such conditions as the Committee specifies.

16.2 **Acknowledgement.** Participant acknowledges and agrees that the ultimate liability for all taxes legally payable by Participant is and remains Participant's responsibility and may exceed the amount actually withheld by the Company. Participant further acknowledges that the Company: (a) makes no representations or undertakings regarding the treatment of any taxes in connection with any aspect of this Plan; and (b) does not commit to and is under no obligation to structure the terms of this Plan to reduce or eliminate Participant's liability for taxes or achieve any particular tax result. Further, if Participant has become subject to tax in more than one jurisdiction, Participant acknowledges that the Company may be required to withhold or account for taxes in more than one jurisdiction.

ARTICLE 17 SUCCESSORS

Any obligations of the Company or an Affiliate under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company or Affiliate, respectively, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the businesses and/or assets of the Company or Affiliate, as applicable.

ARTICLE 18 GENERAL PROVISIONS

18.1 **Forfeiture Events.** Without limiting in any way the generality of the Committee's power to specify any terms and conditions of an Award consistent with law, and for greater clarity, the Participant's rights, payments and benefits with respect to an Award shall, at the sole discretion of the Committee, be subject to reduction, cancellation, forfeiture of any vested and unvested Awards or recoupment of any payments or settlements made in the current Fiscal Year or immediately prior Fiscal Year (provided such determination is made within 45 days of the end of that Fiscal Year) upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such specified events shall include, but shall not be limited to, any of: (a) the Participant's failure to accept the terms of the Award Agreement, violation of material Company and Affiliate policies, breach of noncompetition, confidentiality, nonsolicitation, noninterference, corporate property protection or other agreements that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company and Affiliates; (b) the Participant's misconduct, fraud, gross negligence; and (c) the restatement of the financial statements of the Company that resulted in Awards which should not have vested, settled, or been paid had the original financial statements been properly stated.

Except as expressly otherwise provided in this Plan or an Award Agreement, the termination and the expiry of the period within which an Award will vest and may be exercised by a Participant shall be based upon the last day of actual service by the Participant



to the Company and specifically does not include any period of notice that the Company may be required to provide to the Participant under applicable employment law.

18.2 **Legend.** The certificates for Shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

18.3 **Delivery of Title.** The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

- (a) **Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and**
- (b) **Completion of any registration or other qualification of the Shares under any applicable law or ruling of any governmental body that the Company determines to be necessary or advisable.**

18.4 **Investment Representations.** The Committee may require each Participant receiving Shares pursuant to an Award under this Plan to represent and warrant in writing that the Participant is acquiring the Shares for investment and without any present intention to sell or distribute such Shares.

18.5 **Uncertificated Shares.** To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis to the extent not prohibited by applicable law or the rules of any applicable stock exchange.

18.6 **Unfunded Plan.** Participants shall have no right, title or interest whatsoever in or to any investments that the Company or an Affiliate may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company or an Affiliate and any Participant, beneficiary, legal representative or any other person. Awards shall be general unsecured obligations of the Company, except that if an Affiliate executes an Award Agreement instead of the Company the Award shall be a general unsecured obligation of the Affiliate and not any obligation of the Company. To the extent that any individual acquires a right to receive payments from the Company or an Affiliate, such right shall be no greater than the right of an unsecured general creditor of the Company or Affiliate, as applicable. All payments to be made hereunder shall be paid from the general funds of the Company or Affiliate, as applicable, and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

18.7 **No Fractional Shares.** No fractional Shares shall be issued or delivered pursuant to the Plan or any Award Agreement. In such an instance, unless the Committee determines otherwise, fractional Shares and any rights thereto shall be forfeited or otherwise eliminated.

18.8 **Other Compensation and Benefit Plans.** Nothing in this Plan shall be construed to limit the right of the Company or an Affiliate to establish other compensation or benefit plans, programs, policies or arrangements. Except as may be otherwise specifically stated in any other benefit plan, policy, program or arrangement, no Award shall be treated as



compensation for purposes of calculating a Participant's rights under any such other plan, policy, program or arrangement.

18.9 **No Constraint on Corporate Action.** Nothing in this Plan shall be construed (i) to limit, impair or otherwise affect the Company's or an Affiliate's right or power to make adjustments, reclassifications, reorganizations or changes in its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell or transfer all or any part of its business or assets, or (ii) to limit the right or power of the Company or an Affiliate to take any action which such entity deems to be necessary or appropriate.

18.10 **Compliance with Canadian Securities Laws.** All Awards and the issuance of Shares underlying such Awards issued pursuant to the Plan will be issued pursuant to an exemption from the prospectus requirements of Canadian securities laws where applicable.

ARTICLE 19

LEGAL CONSTRUCTION

19.1 **Gender and Number.** Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

19.2 **Severability.** In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

19.3 **Requirements of Law.** The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or securities exchanges as may be required. The Company or an Affiliate shall receive the consideration required by law for the issuance of Awards under the Plan.

The inability of the Company or an Affiliate to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company or an Affiliate to be necessary for the lawful issuance and sale of any Shares hereunder, shall relieve the Company or Affiliate of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

19.4 **Governing Law.** The Plan and each Award Agreement shall be governed by the laws of the Province of Ontario excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

19.5 **Compliance with Section 409A of the Code.**

- (a) **To the extent the Plan is applicable to a particular Participant subject to the Code, it is intended that this Plan and any Awards made hereunder shall not provide for the payment of "deferred compensation" within the meaning of Section 409A of the Code or shall be structured in a manner and have such terms and conditions that would not cause such a Participant to be subject to taxes and interest pursuant to Section 409A of**



the Code. This Plan and any Awards made hereunder shall be administrated and interpreted in a manner consistent with this intent.

- (b) To the extent that any amount or benefit in favour of a Participant who is subject to the Code would constitute “deferred compensation” for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan or any Award Agreement by reason of the occurrence of a Change of Control or the Participant’s disability or separation from service, such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless: (i) the circumstances giving rise to such Change of Control, disability or separation from service meet the description or definition of “change in control event,” “disability,” or “separation from service,” as the case may be, in Section 409A of the Code and applicable proposed or final Treasury regulations thereunder, and (ii) the payment or distribution of such amount or benefit would otherwise comply with Section 409A of the Code and not subject the Participant to taxes and interest pursuant to Section 409A of the Code. This provision does not prohibit the vesting of any Award or the vesting of any right to eventual payment or distribution of any amount or benefit under this Plan or any Award Agreement.
- (c) The Committee shall use its reasonable discretion to determine the extent to which the provisions of this Article 19.5 will apply to a Participant who is subject to taxation under the ITA.



Exhibit 4.2

Employment contracts/executive employment agreements

EMPLOYMENT AGREEMENT

between

GREENSTONE MANAGEMENT SERVICES PROPRIETARY LIMITED

and

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ANNEXURES

Annexure A - TERM SHEET

EMPLOYMENT AGREEMENT

between

GREENSTONE MANAGEMENT SERVICES PROPRIETARY LIMITED

and

1 INTERPRETATION

In this Agreement, clause headings are for convenience and shall not be used in its interpretation and, unless the context clearly indicates a contrary intention -

1.1 an expression which denotes -

1.1.1 any gender includes the other genders;

1.1.2 a natural person includes an artificial or juristic person and vice versa;

1.1.3 the singular includes the plural and vice versa;

1.2 the following expressions shall bear the meanings assigned to them below and cognate expressions bear corresponding meanings -

1.2.1 "**Annual Leave Cycle**" - the period of twelve months' employment of the Employee by the Company immediately following -

1.2.1.1 the Employee's commencement of employment, or

1.2.1.2 the completion of the Employee's prior leave cycle;

1.2.2 "**this Agreement**" - this document together with all of its annexures, as amended from time to time;

1.2.3 "**Acquisition**" – when the acquirer becomes registered as the owner of the relevant shares in the relevant share register or when the acquirer becomes entitled to exercise the relevant voting rights or becomes entitled to appoint the relevant directors or when the ownership of the relevant assets have been transferred to the acquirer;

1.2.4 "**BCEA**" - the Basic Conditions of Employment Act, No. 75 of 1997 (as amended);

- 1.2.5 **"Board"** – the board of directors of the Company, lawfully appointed thereto;
- 1.2.6 **"Caledonia"** - Caledonia Mining Corporation as a company incorporated pursuant to the Canada Business Corporations Act listed on the Toronto Stock exchange. with the registration number 312975-6, being the holding company of the Company;
- 1.2.7 **"Change in Control"** -
- 1.2.7.1 the Acquisition, after the Signature Date, by a person or entity, other than a person or entity that is part of the Group, of more than 50% of the ordinary shares in the Company; or
- 1.2.7.2 the Acquisition, after the Signature Date, by a person or entity, other than a person or entity that is part of the Group, of more than 50% of the ordinary shares in Caledonia;
- 1.2.7.3 the Acquisition, after the Signature Date, by any person or entity, which is not part of the Group, of Control over the right to exercise the majority of the voting rights exercisable by the ordinary shareholders of the Company; or
- 1.2.7.4 the Acquisition, after the Signature Date, by any person or entity, which is not part of the Group, of Control over the right to exercise the majority of the voting rights exercisable by the ordinary shareholders of Caledonia; or
- 1.2.7.5 the Acquisition, after the Signature Date, by any person or entity, which is not part of the Group, of the right to appoint the majority of the board of directors of the Company;
- 1.2.7.6 the Acquisition, after the Signature Date, by any person or entity, which is not part of the Group, of the right to appoint the majority of the board of directors of Caledonia;
- 1.2.7.7 the Acquisition, after the Signature Date, by any person or entity, which is not part of the Group, of more than 50% of the assets of the Company.

For the purposes of this 1.2.7.7 the percentage of the assets acquired shall be determined with reference to the value of the assets;

1.2.7.8 the Acquisition, after the Signature Date, by any person or entity, which is not part of the Group, of more than 50% of the assets of Caledonia. For the purposes of this 1.2.7.8 the percentage of the assets acquired shall be determined with reference to the value of the assets;

1.2.8 **"the Company"** – Greenstone Management Services Proprietary Limited, a company incorporated pursuant to the laws of the RSA with the registration number 1993/000530/07;

1.2.9 **"Confidential Information"** - the Group's trade secrets and Confidential Information including the following -

1.2.9.1 know-how, processes, techniques, methods, designs, products and organisational and other structures employed in the business of the Group;

1.2.9.2 the contractual and financial arrangements between the Group and its suppliers, customers, clients and other business associates;

1.2.9.3 the financial details of the group, including its results and details of the remuneration paid to its employees;

1.2.9.4 details of the prospective and existing customers and clients of the Group;

1.2.9.5 the business strategy/ies of the Group;

1.2.9.6 all other matters which relate to the business of the Group and in respect of which information is not readily available in the ordinary course of such business to the Group 's competitors;

1.2.10 **"Control"** –of the Company includes, without limiting the generality of the term –

1.2.10.1 the beneficial ownership of the majority of the issued ordinary shares of the Company;

- 1.2.10.2 the beneficial ownership of the issued ordinary shares of the Company entitling to the beneficial owner thereof to exercise less than a majority of the votes attached to all the issued shares of the Company, where such voting power is sufficiently dominant relative to the spread of the other shareholdings that it does constitute de facto Control of the Company;
- 1.2.10.3 the right, through shareholding or otherwise, to Control the composition of the Board and, without prejudice to the generality of the foregoing, the composition of the Board shall be deemed to be so controlled if the person or entity holding the right may by the exercise of some power, directly or indirectly, appoint or remove the majority of the directors;
- 1.2.11 **"Effective Date"** – January 1, 2014;
- 1.2.12 **"Employee"** – _____;
- 1.2.13 **"Good Reason"** means the occurrence of any of the following upon or during the period referred to in 22.2.1 following a Change in Control, unless the Employee provides express written consent -
- 1.2.13.1 Unilateral Change in Duties - the unilateral assignment to the Employee of any duties inconsistent with the Employee's status as Vice President Finance and Administration and Chief Financial Officer or a material unilateral change in the nature or status of the Employee's responsibilities, or a material unilateral change in the duties of the Employee, in each case from those in effect immediately prior to a Change in Control;
- 1.2.13.2 Reduction of the Employee's total cost to company remuneration - a material reduction by the Company in the Employee's total cost to company remuneration as in effect as at the Signature Date or as the same may be increased from time to time or the failure by the Company to grant the Employee a total cost to company remuneration increase at a rate commensurate with the increases accorded to other key executives of the Company at the Employee's status and level of seniority with the Company;

- 1.2.13.3 Relocation - the Company requiring the Employee to be based anywhere other than within the greater metropolitan area where the Executive is primarily based at the time of a Change in Control, except for required travel on the Company's business to an extent substantially consistent with the Employee's travel obligations in the ordinary course of business immediately prior to the Change in Control;
- 1.2.13.4 Incentive Schemes - the failure by the Company to allow the Employee to participate in the incentive schemes as more fully detailed in 12 and 13 in which the Employee is entitled to pursuant at the time of the Change in Control; or
- 1.2.13.5 Constructive Dismissal - any other reason which would be considered to amount to constructive dismissal by an RSA court or tribunal of competent jurisdiction,

provided that any event, act or omission which may constitute Good Reason within the meaning of this definition shall be deemed not to be Good Reason if the Employee fails to object in writing to the Company within thirty Working Days of learning of the event, act or omission or, if the event, act or omission is curable and is cured in its entirety by the Company within thirty Working Days of such written notice. The Employee shall have thirty Working Days upon learning of the event, act or omission to give notice in writing to the Company stating the Employee's basis for the Employee's position that there is Good Reason. Upon the receipt of such written notice, the Company shall have thirty Working Days to cure the event, act or omission in its entirety and if so cured there shall be deemed to be no Good Reason. Where the Employee alleges a Unilateral Change in Duties or Constructive Dismissal, the Company shall: (a) advise the Employee within thirty (30) days if it objects to the allegation together with the reasons for such objection (failing which the Employee shall be deemed to have Good Reason); and (b) bear the onus of proving that the Employee did not experience a Unilateral Change in Duties or Constructive Dismissal.

- 1.2.14 "**Group**" – collectively the Company, its subsidiaries and holding company and the subsidiaries of its holding company from time to time including, any associated company of the Company. For the purposes of giving effect to this definition, the expression "**associated company**" shall mean any company in

which the Company holds and beneficially owns at least 20% of the entire issued capital thereof;

1.2.15 "**Parties**" – the Company and the Employee and the "**Party**" being either the Company or the Employee as the context may indicate;

1.2.16 "**RSA**" – the Republic of South Africa;

1.2.17 "**Sick Leave Cycle**" - the period of thirty-six months employment of the Employee with the Company immediately following -

1.2.17.1 the Employee's commencement of employment; or

1.2.17.2 the completion of the Employee's prior Sick Leave Cycle;

1.2.18 "**Signature Date**" – the date of signature of this Agreement by the signatory which signs it last;

1.2.19 "**Termination Date**" – the date on which the Employee ceases to be employed by the Company or any company in the Group for whatsoever reason;

1.2.20 "**Working Day**" - any day of the week, excluding Saturdays and Sundays and any other day declared as an official public holiday in the RSA;

1.3 any reference to any statute, regulation or other legislation shall be a reference to that statute, regulation or other legislation as at the Signature Date, and as amended or substituted from time to time;

1.4 if any provision in a definition is a substantive provision conferring a right or imposing an obligation on any Party then, notwithstanding that it is only in a definition, effect shall be given to that provision as if it were a substantive provision in the body of this Agreement;

1.5 where any term is defined within a particular clause other than this 1, that term shall bear the meaning ascribed to it in that clause wherever it is used in this Agreement;

1.6 where any number of days is to be calculated from a particular day, such number shall be calculated as excluding such particular day and commencing on the next

day. If the last day of such number so calculated falls on a day which is not a business day, the last day shall be deemed to be the next succeeding day which is a Working Day;

- 1.7 any reference to days (other than a reference to Working Days), months or years shall be a reference to calendar days, months or years, as the case may be;
- 1.8 the use of the word "including" followed by a specific example/s shall not be construed as limiting the meaning of the general wording preceding it and the eiusdem generis rule shall not be applied in the interpretation of such general wording or such specific example/s.
- 1.9 The terms of this Agreement having been negotiated, the contra proferentem rule shall not be applied in the interpretation of this Agreement.

2 APPOINTMENT

- 2.1 The Parties acknowledge that the Employee will be deemed to have commenced his employment with the Company on April 1, 2006.
- 2.2 With effect from the Effective Date the Employee's employment, including compensation, bonus entitlements and any other terms and conditions of employment, with the Company will be subject to the terms and conditions set out in this Agreement and any prior agreements regulating the Employee's employment with the Company shall lapse and be of no further force and effect on the Effective Date.
- 2.3 The Employee holds the position of Vice President Finance and Administration and Chief Financial Officer reporting to the Chief Executive Officer and Board of Caledonia.

3 EMPLOYEE'S DUTIES

The Employee undertakes to -

- 3.1 act in the capacity to which he is appointed in terms of this Agreement, as more fully set out in Annexure A;

- 3.2 perform any duties that are reasonably ancillary to his capacity, in accordance with and as required by the Company, provided that such duties do not detract from the Employee's status or capacity to which he is appointed;
- 3.3 be accountable to and be required to report to the Company during the course of his employment with the Company in terms of the agreement;
- 3.4 comply with all reasonable and lawful instructions given to him from time to time by the Company;
- 3.5 not engage in activities which would detract from the proper performance of his duties in terms of this Agreement;
- 3.6 devote the whole of his working time and attention to performing his duties under this Agreement;
- 3.7 use his best endeavours to promote and extend the business of the Company for the duration of this Agreement;
- 3.8 deliver to the Company, whenever required to do so, all books of account, records, correspondence and notes concerning or containing any reference to the work and business of the Company, which belong to the Company and which is in the possession or under the control, directly or indirectly, of the Employee;
- 3.9 attend all meetings required of him by the Company;
- 3.10 to show the Company and the other companies in the Group the utmost good faith;
- 3.11 not to exceed or purport to exceed or purport to have the right to exceed the express limits of the authority attendant to the position to which he is appointed in terms of this Agreement, or such authorities as may necessarily be implied by virtue of the Employee's capacity and functions, from time to time;
- 3.12 to ensure that the Company maintains all required written records in an up-to-date and timely manner, and to keep such records and all other records of the Company's affairs which may be entrusted to him in a safe place, out of access to any other persons, save as specifically directed by the Company;

- 3.13 not to, otherwise than for the benefit of the Company, make any notes or memoranda relating to any matter within the scope of the business of the Company or concerning any of its dealings or affairs;
- 3.14 to report to the Company and to each of the companies in the Group any information relating to the products or services of the competitors of the Company which may reasonably be in the interests of the Company or any of the companies in the Group;
- 3.15 other than in the ordinary course of business or with the prior written consent of the Company not to remove from the Company's premises any books, records, documents or other items belonging to the Company;
- 3.16 to carry out his functions and duties for the Company or any other of the companies in the Group lawfully;
- 3.17 not to act on behalf of the Company or any of the other companies in the Group in a manner which would bring discredit or injury to the Company or to any of the other companies in the Group.

4 PLACE OF WORK

- 4.1 The Employee's formal place of work will be at the Company's Africa Office premises in Johannesburg, RSA, or at such other premises as the Company may occupy from time to time. The Employee agrees to perform services at other locations as may be necessary from time to time.
- 4.2 The Employee acknowledges that he may be required to travel both within and outside the RSA in accordance with the Company's operational requirements and the Employee hereby agrees to do so. All reasonable travel and accommodation costs incurred on behalf of the Employee will be borne by the Company in accordance with its business travel expense policy, as amended from time to time.

5 OVERTIME, WEEKEND WORK AND PUBLIC HOLIDAYS

Due to the operational requirements of the Company and the capacity in which the Employee is appointed to act in terms of this Agreement, the Employee recognises that he may be required and hereby agrees to work overtime, on weekends and on public holidays from time to time when requested to do so, without any additional remuneration.

6 DISBURSEMENTS

F.

The Company shall reimburse the Employee all reasonable travelling and other expenses properly incurred by him which are necessary to enable the Employee to perform his duties under this Agreement and which are authorised or ratified by the Company. Such reimbursement shall be made to the Employee as soon as reasonably practicable after the expenses have been incurred by the Employee. The Employee shall provide receipts for all reimburseable expenses.

7 REMUNERATION

7.1 From the Effective Date the Employee's remuneration package calculated on a total cost to company basis is as set out, in Annexure A.

7.2 The Employee's remuneration package shall be reviewable annually, at the absolute discretion of the Company.

7.3 The following deductions will be made from the Employee's remuneration -

7.3.1 such deductions as may be required by law;

7.3.2 such deductions as may be provided for in this Agreement; or

7.3.3 such deductions as may otherwise be agreed between the Parties from time to time.

8 ANNUAL LEAVE

8.1 The Employee will be entitled to a total of twenty five Working Days' annual leave during each Annual Leave Cycle The leave entitlements making up the total annual leave shall be subject to the following terms and conditions -

8.1.1 at least ten Working Days annual leave must be taken during each Annual Leave Cycle in which it accrues;

8.1.2 a maximum of fifty Working Days may be accumulated at any point in time and any amount accumulated in excess of fifty Working Days in any six-month period shall and, if agreed upon by the parties, any other vacation entitlement may, be paid to the Employee at his current rate of remuneration;

- 8.1.3 when the Employee takes leave, the number of days so taken by the Employee shall first reduce the Employee's entitlement to leave under the BCEA, and only to the extent that the Employee has no further statutory leave available in the given Annual Leave Cycle, shall thereafter reduce the Employee's entitlement to contractual leave in excess of the leave required under the BCEA.

9 SICK LEAVE

The Employee shall be entitled to sick leave in accordance with the provisions of the BCEA. The Employee must inform the Company immediately should the Employee be absent due to illness or injury. The Employee must provide the Company with a medical certificate should the Employee be absent from work for more than two consecutive days, or on more than two occasions in an eight week period.

10 PROFESSIONAL FEES AND EXECUTIVE MEDICALS

- 10.1 The Company will pay for, alternatively reimburse the Employee, for any professional licensing fees required by the Company or incurred on behalf of the Company (e.g. Institute membership as a CA (SA)).
- 10.2 The Company will pay the cost of any annual executive medical undergone by the Employee, provided that the Employees must have completed the medical by 31 July of each year and must submit the results to the Company.

11 MEDICAL AID

It is recorded that the Company does not, as at the Effective Date, operate or participate in or pay any contributions towards any medical scheme, pension or provident fund or any other retirement fund for the benefit of its employees.

12 SHORT TERM INCENTIVE SCHEME

The Employee will be invited to participate in a short term incentive scheme ("**STIS**") once approved by the Board, subject to the terms and conditions of the STIS Plan, as amended from time to time. The Company intends to implement the STIS as soon as practically possible and the Company will at that time enrol the Employee as a participant in the STIS.

13 LONG TERM INCENTIVE SCHEME

The Employee will be invited to participate in a long term incentive scheme ("**LTIS**") once approved by the Board, subject to the terms and conditions of the LTIS Plan, as amended from time to time. The Company intends to implement the LTIS as soon as practically possible and Company will at that time enrol the Employee as a participant in the LTIS.

14 CELLULAR PHONE REIMBURSEMENT

The Company will provide the Employee with an appropriate cellular phone, data bundle and Etag.

15 PERSONAL CONDUCT AND COMPANY RULES AND POLICIES

The Employee shall be required at all times to comply with the Company's rules, policies and procedure, Code of Conduct, as amended from time to time, which are considered to form part of the terms and conditions of this Agreement. The Employee is also required to comply generally with the standards expected of his appointment and position and status attendant thereto.

16 INVENTIONS

- 16.1 If the Employee, in the course of his employment with the Company creates, makes or discovers any work, invention or design or makes any improvement upon or derivation from any existing work, invention or design whether or not the same has, or is capable of having, patent, registered design, copyright, design right, or other like protection and whether alone or in conjunction with any other person, he shall immediately disclose them to the Board and shall, at the Company's request and expense, do all such acts and execute all such documents as may be necessary to vest all rights to or relating to any such work, invention, design or improvement in the name of the Company or its nominee, so that all such rights shall become the absolute property of the Company or its nominee. For the purpose of this 16, the Employee irrevocably appoints the Company as his attorney in his name to execute all documents and do all things required to give effect to the provisions of this clause. Nothing in this 16 shall limit any statutory or other right of the Company or any member of the Group in relation to any such work, invention, design or improvement.

- 16.2 The Employee shall not, except as may be necessary in the course of his employment, disclose or make use of any invention which is the property of the Company or any other invention subject to 16.
- 16.3 The rights and obligations under this 16 shall continue in force after the termination of this Agreement in respect of inventions made during the Employee's appointment and shall be binding upon the heirs, successors, assigns and personal representatives of the Employee.

17 CONFIDENTIALITY UNDERTAKINGS

17.1 Definitions

Unless the context clearly indicates a contrary intention, the following expressions bear the meanings assigned to them below (and cognate expressions bear corresponding meanings) in this clause -

- 17.1.1 **"Confidential Records"** - any records of any nature whatever (including documents, diagrams and data which have been created or stored in any medium irrespective of who created or owns such records) which contain any of the Confidential Information;
- 17.1.2 **"Successors-in-title or Assigns"** - shall include, but without limiting in any way the generality of the foregoing term, any person, firm, company or association of persons who or which -
- 17.1.2.1 acquires all or part of the Business or goodwill of the Company; or
- 17.1.2.2 becomes the beneficial owner through its membership interest in the Company of such Business or goodwill; or
- 17.1.2.3 has lawfully acquired the right to enforce the restraints in this Agreement.

17.2 Confidentiality undertakings

The Employee irrevocably undertakes in favour of the Company and its Successors-in-title or Assigns that -

17.2.1 he shall not at any time after the Signature Date disclose or permit to be disclosed to any person, or use or permit to be used in any manner whatsoever, any of the Confidential Information and/or any Confidential Records;

17.2.2 he will surrender to the Company, on demand or in any event on the Termination Date, any documents containing Confidential Information and any Confidential Records which have been or are made by him or which came into his possession or under his control during the period of his employment by the Company, which documentation and Confidential Records shall be deemed to be the property of the Company, and the Employee shall not retain any copies thereof or extracts therefrom.

17.3 **Acknowledgements**

The Employee acknowledges and agrees that -

17.3.1 by reason of his association with the Company, he has acquired and will acquire considerable knowledge and know-how relating to the Company and its business;

17.3.2 if he is not restricted as provided for in the foregoing confidentiality undertakings the Company will potentially suffer considerable economic prejudice including loss of custom and goodwill. Accordingly, the Company considers it essential to protect its interests that the Employee agrees to the foregoing confidentiality undertakings;

17.3.3 the foregoing confidentiality undertakings are fair and reasonable as to subject matter, area and duration and are reasonably necessary to protect the proprietary interests of the Company and to maintain its goodwill;

17.3.4 each provision of the foregoing confidentiality undertakings shall, notwithstanding the manner in which it has been grouped with or grammatically linked to the others, be construed as imposing a separate and an independent obligation, severable from the rest of them. Without limiting the foregoing -

17.3.4.1 the confidentiality undertakings in terms of 17.2 shall be severable in respect of -

- 17.3.4.1.1 each of the persons in whose favour they are given;
- 17.3.4.1.2 every month of the period for which the confidentiality undertakings are stipulated to be applicable;
- 17.3.4.1.3 every category of Confidential Information and Confidential Records;
- 17.3.5 the foregoing confidentiality undertakings are stipulations for the benefit of the Company and its Successors-in-title or Assigns, which shall be entitled to elect whether to exercise its rights hereunder or not. By signing this Agreement the Company accepts the benefits on behalf of each such persons. Such acceptance by the Company constitute a separate acceptance on behalf of each such persons for the time being and, to the extent that such acceptance may not constitute valid acceptance on behalf of such person, that person may accept such benefits in the future by giving written notice to that effect to the Employee;
- 17.3.6 the failure by the Company or any Successors-in-title or Assigns to -
 - 17.3.6.1 exercise any of its rights in terms of the foregoing confidentiality undertakings; or
 - 17.3.6.2 succeed in any proceedings instituted by it to enforce any of its rights in terms of the foregoing confidentiality undertakings,shall not preclude the Company or its Successors-in-title or Assigns from exercising any such rights in consequence of any subsequent breach by the Employee or of any subsequent decision of any court, as the case may be;
- 17.3.7 the foregoing confidentiality undertakings are in addition to and without prejudice to the Company's other rights at law or in terms of any other agreement

17.4 **Breach of undertakings may be interdicted**

A breach of any of the undertakings stipulated in this Agreement shall entitle the Company, without prejudice to any other rights available to it in law and notwithstanding any other provision of this Agreement, to apply to any court of competent jurisdiction for an appropriate interdict.

18 COMMUNICATIONS

- 18.1 The Employee acknowledges that the Company's local and wide area network infrastructure and its telecommunications system and its components, including telephones, facsimile machines, photocopiers, printers, personal organisers, palmtops, computers and servers, as well as the applications running on and services provided by these systems including e-mail and voicemail, Internet and Intranet, and file storage facilities ("**IT Systems**") and all oral communications, telephone conversations, information and messages or any part of a message (whether in the form of data, texts, images, speech or any other form) transferred via and/or stored on the IT Systems, including any recording and/or copies made of such communications, and any attachments to such communications ("**Communications**") made via the IT Systems are the property of the Company. The IT systems must be used only to conduct the Company's business and to enhance the Employee's productivity.
- 18.2 The Employee agrees that in order to meet the Company's operational requirements, the Company may monitor, access, examine and otherwise intercept the Employee's Communications without further notice, by human or automated means from time to time in accordance with the Company's information technology usage practice.

19 CONSENT TO DATA PROCESSING

- 19.1 The Employee hereby agrees that the Company may retain any personal information relating to him for as long as the Company is obliged to retain such personal information or record, or for as long as the Company reasonably requires the record for lawful purposes related to its functions or activities.
- 19.2 The Employee acknowledges and agrees that if the personal information which is required by the Company for lawful purposes is not provided voluntarily by him, the Company and the Group may be left with no alternative but to take such steps as may be necessary in terms of applicable employment legislation.

19.3 The Employee shall, subject to the grounds for refusal of access to records which may apply in terms of the Promotion of Access to Information Act 2 of 2002, be entitled to request the Company to -

19.3.1 provide the Employee with a record or a description of the personal information about the Employee held by the Company, including information about third parties who have or have had access to the information; and

19.3.2 correct or delete information about the Employee that is inaccurate, irrelevant, excessive, out of date, incomplete, misleading or obtained unlawfully.

20 DOMICILIUM AND NOTICES

20.1 The Parties choose domicilium citandi et executandi ("**domicilium**") for all purposes relating to this Agreement, including the giving of any notice, the payment of any sum, the serving of any process, as follows -

20.1.1	the Company	physical-	24 Ninth Street Lower Houghton Johannesburg 2198
		facsimile-	+ 27 11 477 2554
		attention-	

20.1.2	the Employee	physical-	19 Baker Street Bryanston, Sandton 2021
		e-mail-	

20.2 Either Party shall be entitled from time to time, by giving written notice to the other, to vary its physical domicilium to any other physical address (not being a post office box or poste restante) within the RSA and to vary its facsimile or e-mail domicilium to any other facsimile number or e-mail.

20.3 Any notice given or payment made by either Party to the other ("**Addressee**") which is delivered by hand between the hours of 09:00 and 17:00 on any Working Day to the Addressee's physical domicilium for the time being shall be deemed to have been received by the Addressee at the time of delivery.

20.4 Any notice given by either Party to the other which is successfully transmitted by facsimile to the Addressee's facsimile domicilium for the time being shall be

deemed (unless the contrary is proved by the addressee) to have been received by the Addressee on the day immediately succeeding the date of successful transmission thereof.

- 20.5 This 20 shall not operate so as to invalidate the giving or receipt of any written notice which is actually received by the Addressee other than by a method referred to in this 20.
- 20.6 Any notice in terms of or in connection with this Agreement shall be valid and effective only if in writing and if received or deemed to be received by the Addressee.

21 TERMINATION

- 21.1 The Employee may terminate this employment relationship on giving the Company three months' notice ("**the Required Notice**").
- 21.2 The Company may terminate the Employee's employment, whether such termination is with or without the Required Notice, for any reason recognised in law as sufficient. If the Company terminates the Employee's employment other than for misconduct, the Company will give the employee ninety (90) days' notice in writing. At the conclusion of the notice period or such sooner date as mutually agreed upon, the Company will pay the Employee:
- 21.2.1 one month's pay per year of service, pro-rated for part years' service and calculated on the basis of his current remunerations package;
 - 21.2.2 the Employee's short-term and long-term incentives accrued to his last day of active employment; and
 - 21.2.3 accumulated but unpaid leave accrued to his last active day of employment; less
 - 21.2.4 any amounts owing to the Company.
- 21.3 The Company may, at its sole discretion, elect whether to retain the Employee's services during any period of Required Notice. Notwithstanding this provision, the Company shall pay the Employee the full remuneration, which the Employee would have received had the Employee worked during the Required Notice period.

22 TERMINATION OF EMPLOYMENT FOLLOWING A CHANGE IN CONTROL

22.1 Subject to 22.2, upon the occurrence a Change in Control and -

22.1.1 the termination of the Employee's employment by the Company, either upon the occurrence of a Change in Control or at any time prior to the expiry of the twenty-four month period following a Change in Control, for any reason other than for any reason justifying dismissal or the Employee's death or disability; or

22.1.2 where the Employee terminates his employment with the Company for Good Reason, either upon the occurrence of a Change in Control or at any time prior to the expiry of the twenty-four month period following a Change in Control, and following the delivery of written notice of termination by the Employee to the Company.

22.2 On the happening of any of the events contemplated in 22.1, the Employee shall be entitled to terminate this Agreement and the Employee's employment with the Company, and shall be entitled to receive within fourteen Working Days following the effective date of such termination by the Employee ("**End Date**"), and in lieu of any other amounts to which the Employee may otherwise be entitled upon termination of the Employee's employment, including, without limitation, under any other section of this Agreement, the following –

22.2.1 in addition to the Employee's accrued and unpaid total cost to company remuneration to the End Date and accrued and unpaid amounts of STIS and LTIS, a lump sum payment equal to the Employee's total cost to company remuneration which the Employee would otherwise have been entitled to receive for a period of twenty-four months ("**Protected Period**"), less any amounts owing by the Employee to the Company;

22.2.2 annual leave accruing to the Employee for the Protected Period.

23 DISPUTE RESOLUTION

23.1 Any disputes arising from or in connection with this agreement or the termination thereof shall if so required by either party by giving written notice to that effect to the other party be resolved by mediation, and failing which finally by arbitration in accordance with the rules of the Arbitration Foundation of Southern Africa or any

similar entity which is a successor to AFSA which provides arbitration services, ("**AFSA**") by an arbitrator or arbitrators appointed by AFSA. There shall be no right of appeal as provided for in article 22 of the aforesaid rules.

23.2 The dispute shall be determined initially by mediation and, failing which, finally by arbitration on the following terms and conditions -

23.2.1 the mediation and the arbitration hearing shall be held in camera. Save to the extent strictly necessary for the purposes of the arbitration or for any court proceedings related thereto, neither party shall disclose or permit to be disclosed to any person any information concerning the mediation or arbitration or the award (including the existence of the mediation or arbitration and all process, communications, documents or evidence submitted or made available in connection therewith);

23.2.2 the mediator and arbitrator in the dispute shall be determined by agreement between the parties within a period of forty-eight hours of the giving of notice of a dispute by any party as set out in 23.1, in the case of the mediator and forty-eight hours after the mediator has advised the parties in writing that he is unable to resolve the dispute, in the case of the arbitrator. Failing such agreement, the mediator and/or arbitrator shall be appointed by AFSA;

23.2.3 the arbitrator shall finalise and deliver to the parties an award, which award shall be final and binding on the parties and shall not be subject to appeal, in writing within seven days from the date of completion of the arbitration proceedings;

23.2.4 where the award made by the arbitrator orders the payment of a sum of money, such sum shall, unless the award provides otherwise, carry interest at the prime rate of interest, as determined by the Company's bankers at the time of the award, from the date of the award;

23.2.5 the mediation shall be conducted on a without prejudice basis and shall not be recorded. The arbitrator shall however record the arbitration proceedings by means of cassette tape recording or such other form of recording as the parties may agree upon.

23.3 Each party to this agreement -

- 23.3.1 expressly consents to any arbitration in terms of the aforesaid rules being conducted as a matter of urgency; and
- 23.3.2 irrevocably authorises the other to apply, on its behalf, in writing, to the secretariat of AFSA in terms of article 23(1) of the aforesaid rules for any such arbitration to be conducted on an urgent basis.

24 GENERAL

- 24.1 This Agreement and the annexures thereto and the various agreements and documents referred to in this Agreement constitute the sole record of the agreement between the Parties in regard to the subject matter thereof and shall substitute any other agreement between the Parties in respect of the subject matter of this Agreement.
- 24.2 Neither Party shall be bound by any express or implied term, representation, warranty, promise or the like not recorded herein.
- 24.3 No relaxation, extension of time, latitude or indulgence which any of the Parties ("**the Grantor**") might show, grant or allow to another ("**the Grantee**") shall in any way constitute a waiver by the Grantor or any of the Grantor's rights in terms of this Agreement and the Grantor shall not thereby be prejudiced or stopped from exercising any of its rights against the Grantee which may have then already arisen or which may arise thereafter.
- 24.4 No alteration, variation, amendment or purported consensual cancellation of this Agreement or any deletion there from shall be of any force or effect unless reduced to writing and signed by or on behalf of the Parties hereto.
- 24.5 If any provision of this Agreement is held to be illegal, invalid or unenforceable for any reason, such provision shall be deemed to be pro non scripto, but without affecting, impairing or invalidating any of the remaining provisions of this Agreement which shall continue to be of full force and effect.
- 24.6 If any provision of this Agreement, which is not a material provision, becomes ineffective or impractical, the Parties shall negotiate in the utmost good faith to agree upon a suitable substitute provision or upon alternative compensation to be payable to the Party disadvantaged by such provision.

25 **GOVERNING LAW**

This agreement shall be governed by and construed in accordance with the laws of the RSA.

Signed at _____ on _____ 2016
for Caledonia Mining Corporation

who warrants that he is duly
authorised hereto

Signed at _____ on _____ 2016

ANNEXURE A - TERM SHEET

Element	Term & Conditions
Position	
Reporting To	
Term of Contract	
Salary	
Medical/ Pension / Provident Fund	

Exhibit 8.1
List of Caledonia Mining Corporation PLC group entities

	Country of incorporation	Legal shareholding	
		2015	2014
Subsidiaries within the Caledonia Mining Corporation Plc Group		%	%
Caledonia Holdings Zimbabwe (Private) Limited ⁽¹⁾	Zimbabwe	100	100
Caledonia Mining Services Limited ⁽²⁾	Zimbabwe	100	100
Caledonia Kadola Limited	Zambia	-	100
Caledonia Mining (Zambia) Limited	Zambia	-	100
Caledonia Nama Limited	Zambia	-	100
Caledonia Western Limited	Zambia	-	100
Mulonga Mining Limited	Zambia	-	100
Eersteling Gold Mining Corporation Limited	South Africa	100	100
Fintona Investments Proprietary Limited	South Africa	100	100
Caledonia Mining South Africa Proprietary Limited	South Africa	100	100
Greenstone Management Services Limited ⁽³⁾	United Kingdom	100	100
Maid O' Mist Proprietary Limited	South Africa	100	100
Mapochs Exploration Proprietary Limited	South Africa	100	100
Caledonia Holdings (Africa) Limited	Barbados	100	100
Blanket (Barbados) Holdings Limited ⁽⁴⁾	Barbados	100	100
Blanket Mine (1983) (Private) Limited ⁽⁵⁾	Zimbabwe	⁽²⁾ 49	49

(1) Direct subsidiary of Greensotne Management Services Limited (United Kingdom)

(2) Direct subsidiary of Caledonia Holdings Zimbabwe (Private) Limited

(3) Direct subsidiary of Blanket (Barbados) Holdings Limited

(4) Direct subsidiary of Caledonia Holdings (Africa) Limited

(5) Direct subsidiary of Caledonia Holdings Zimbabwe (Private) Limited

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, **Steven Curtis**, certify that:

1. I have reviewed this annual report on Form 20-F of Caledonia Mining Corporation (the “Company”).
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company, and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the company’s internal control over financial reporting; and
5. The Company’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the Audit Committee of the Company’s Board of Directors (or persons performing the equivalent function);
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - b. Any, fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 30, 2015

(signed) Steven Curtis

President and Chief
Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I **Mark Learmonth**, certify that:

1. I have reviewed this annual report on Form 20-F of Caledonia Mining Corporation (the “Company”).
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

The Company’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company, and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent function);
- a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
 - b. Any, fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 30, 2016

(signed) Mark Learmonth

Vice- President Finance and Chief
Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F of Caledonia Mining Corporation (the “Company”) for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), that I, Steven Curtis, President and Chief Executive Officer of Caledonia , certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code 18 U.S.C.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Rule 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

By: (signed) Steven Curtis
Steven Curtis, President and Chief Executive Officer
Caledonia Mining Corporation

Date: March 30, 2016

A signed original of this written statement required by Section 906 has been provided by Steven Curtis and will be retained by Caledonia Mining Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F of Caledonia Mining Corporation (the “Company”) for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), that I, Mark Learmonth, Vice President Finance and Chief Financial Officer of Caledonia , certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code 18 U.S.C.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- 1 The Report fully complies with the requirements of Rule 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

By: (signed) Mark Learmonth
Mark Learmonth, Vice President Finance and Chief Financial Officer
Caledonia Mining Corporation

Date: March 30, 2016

A signed original of this written statement required by Section 906 has been provided by Mark Learmonth and will be retained by Caledonia Mining Corporation and furnished to the Securities and Exchange Commission or its staff upon request.



Minxcon Reference:
M2014-056a
Date:
01 July 2015
Final



www.minxcon.co.za



Minxcon Consulting (Pty) Limited

A Technical Report
on the Blanket Mine in the
Gwanda Area, Zimbabwe

QUALIFIED PERSON DECLARATION

I, Daan van Heerden, in the capacity of Qualified Person do hereby certify that:-

1. To the best of my knowledge, information and belief, the Report contains all scientific and technical information required to be disclosed to make the Report not misleading.
2. The facts presented in the Report are correct to the best of my knowledge.
3. The analyses and conclusions are limited only by the reported forecasts and conditions.
4. I have no present or prospective interest in the subject property or asset.
5. My compensation, employment or contractual relationship with the Commissioning Entity is not contingent on any aspect of the Report.
6. I have no bias with respect to the assets that are the subject of the Report, or to the parties involved with the assignment.

Yours faithfully,



D v HEERDEN

B.Eng (Mining), M.Comm. (Bus. Admin.)

Pr. Eng., FSAIMM, AMMSA

DIRECTOR

Qualified Person

D van Heerden (Director):
B.Eng. (Min. Eng.), M.Comm. (Bus. Admin.),
ECSA, FSAIMM, AMMSA

Authors

J Burger (Mining Engineer)
Pr. Eng. Mining, Fin. Management, MMC, MSAIMM, ECSA

J Knight (Process Engineer)
B.Eng. (Chem), B.Eng. Hon. (MOT), MSAIMM

FJJ Fourie (Mining Engineer):
B.Eng. (Mining), SAIMM

D Dreyer (Mechanical Engineer)
B.Eng. (Mechanical)

Reviewed by Directors

D van Heerden (Director):
B.Eng. (Min. Eng.), M.Comm. (Bus. Admin.),
ECSA, FSAIMM, AMMSA

D Clemente (Director)
NHD (Ext. Met.), GCC, BLDP (WBS) MMMA, FSAIMM

U Engelmann (Director)
B.Sc. (Zoology & Botany), B.Sc. (Geol.), B.Sc. Hons. (Geol.), GSSA, Pr. Sci. Nat.

NJ Odendaal (Director):
BSc (Geol.), BSc (Min. Econ.), MSc. (Min. Eng.),
Pr. Sci. Nat., FSAIMM, MGSSA, MAusIMM

INFORMATION RISK

This Report was prepared by Minxcon (Pty) Ltd (“Minxcon”). In the preparation of the Report, Minxcon has utilised information relating to operational methods and expectations provided to them by various sources. Where possible, Minxcon has verified this information from independent sources after making due enquiry of all material issues that are required in order to comply with the requirements of the SAMREC and NI 43-101 Codes.

OPERATIONAL RISKS

Mining and mineral and coal exploration, development and production by their nature contain significant operational risks. It therefore depends upon, amongst other things, successful prospecting programmes and competent management. Profitability and asset values can be affected by unforeseen changes in operating circumstances and technical issues.

POLITICAL AND ECONOMIC RISK

Factors such as political and industrial disruption, currency fluctuation and interest rates could have an impact on future operations, and potential revenue streams can also be affected by these factors. The majority of these factors are beyond the control of any operating entity.

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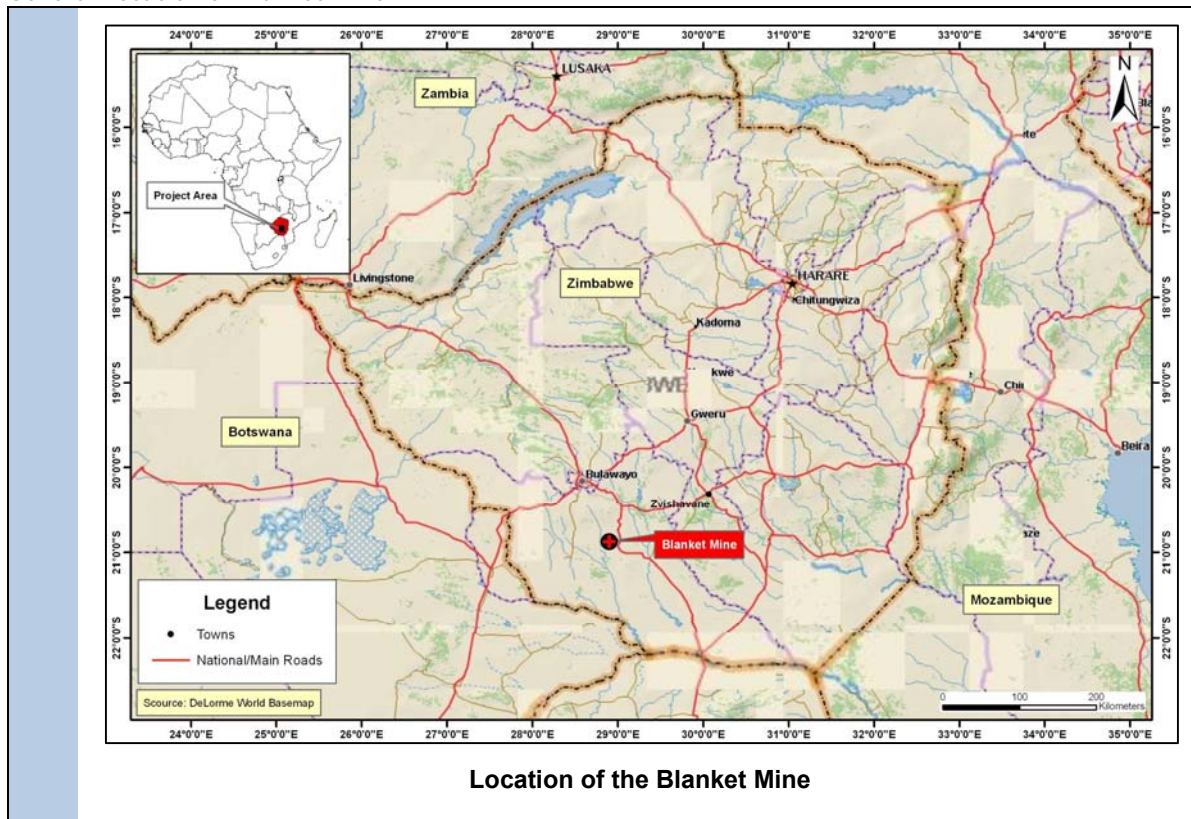
ITEM 1 – EXECUTIVE SUMMARY

Minxcon (Pty) Ltd (“Minxcon”) was commissioned by Greenstone Management Services (Pty) Limited (“GMS” or “the client”) to compile an NI 43-101 Technical Report on behalf of Blanket Mine (1983) (Private) Limited (“Blanket”) for its parent company Caledonia Mining Corporation (“Caledonia”), a Canadian registered company which is listed on the Toronto Stock Exchange (“TSX - CAL”) and on the AIM Market of the London Stock Exchange (“LSE-CMCL”) and also traded on the NASDAQ-OTCBB. GMS is a subsidiary of Caledonia that employs the South African based management that receives a management fee from Blanket. Following the implementation of indigenisation in September 2012, Caledonia owns 49% of Blanket; the other 51% of Blanket is held by Indigenous Zimbabwean shareholders including Blanket’s employees and management and the community in which Blanket is located. Blanket is incorporated in Zimbabwe and is the owner and operator of the Blanket Mine.

Item 1 (a) – PROPERTY DESCRIPTION

The Blanket Mine is located in the south-west of Zimbabwe, approximately 15 km northwest of Gwanda, the provincial capital of Matabeleland South. Gwanda is located 150 km southeast of Bulawayo, the country's second largest city, 196 km northwest of the Beit Bridge Border post with South Africa, and 560 km from Harare, Zimbabwe's capital city. Access to the mine is by an all-weather tarred road from Gwanda, which is linked to the Beit Bridge to Bulawayo, Harare by a national highway. The general geographic coordinates of Blanket Mine are Latitude 20° 52' S, Longitude 28° 54' E.

General Location of Blanket Mine



Blanket Mine is a well-established Zimbabwean gold mine, which operates at a depth of approximately 750 m below surface and produced approximately 45,500 ounces of gold in 2013. Blanket also holds brownfield exploration and development projects both on the existing mine area and its 18 satellite properties, which

include the GG and Mascot projects which are located 10 km and 33 km from the Blanket metallurgical recovery plant, respectively.

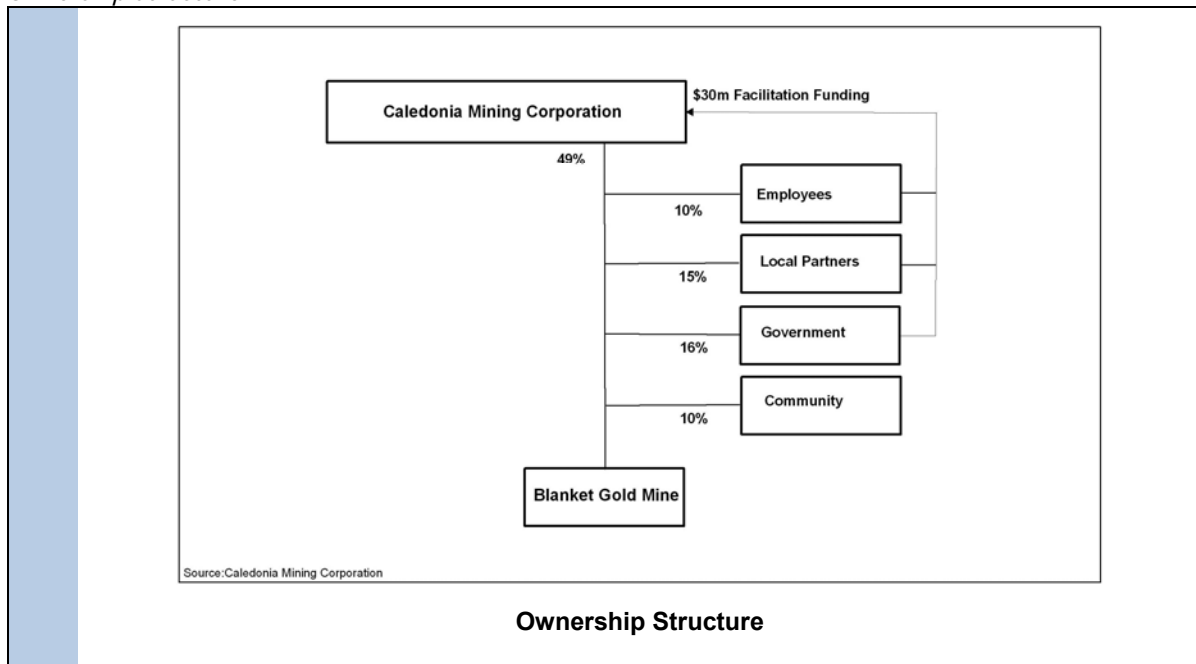
Item 1 (b) – OWNERSHIP OF THE PROPERTY

The Indigenisation and Economic Empowerment Act ("The Act"), which was enacted in 2007, requires that 51% of all commercial enterprises in Zimbabwe be owned by indigenous Zimbabweans. On 20 February 2012 Caledonia announced it had signed a Memorandum of Understanding ("MoU") with the Minister of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe pursuant to which 51% of Blanket would be sold for a paid transactional value of USD30.09 million. The various transactions were implemented with effect from September 5, 2012 on the following bases:-

- 16% was sold to the National Indigenisation and Economic Empowerment Fund;
- 10% was sold to a Management and Employee Trust for the benefit of the present and future managers and employees of Blanket;
- 15% was sold to identified Indigenous Zimbabweans; and
- 10% was donated to the Gwanda Community Share Ownership Trust. Blanket also made a non-refundable donation of USD1 million to the Trust as soon as it was established and paid advance dividends of USD4 million before the end of April 2013.

The Blanket Mine operates under a Special Licence (No. 5030) which was issued under the Mines and Minerals Act of 1961 (Chapter 21:05). The mine's claims are protected under this Act. The Blanket Mine covers the claims of Jethro, Blanket Section, Feudal, AR, Sheet, Eroica and Lima, comprising a total area of approximately 2,540 ha.

Ownership Structure



Item 1 (c) – GEOLOGY AND MINERAL DEPOSIT

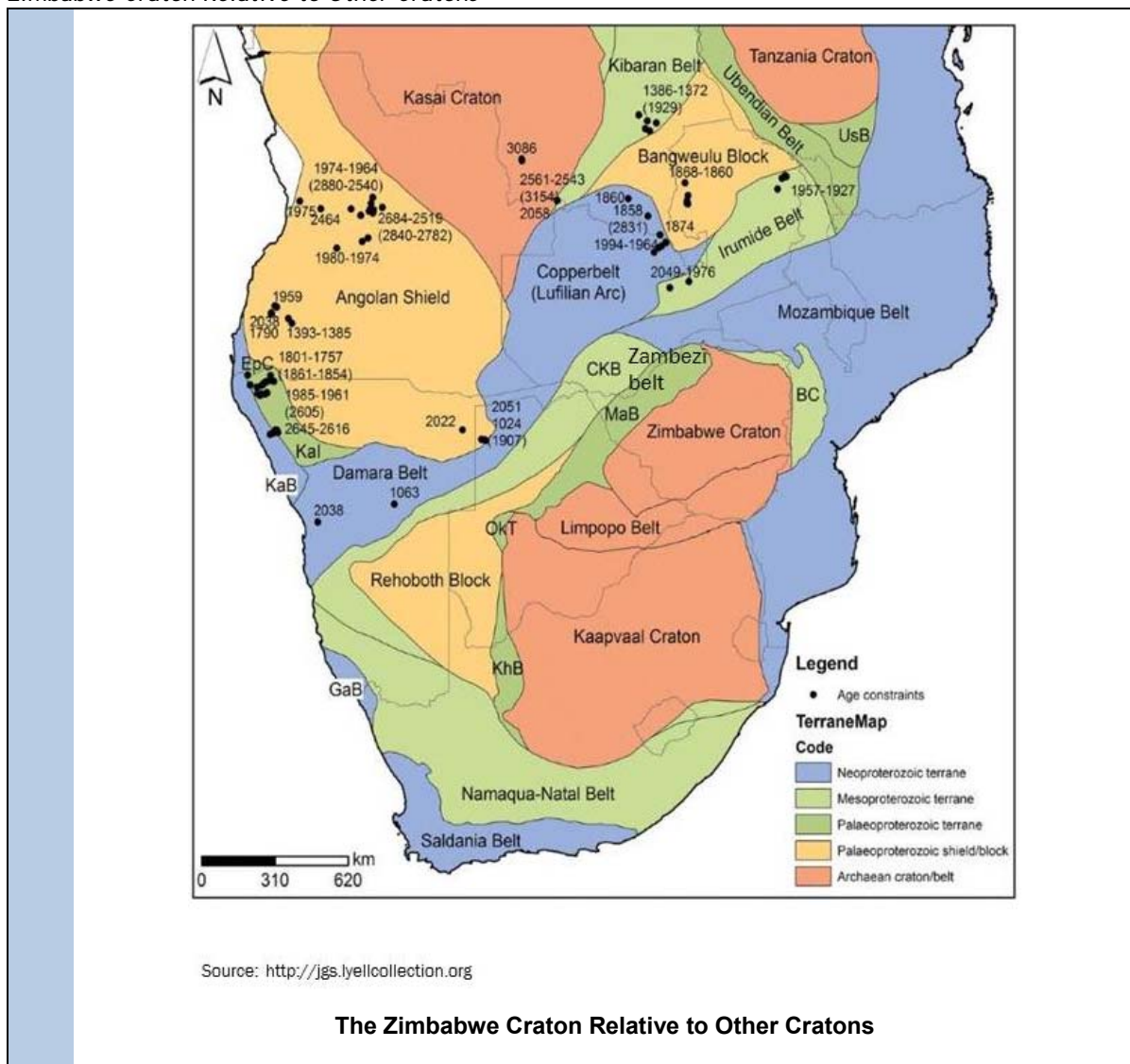
Zimbabwe's known gold mineralisation occurs in host rocks of the Zimbabwe Craton, which is made up of Archaean rocks. The geology of the Craton is characterised by deformed and metamorphosed rocks which include high-grade metamorphic rocks, gneisses, older granitoids, greenstone belts, intrusive complexes, younger granites and the Great Dyke, which makes up the geology of the Zimbabwe Craton. The Chingezi gneiss, Mashaba tonalite and Shabani gneiss form part of a variety of tonalities and gneisses of varying ages. Three major sequences of slightly younger gold-bearing greenstone belt supracrustal rocks exist:-

- Older greenstones called the Sebakwian Group, which are mostly metamorphosed to amphibolite facies. They comprise komatiitic and basaltic volcanic rocks, some banded iron formation (“BIF”), as well as clastic sediments.
- The Lower Bulawayan Group, which comprises basalts, high-Mg basalts, felsic volcanic rocks and mixed chemical and clastic sediments. The Lower Bulawayan Group forms the Belingwe (Mberengwa) greenstones.
- The Upper Bulawayan (upper greenstones) and Shamvaian groups, which comprise a succession of sedimentary and komatiitic to tholeiitic to calc-alkaline rocks.

Three metamorphic belts surround the Zimbabwe Craton:-

- Archaean Limpopo Mobile Belt to the south;
- Magondi Mobile Belt on the north-western margin of the Craton; and
- Zambezi Mobile Belt to the north and northeast of the Zimbabwe Craton.

Zimbabwe Craton Relative to Other Cratons



Item 1 (d) - OVERVIEW OF THE PROJECT GEOLOGY

The Blanket Mine is situated on the north-western limb of the Archaean Gwanda Greenstone Belt. Several other gold deposits are situated along the same general strike as the mine. Approximately 268 mines

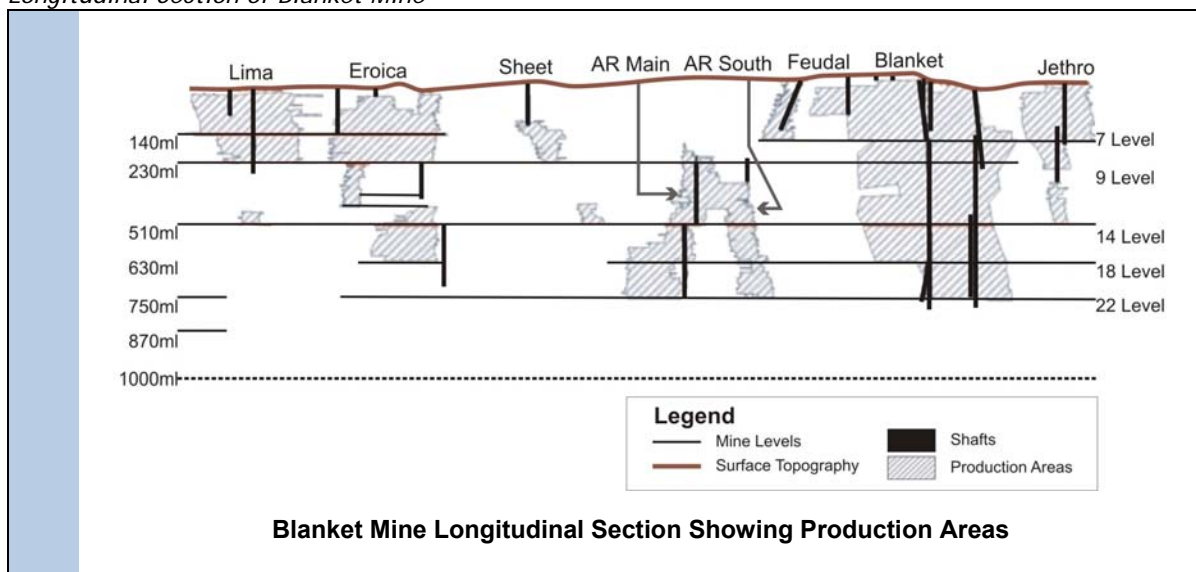
operated in this greenstone belt at one stage, however, the Blanket Mine is one of the few remaining mines. At Blanket Mine, the rock units strike north-south, plunge in a westerly direction and dips to the west (in some areas, southwest).

Item 1 (e) - LOCAL PROPERTY GEOLOGY

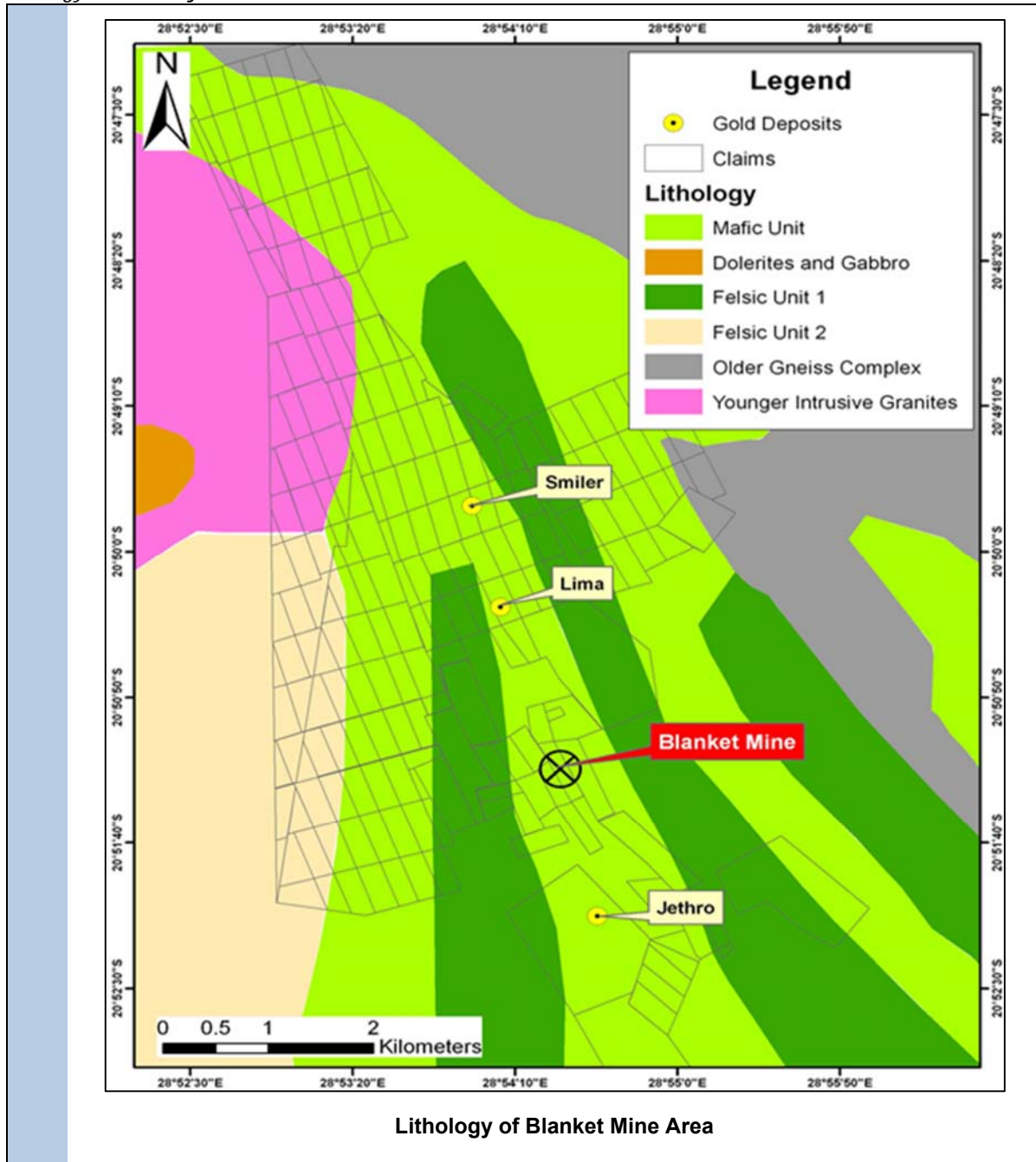
The local geology consists of a basal felsic unit in the east that is not known to be mineralised. It is generally on this lithology that the tailings disposal sites are located. An ultramafic zone that includes the BIFs hosting the eastern dormant cluster and the Mineral Deposits of the nearby Vubachikwe complex lies to the west of this unit. Active Blanket Mineral Deposits occur in the immediately overlying mafic unit. A capping of andesite completes the stratigraphic sequence.

Blanket Mine is part of the group of mines that make up the North Western Mining Camp, also called the Sabiwa group of mines. Blanket Mine is a cluster of mines that extend from Jethro in the south, through Blanket, the currently defunct Feudal, AR South, AR Main, Sheet, Eroica and Lima.

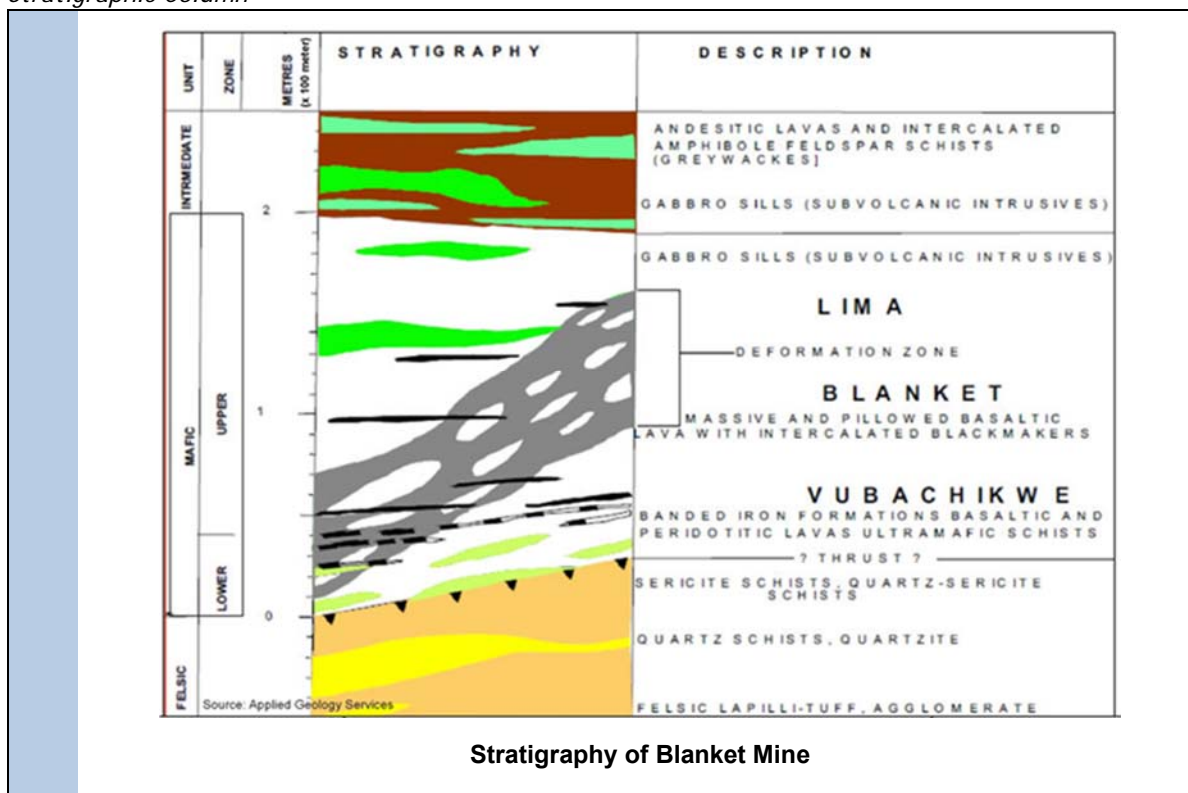
Longitudinal Section of Blanket Mine



Dormant old workings include Sabiwa, Jean, Provost, Redwick, Old Lima, and Smiler. The latter group of mines form the northern continuation of the Vubachikwe zone and are hosted by BIFs. The mafic unit which hosts the gold mineralisation is, for the most part, a metabasalt with occasional remnants of pillow basalts. Regionally, the rock is a fine-grained massive amphibolite with localised shear planes. A low angle transgressive shear zone (up to 50 m wide cutting through the mafic zone) is the locus of the gold ore 25 shoots. The shear zone is characterised by a well-developed fabric and the presence of biotite. A regional dolerite sill cuts the entire sequence from Vubachikwe through Blanket to Smiler. The sill does not cause a significant displacement and although it truncates all the ore shoots, there is continuity of mineralisation below the sill (AGS, 2006). The upper zone comprises massive to pillowed lavas with intercalations of interflow sediments. According to a 2006 report by AGS, the rock is a fine-grained massive amphibolite with localised shear planes.

Geology of the Project Area

The gold Mineral Deposits are found around a low-angle transgressive shear zone. A simplified stratigraphic column for the Blanket mine is shown in the following figure.

Stratigraphic Column**Item 1 (f) – STATUS OF EXPLORATION**

The Blanket Mine is a producing operation. Exploration activities are carried out both on and off the mine. Mine exploration takes place mostly underground on the producing claims and is aimed at expanding the knowledge of the ore shoot trends which are being mined, as well as searching for potential additional Mineral Deposits. Near-mine exploration takes place on non-producing assets, which have the potential to yield new sources of ore and possibly give rise to new mines.

The mine's exploration title holdings are in the form of registered mining claims (78 in total) in the Gwanda Greenstone Belt. These claims include a small number under option and cover an area of approximately 2,500 ha. The blocks of claims were pegged as follows:-

- 47 are registered as precious metal (gold) blocks covering 415 ha. Gold or precious metal claims measure 10 ha x 1 ha (10 ha) and;
- 31 claims were pegged and are registered as base metal (Cu, Ni, As) blocks, covering an area of 2,085 ha. Base-metal claims are larger than precious metal blocks.

Item 1 (g) – MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

The following table reflects the Mineral Resource Statement for Blanket Mine for August 2014, as verified by Minxcon. The Blanket Mine Resource classifications have been changed to Measured, Indicated and Inferred. No reserves are stated here, however, the Mineral Resources are declared inclusive of all Mineral Reserves. The reserves have been declared separately, as determined by the Reserve Life of Mine plan ("Reserve LoM Plan"). The proven and probable pillar reserves (as per the Blanket Mine mineral resource tabulation) have been declared as Measured Resources and the Probable Reserves (as per the Blanket Mine mineral resource tabulation) have been included in the Indicated Resource. The modifying factors, as applied by Blanket Mine to their Proven and Probable Reserves, have not been applied to the Minxcon Mineral Resource. The Indicated and Inferred mineral resource categories remained the same as that of the Caledonia Mineral Resource.

August 2014 Mineral Resource as Verified by Minxcon

Mineral Resource Category	Tonnage	Au	Au Content	Ounces
	t	g/t	kg	oz.
Measured Resource	1,572,733	3.91	6,146	197,606
Indicated Resource	2,478,902	3.77	9,340	300,288
Total Measured and Indicated	4,051,635	3.82	15,486	497,895
Inferred Resource	3,344,831	5.11	17,106	549,963

Notes:

1. Tonnes are *in situ*.
2. All figures are in metric tonnes.
3. Mineral Reserves are included in the Mineral Resource.
4. Mineral Resources are stated at a 1.96 g/t cut-off.
5. No geological losses were applied to the tonnage.
6. Tonnage and grade have been rounded and this may result in minor adding discrepancies.
7. The tonnages are stated at a relative density of 2.86 t/m³.
8. Conversion from kg to oz.: 1:32.15076.

The Measured and Indicated Mineral Resources were converted to Proven and Probable Mineral Reserves by applying applicable mining rates and other modifying factors. The Mineral Reserve Statement for Blanket mine is illustrated in the following table.

Mineral Reserve Statement (October 2014)

Mineral Reserve Category	Tonnage	Au	Au Content	Ounces
	t	g/t	kg	oz.
Proven	856,005	3.40	2,912	93,638
Probable	2,077,828	3.78	7,862	252,758
Total Mineral Reserves	2,933,833	3.67	10,774	346,396

Notes:

1. Tonnages refer to tonnes delivered to the metallurgical plant.
2. All figures are in metric tonnes.
3. 1kg = 32.15076 oz.
4. Pay limit Blanket Mine 2.03 g/t.
5. Pay Limit calculated: USD/oz. = 1250; Direct Cash Cost (C1) - 71 USD/t milled.
6. The reduction in ounces is mainly attributed to the exclusion of previously stated Proven and Probable Reserves below 750 m Level. (These ounces are accounted for as Measured and Indicated Resources.)

Item 1 (h) - DEVELOPMENT AND OPERATIONS*General Infrastructure*

Blanket Mine is an operational mine with well-established infrastructure and no major modifications or upgrades are necessary to sustain mining and processing operations.

Processing

The Blanket Gold Plant consists of crushing, milling, Carbon-in-Leach ("CIL") and batch elution electro-winning circuits. The front-end comminution circuits (crushing and milling) have a capacity of about 40 ktpm while the CIL and downstream circuits have a capacity of approximately 100 ktpm to 120 ktpm. The plant achieved a recovery of about 93% over the past year. The plant is well-operated and maintained and housekeeping is of a high standard. The processing costs are high for a plant treating free milling material. Unit costs can be reduced by increasing tonnes treated and optimising reagent and power consumption.

Item 1 (i) - MARKET VALUATION

This valuation is based on a free cash flow and measures the economic viability of the Reserves to demonstrate if the extraction of the Mineral Deposit is viable and justifiable under a defined set of realistically assumed modifying factors. This is illustrated by using the Discounted Cash Flow ("DCF") method on a Free Cash Flow to the Firm ("FCFF") basis, to calculate the nett present value ("NPV") and the intrinsic value (fundamental value based on the technical inputs, and a cash flow projection that creates a NPV) of the Project in real terms. The valuation reflects the full value of the operation and no values attributable to Caledonia's participation in Blanket were calculated. The model was set up in calendar years with year 2014 only including October to December. Blanket's financial years are also based on calendar years from January to December. The DCF valuation was calculated at a gold price of USD1,250/oz., as received from the Client.

Operating Costs

Costs reported for the Blanket Mine, which consist of plant and mining operating costs, are displayed in the following table. Other cash costs include the general and administration fees, Caledonia management fee as well as overheads. The royalty amount includes the 5% Zimbabwean revenue royalty.

OPEX Summary

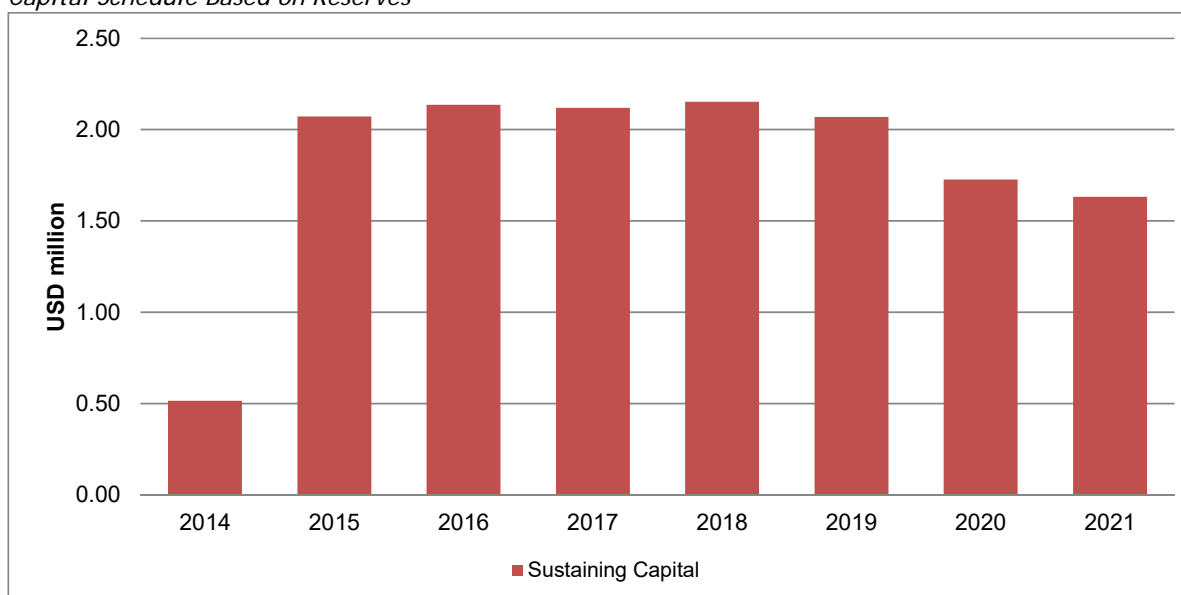
Item	Unit	Amount	Unit	Amount
Net Turnover	USD/Milled tonne	138	USD/Gold oz.	1,250
Mine Cost	USD/Milled tonne	49	USD/Gold oz.	446
Plant Costs	USD/Milled tonne	17	USD/Gold oz.	153
Other Costs	USD/Milled tonne	5	USD/Gold oz.	41
Direct Cash Costs (C1)	USD/Milled tonne	71	USD/Gold oz.	641
Capex	USD/Milled tonne	5	USD/Gold oz.	45
Production Costs (C2)	USD/Milled tonne	76	USD/Gold oz.	685
Royalties	USD/Milled tonne	7	USD/Gold oz.	63
Other Cash Costs	USD/Milled tonne	13	USD/Gold oz.	116
Fully Allocated Costs/ Notional Costs (C3)	USD/Milled tonne	95	USD/Gold oz.	864
NCE Margin	%	31%	%	31%
EBITDA*	USD/Milled tonne	48	USD/Gold oz.	431
EBITDA Margin	%	34%		
Gold Recovered	oz.	323,881		

Notes:

- * EBITDA excludes capital expenditure.
- Numbers may not add up due to rounding.

Direct cash cost for Blanket is USD71/milled tonne that equates to USD641/oz., which is below the global cash cost of USD767/oz. The Blanket Mine has a fully-allocated cost of USD95/milled tonne that equates to USD864/oz. The capital schedule for the Blanket mining operations for the LoM is illustrated in the following figure. There is no initial or infrastructure capital for the Reserve LoM plan, only sustaining capital.

Capital Schedule Based on Reserves



The following table illustrates the Project NPV at various discount rates with a best-estimated value of USD66 million at a real discount rate of 8.36%.

Project Valuation Summary - Real Terms

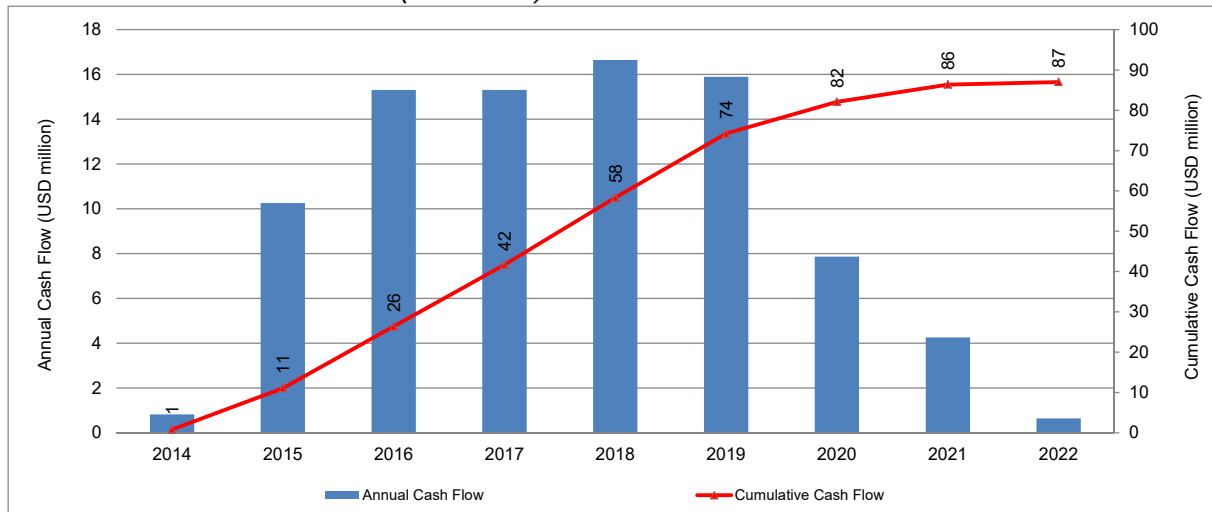
Item	Unit	Value
Real NPV @ 0.00%	USDm	87
Real NPV @ 5.00%	USDm	70
Real NPV @ 8.36%	USDm	66
Real NPV @ 10.00%	USDm	57
Real NPV @ 15.00%	USDm	47

The following table illustrates the Project profitability ratios.

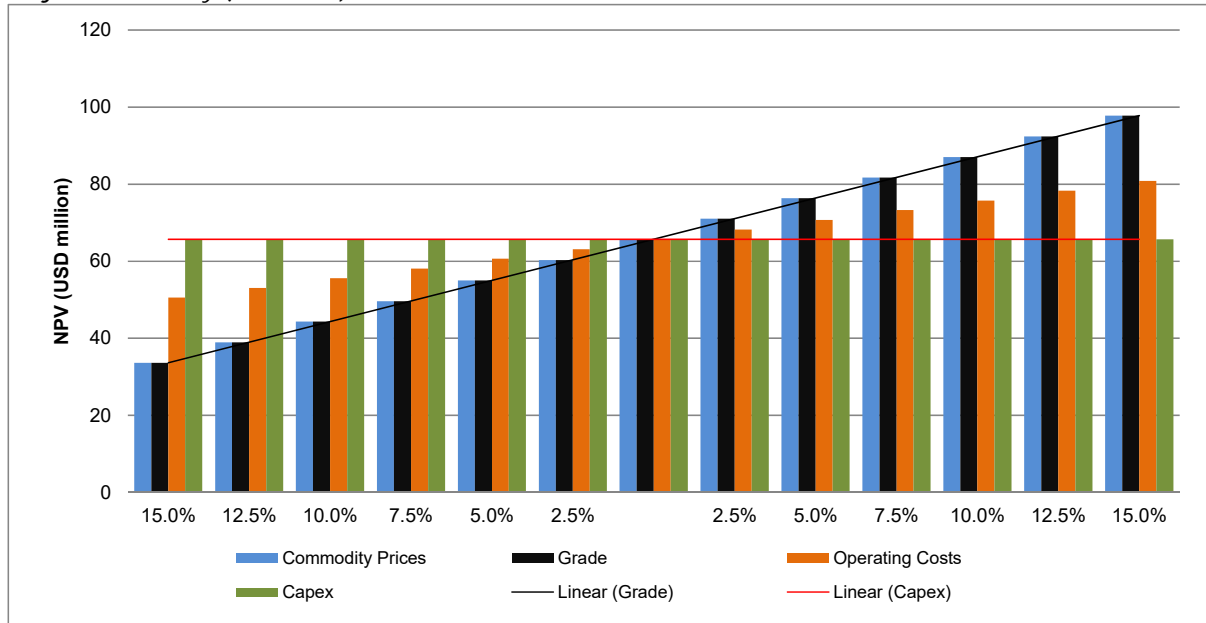
Profitability Ratios

Item	Unit	Profitability Ratios
Total ounces in Reserve LoM plan	oz.	346,397
<i>In Situ</i> Mining Inventory Valuation	USD/oz.	190
Production LoM	Years	8
Present Value of Income Flow	USDm	106
Break Even Milled Grade	g/t	2.54
Incentive Gold Price	USD/oz.	864

The annual and cumulative cash flow forecast for the LoM is displayed in the following figure.

Annual and Cumulative Cash Flow (Real Terms)

For the DCF, the gold price and grade have the biggest impact on the sensitivity of the Project, followed by the operating cost. The Project is not sensitive to the sustaining capital.

Project Sensitivity (NPV8.36%)**Item 1 (j) – QUALIFIED PERSON’S CONCLUSIONS AND RECOMMENDATIONS****Conclusions***Mineral Resources:-*

- The Mineral Resources and Reserves tabulated on the operation are not aligned with best practises and reporting formats. These spread sheets should be revised.
- The manual mineral resource estimation methodology is deemed satisfactory, but a digital database would have advantages in terms of 3D visualisation and understanding the data.
- The QA/QC practices are not up to standard and need to be revised and implemented.
- The "deep" drilling and exploration drilling QA/QC needs to be improved.
- Drilling for the depth extensions should be increased to increase the confidence of the resource for the deepening of the project.

Mining:-

- The Reserve LoM plan is based on the depletion of Mineral Resource blocks following a study of mine plans.
- The developments required to access the mine’s Measured and Indicated Mineral Resources have been completed.
- Historic production volumes have been on the increase since Jan 2012, moving closer to 35 ktpm. The mine plan will require production to maintain a slow but steady increase up to 40 ktpm in 2018.
- Rock conditions are fairly competent and roof support is rarely required.

Engineering and Infrastructure:-

- Existing infrastructure at the Blanket Mine is sufficient to sustain the current production profile.

Processing:-

- The plant is well-maintained and equipped to crush and mill up to 40 kt per month.
- The CIL circuit has adequate capacity to treat up to 120 kt of milled material per month.
- The plant is adequately staffed considering that most of the plant is manually controlled.
- Overall gold recoveries have been consistent on a monthly basis.
- The high free gold recovery of approximately 50% contributes to the overall high gold recovery.
- The incorporation of a central process control system can improve recoveries and reduce costs.

- Opportunities exist to reduce costs by optimising power measurement and reagent consumption.

Market Evaluation:-

- The Project investigated is financially feasible at an 8.36% real discount rate.
- The best-estimated value of the Project was calculated at USD66 million.
- The Blanket Mine has an NCE margin of 31% that is slightly higher when benchmarked against other mines.
- The Project is most sensitive to gold price and grade.
- Direct Cash cost for the Project is USD71/milled tonne that equates to USD641/oz., which is below the reported average global gold cash cost of USD767/oz.
- Fully-allocated cost for the Project is USD95/milled tonne that equates to USD864/oz.

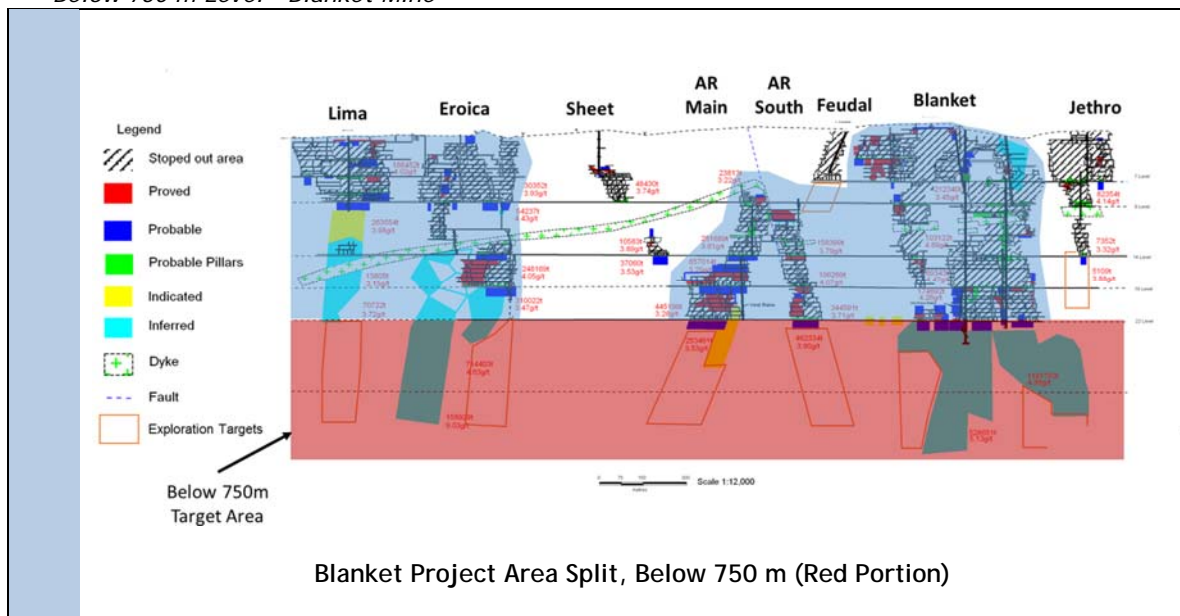
Preliminary Economic Assessment Conclusions:-

Minxcon was commissioned by GMS in November 2014 to complete a scoping level study on the Blanket Mine which comprises an initial extension from below 750 m Level to 1120 m Level, in the form of a Preliminary Economic Assessment (“PEA”). The PEA includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. The valuation does not include the current mine plan that is based on the Mineral Reserves and Resources above 750 m but only considers the expansion project below 750 m as a stand-alone project. The PEA thus reflects the Project economics on a stand-alone basis, and the economic analysis is based on an assumed requirement to raise money for the expansion capital expenditures, despite the fact that Caledonia would be able to fund those capital expenditures from cash flow from the existing mine operations. The best-estimated value of the PEA was calculated at USD65 million with at a real discount rate of 8.36%. The IRR was calculated at 42%. Substantial upside potential exists in that the resource planned in the PEA is small in comparison to the exploration targets that could be converted to resource below 750 m Level.

Study Level:

- The Mineral Resource confidence is concept level because the resources below 750 m Level are predominantly in the Inferred category. The following figure illustrates the red area included in the PEA Study:-

Below 750 m Level - Blanket Mine



- The PEA Study, design, schedule and OPEX estimation is better than concept level and is based on current actual performance.
- The capital estimation was estimated at a very high level of confidence based on engineering designs, drawings and firm quotes and is at least at a definitive level of confidence.

Mining Areas:

- The PEA includes only the Inferred Mineral Resources from the Below 750 m Level area.

Infrastructure:

- The existing infrastructure at the Blanket mine will be utilised in parallel with new infrastructure which is specifically aimed at targeting the Below 750 m Level mining areas.
- The extensions will entail the sinking of a new vertical shaft from surface as well as the completion of the No 6 Winze deepening project.

Additional Capital:

- Capital for the various key expansion project items amounts to USD43 million.

Recoveries:

- The historic metallurgical recoveries of 93.5% are not expected to change with the increased tonnes from the Blanket Mine.

PEA Study:

- The tonnage profile for the PEA is based on the replacement tonnages (Inferred Resources) to be mined through the existing shaft and the new central shaft situated in-between AR Main and AR South.
- The average grade is expected to be 4.36 g/t.
- The infrastructure extensions as defined in the PEA contain approximately 385 koz of gold *in situ*.
- The PEA Study excludes the Exploration Target areas below AR Main, AR South, Lima and Eroica. The PEA project will provide access to these Exploration target areas and to future exploration areas below 1120 level that will potentially extend the LoM.

Valuation:

- The best-estimated value of the PEA was calculated at USD65 million at a real discount rate of 8.36%. The IRR was calculated at 42%.
- By using the Monte Carlo model for the PEA, the value range of the Blanket operation plots between USD44 million and USD84 million.
- The PEA is most sensitive to gold price and grade.
- The PEA has a break-even gold price of USD789/oz., including capital.
- Direct Cash cost for the PEA is USD67/milled t that equates to USD513/oz., which is below the average global gold cash cost of USD767/oz.
- Fully-allocated cost for the PEA is USD86/milled t that equates to USD789/oz.; noticeably lower than similar gold mining operations.

Recommendations

Mineral Resources:-

- Minxcon recommends that the Mineral Resources are stated as inclusive of Mineral Reserves and that the Measured and Indicated Resources be declared separate from the Inferred Resources.
- The manual data should be captured digitally to reduce human error and assist in the 3D visualisation of the Mineral Deposit and potentially find hidden ore resource blocks.
- Geostatistical analysis of the data could possibly help to increase the mineral resources.

- Best practice QA/QC must be implemented on the operation, especially for the deep drilling and other exploration drilling as these sample points are single points and have greater influence than the day-to-day evaluation samples.
- Currently, the block evaluation does not correct for dip, which leads to under evaluation of the volume and content per resource block.
- Short deflections must be drilled when drilling the "deep" drill holes and exploration drill holes to understand variability and improve the confidence of the intersections for the Indicated and Inferred Resources.
- Long inclined boreholes ("LIB") or directional drilling should be investigated as an option to drill more and deeper intersections in the "pay shoots" without increasing the cross-cut development. This could help convert the Inferred mineral resource to an Indicated mineral resource.

Mining:-

- To assist in the LoM plan audit, a LoM design must be completed using one of the available software packages. This will be illustrated in the mining sequence and development.

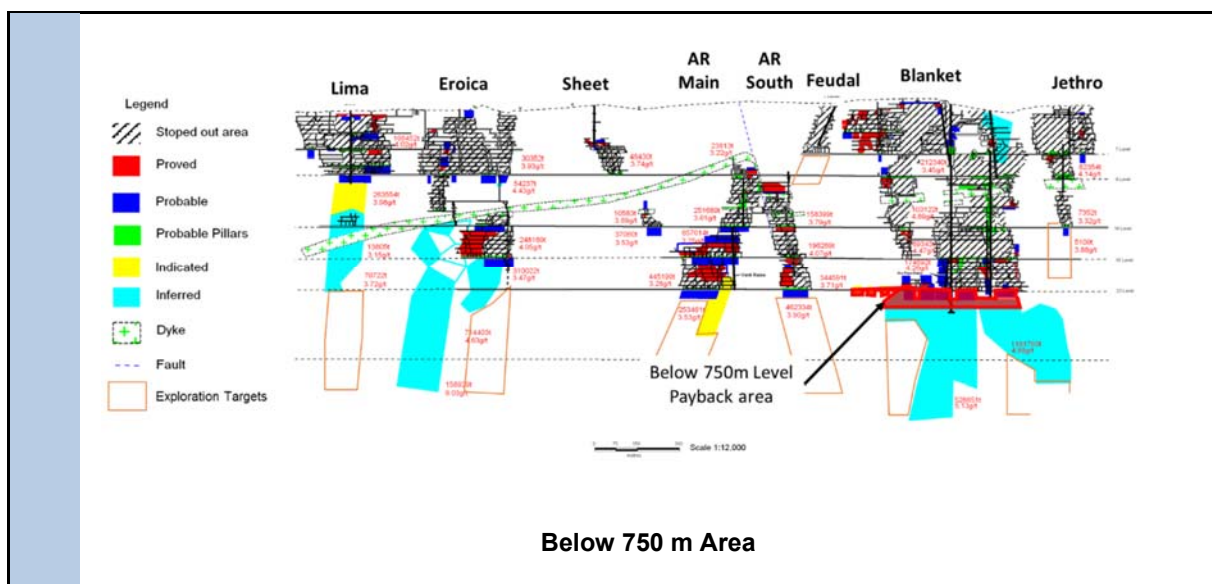
Processing:-

- The incorporation of additional process control systems should be pursued to improve gold recoveries and reduce costs.
- Metering of power consumption to the main process units should be installed so that power utilisation can be controlled; this will lower operating costs.
- The mill feed bin should be upgraded in size to increase the retention time to allow the crushers to operate during the day only.
- Reagent consumption (cyanide, and carbon) should be optimised further.
- It is recommended that laboratory costs be captured centrally and allocated to the mining, geology and metallurgical department on a cost per sample basis.

PEA Recommendations

Exploration

- To fully de-risk the PEA expansion project, it is recommended to do exploration drilling as illustrated in the figure below, to increase the level of confidence of the Mineral Resources to Indicated.



Mineral Resources:

- Best practice QA/QC must be implemented on the operation, especially for deep drilling and other exploration drilling as these sample points are single points and have greater influence than the day-to-day evaluation samples.
- Short deflections must be drilled when drilling the "deep" drill holes and exploration drill holes to understand variability and improve the confidence of the intersections for the Indicated and Inferred resources.
- Long inclined boreholes or directional drilling should be investigated as an option to drill more and deeper intersections in the "pay shoots" without increasing the cross-cut development. This could help to convert the Inferred Mineral Resources to Indicated Mineral Resources.

Processing:

- The incorporation of additional process control systems should be pursued to improve gold recoveries and reduce costs.
- Metering of power consumptions to the main process units should be installed so that plant power utilisation can be controlled.
- Although the Gemini tables operate effectively at the moment, installation of Acacia reactors should be considered for upgrading of Knelson concentrates.

ITEM 2 – INTRODUCTION

Item 2 (a) – ISSUER RECEIVING THE REPORT

Minxcon (Pty) Ltd (“Minxcon”) was commissioned by Greenstone Management Services (Pty) Limited (“GMS” or “the client”) to compile an NI 43-101 technical report on behalf of Blanket Mine (1983) (Private) Limited (“Blanket Mine”) for its 49% shareholder, Caledonia Mining Corporation (“Caledonia”), a Canadian-registered company which is listed on the Toronto Stock Exchange (“TSX - CAL”) and on the AIM Market of the London Stock Exchange (“LSE – CMCL”) and also traded in the United States of America on the OTCQX. GMS is a subsidiary of Caledonia that employs the South African-based management that receives a management fee from Blanket. Blanket Mine is incorporated in Zimbabwe and is the owner and operator of the Blanket Mine.

Item 2 (b) – TERMS OF REFERENCE AND PURPOSE OF THE REPORT

Minxcon was commissioned by the Client to compile an NI 43-101 technical report for the Blanket Mine. This technical report was compiled in compliance with the specifications embodied in the Standards of Disclosure for Mineral Projects as set out by the Canadian Code for reporting of Resources and Reserves - National Instrument 43-101 (Standards of Disclosure for Mineral Projects), Form 43-101F1 and the Companion Policy Document 43-101CP (“NI 43-101”). All monetary figures in this Report are expressed in USD, unless stated otherwise.

Minxcon carried out the following scope of work for the Technical Report:-

- The Caledonia offices in Johannesburg were visited to collect information pertaining to the financial, legal and environmental aspects of the Project.
- Various technical and environmental reports prepared by various independent consultants were studied.
- Geological data and Mineral Resources were reviewed.
- The Reserve LoM plan, Mineral Reserves and processing methodology were reviewed.
- A Discounted Cash Flow (“DCF”) analysis was completed.

Item 2 (c) – SOURCES OF INFORMATION AND DATA CONTAINED IN THE REPORT

The following sources of information were used to compile this Report:-

- Technical reports and technical information from the Blanket Mine.
- Historical Technical Reports, press releases and other public documents posted on SEDAR.
- Market research information from various websites, literature and other published articles.
- Personal Communication with the COO of Caledonia, Mr. Dana Roets.
- Personal Communication with the Vice President, Exploration of Caledonia, Dr. Trevor Pearton.

For further details on references, please refer to Item 27.

Item 2 (d) – QUALIFIED PERSONS’ PERSONAL INSPECTION OF THE PROPERTY

A site visit of Blanket Mine was conducted from 22 to 24 October 2014 by Mr Dario Clemente ((Director, Minxcon) NHD (Ext. Met.), GCC, BLDP (WBS), (FSAIMM), Mr Uwe Engelmann (Director, Minxcon): B.Sc (Zoology & Botany), B.Sc (Geol.), B.Sc Hons. (Geol.), GSSA, Pr. Sci. Nat. Reg. No. 400058/08, and Mr Daniel van Heerden ((Director) BSc (Min. Eng.), MComm (Bus. Admin.), ECSA Reg. No.20050318, FSAIMM Reg. No.37309.4), each of whom is a Qualified Person (as that term is defined in NI 43-101) for this Report. During this visit, time was spent at the mine, the treatment plant, the waste dumps, and the sample assay laboratory and data management section.

Item 2 (e) - FORWARD-LOOKING STATEMENT

Certain statements in this Report, other than statements of historical fact, contain forward-looking statements regarding the Blanket Mine, economic performance or financial condition, including, without limitation, those concerning the economic outlook for the mining and gold industry, expectations regarding gold prices, production, cash costs and other operating results, growth prospects and the outlook of operations, including the completion and commencement of commercial operations of specific production projects, its liquidity and capital resources and expenditure, and the outcome and consequences of any pending litigation or enforcement proceedings.

Although Minxcon believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results may differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, changes in the regulatory environment and other State actions, success of business and operating initiatives, fluctuations in commodity prices and business and operational risk management.

ITEM 3 - RELIANCE ON OTHER EXPERTS

Minxcon accepted the information supplied by Caledonia as valid and complete. The information applies, but is not limited to, the drill hole information, Environmental Management Plans (“EMPs”) and licenses. Minxcon scrutinised this information, together with other sources of information (such as Public Reports by the MSA Group and Caledonia, and information provided by Mr Dana Roets), and found it fit for use in the estimation of the Gold Mineral Resources and Gold Mineral Reserves (that were used in the economic evaluation of the mine). The reliance on Knight Piesold, Paramark and Black Crystal for the mine closure cost estimate and closure plan, as described in item 20(e). Minxcon did not seek an independent legal opinion on the shareholding, effective rights and obligations of Blanket Ltd. and relied on existing available information.

ITEM 4 - PROPERTY DESCRIPTION AND LOCATION

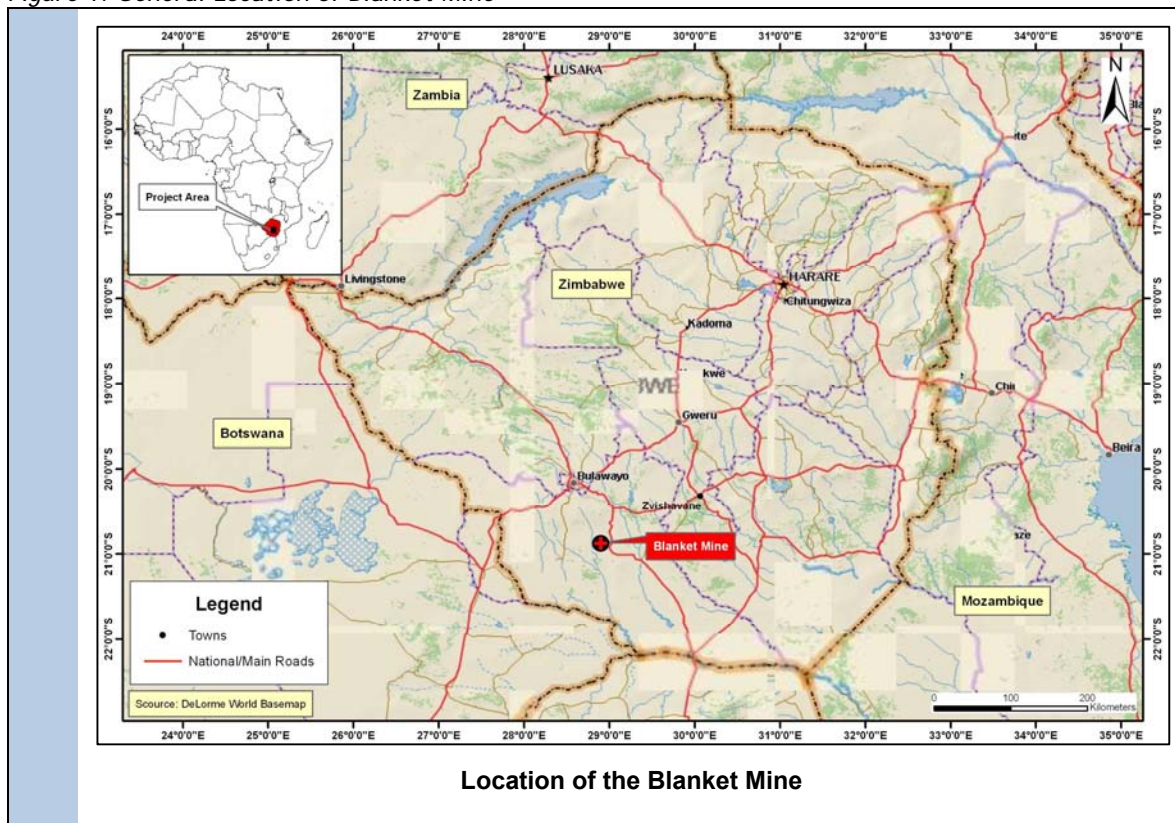
Item 4 (a) - AREA OF THE PROPERTY

The Blanket Mine covers the operating claims of Jethro, Blanket Section, Feudal, Harvard, Mbudzane Rock, OQUEIL, Sabiwa, Sheet, Eroica and Lima, comprising a total area of approximately 2,540 ha, as documented by Applied Geology Services (“AGS”) in their NI 43-101 Technical Report dated July 2006.

Item 4 (b) - LOCATION OF THE PROPERTY

The Blanket Mine is located in the southwest of Zimbabwe, approximately 15 km northwest of Gwanda, the provincial capital of Matabeleland South. Gwanda is located 150 km southeast of Bulawayo, the country's second largest city, 196 km northwest of the Beit Bridge Border post with South Africa, and 560 km from Harare, Zimbabwe's capital city. Access to the mine is by an all-weather tarred road from Gwanda, which is linked to the Beit Bridge to Bulawayo, Harare by a national highway.

Figure 1: General Location of Blanket Mine



The general geographic coordinates of Blanket Mine are Latitude 20°52' S and Longitude 28°54' E. Coordinates for individual claims are presented in Appendix 2, Appendix 3 and Appendix 4. The area is covered by topographic sheet number 2028D4.

Item 4 (c) - MINERAL DEPOSIT TENURE

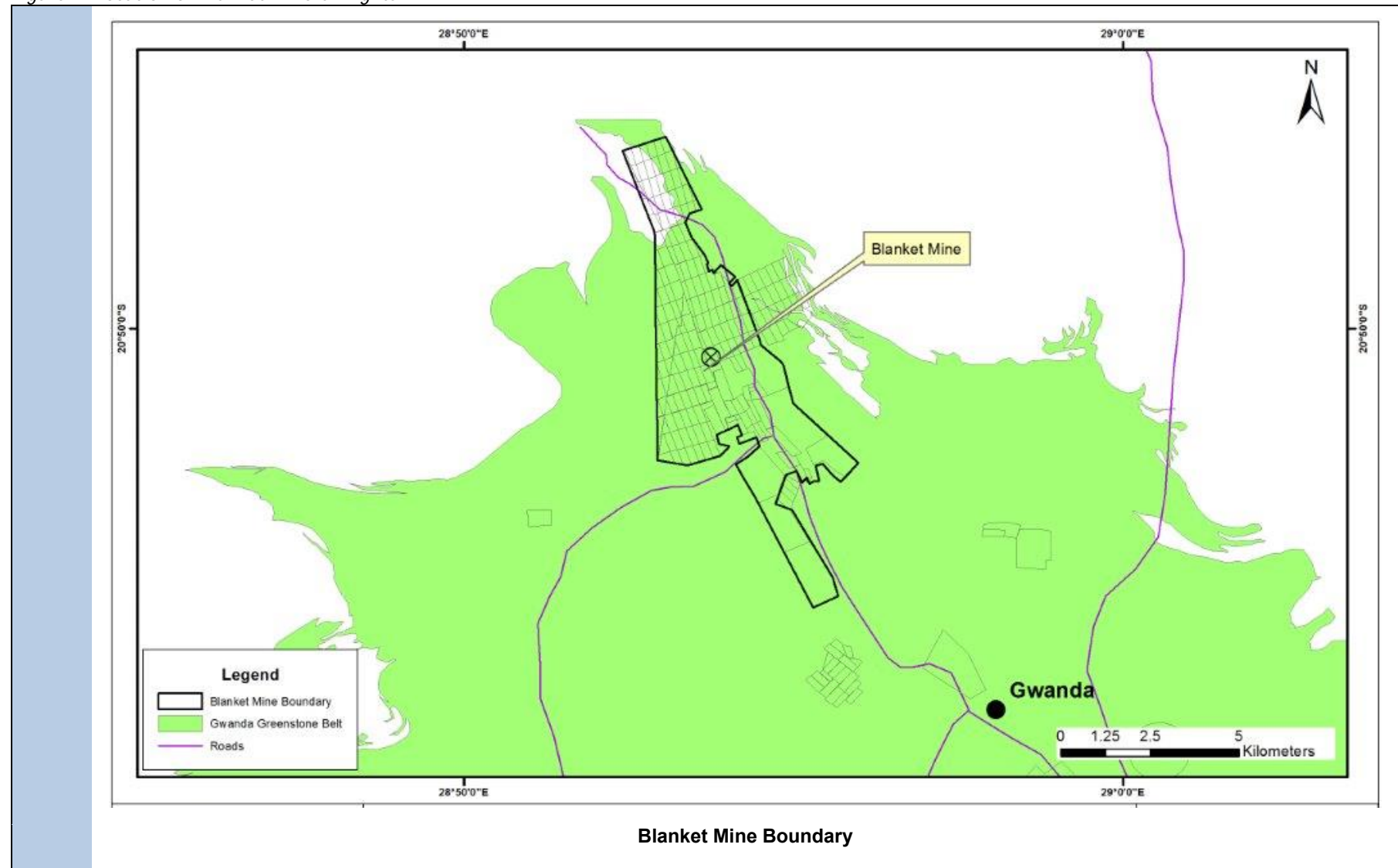
Blanket Operating Claims

The Blanket Mine's exploration interests in Zimbabwe include operating claims (i.e. on-mine), non-operating claims and a portfolio of brownfields exploration projects ("satellite projects"). The Blanket Mine operates under a Special Licence (No. 5030) which was issued under the Mines and Minerals Act of 1961 (Chapter 21:05). The mine's claims are protected under this Act.

Blanket Mine covers the operating claims of Jethro, Blanket Section, Feudal, Harvard, Mbudzane Rock, OQUEIL, Sabiwa, Sheet, Eroica and Lima, comprising a total area of approximately 2,540 ha. Claims not covered by the Mining Lease application were reported not to form part of the production area at the time.

The registration numbers, area, number of claims and number of blocks of 2,884 operating claims (some are producing claims, others are exploration claims) belonging to the Blanket Mine were supplied to Minxcon by Caledonia and are listed in Appendix 2. The mine boundary in the figure is indicated as supplied by the Caledonia office in Johannesburg.

Figure 2: Location of Blanket Mineral Rights



Blanket Non-Operating Claims and Exploration Claims

Blanket Mine provided two separate lists of non-operating claims at the Blanket Mine and satellite exploration claims. The names of each claim, as well as registration numbers and type of minerals were provided to Minxcon (Appendix 3 and Appendix 4).

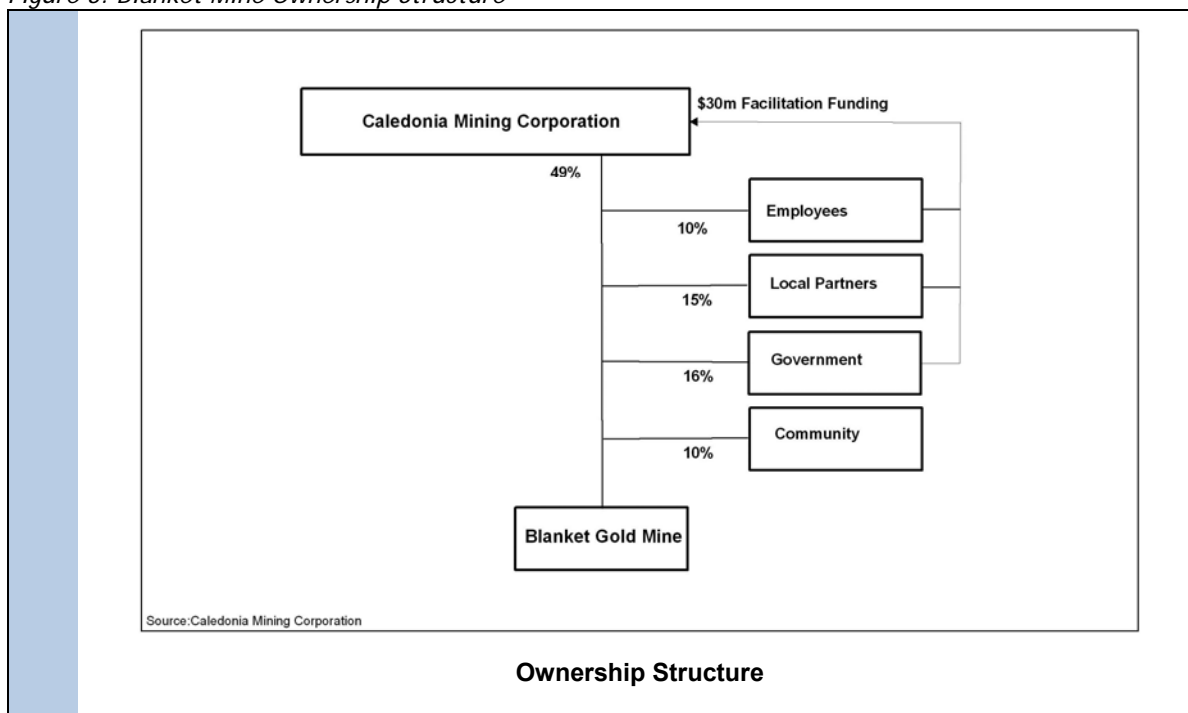
Item 4 (d) – ISSUER’S TITLE TO/INTEREST IN THE PROPERTY

The Indigenisation and Economic Empowerment Act ("The Act"), which was enacted in 2007, requires that 51% of the equity of all commercial enterprises in Zimbabwe must be owned by indigenous Zimbabweans.

On February 20, 2012 Caledonia announced it had signed a Memorandum of Understanding ("MoU") with the Minister of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe pursuant to which 51% of Blanket would be sold for a paid transactional value of USD30.09 million. The various transactions were implemented with effect from September 5, 2012 on the following bases:-

- 16% was sold to the National Indigenisation and Economic Empowerment Fund;
- 10% was sold to a Management and Employee Trust for the benefit of the present and future managers and employees of Blanket Mine;
- 15% was sold to identified indigenous Zimbabweans; and
- 10% was donated to the Gwanda Community Share Ownership Trust. Blanket also made a non-refundable donation of USD1 million to the Trust as soon as it was established and paid advance dividends of USD4 million before the end of April 2013.

Figure 3: Blanket Mine Ownership Structure



The Trust will receive no further dividends from Blanket until the advance dividends have been repaid by the offset of future dividends arising from the Blanket shares that are owned by the Trust. Caledonia facilitated the vendor funding of these transactions: i.e. indigenous Zimbabweans who purchased their interest in Blanket will repay their outstanding facilitation loan by sacrificing 80% of their future entitlement to Blanket dividends. Outstanding balances on the facilitation loans attract interest at London Interbank Offered Rate ("LIBOR") plus 10%. In October 2014, the Blanket board approved the suspension of dividend payments by Blanket Mine so that cash generated by Blanket Mine could be used to fund the revised investment plan. It is anticipated that Blanket Mine will resume dividend payments in early 2016. During

the period from October 2014 until the resumption of dividend distributions by Blanket Mine, the Blanket Board there will be a moratorium on the accumulation of interest on the facilitation loans. Following the implementation of Indigenisation, Caledonia received the Certificate of Compliance from the Government of Zimbabwe which confirms that Blanket is fully compliant with the Indigenisation and Economic Empowerment Act.

As an indigenised entity, Blanket can now develop and implement its long-term growth strategy. The recently re-constituted Blanket board, which includes representatives of the indigenous Zimbabwean shareholders, approved a capital investment programme for 2013 and a 4-year growth strategy for 2014 to 2017. This investment programme was endorsed by the Caledonia Board, is estimated at USD66 million, will be funded from Blanket's internally generated cash, and is expected to result in progressive increases in gold production.

Item 4 (e) – ROYALTIES AND PAYMENTS

Mining royalties are charged in terms of the Mines and Minerals Act (Chapter 21:05). The royalties are collectable from all the minerals or mineral-bearing products obtained from any mining location and disposed by a miner or on his behalf. The royalties are chargeable whether the disposal is made within or outside Zimbabwe.

Zimbabwean gold production has declined by 26% in the first-half of 2014, largely due to the effect of the lower gold price which has rendered a number of high-cost Zimbabwean gold producers unprofitable. A decision was made by the Government of Zimbabwe in its 2014 Mid-Year Fiscal Policy Review Statement to reduce the royalty on Zimbabwean gold producers from 7% to 5%, effective 1 October 2014. The royalty of 5% is, however, not tax deductible and the tax rate is applied on the earnings before royalty deductions.

The property does not appear to be subject to any royalties (other than the legislated royalty of 5% of sales value currently being paid to the Government), back-in rights, payments or other agreements and encumbrances. Ore mined from underground carries no third-party royalties. These are covered by payment of the annual claims protection fees to the Ministry of Mines.

Item 4 (f) – ENVIRONMENTAL LIABILITIES

See Item 20 (e).

Item 4 (g) – PERMITS TO CONDUCT WORK

See Item 20 (c).

Item 4 (h) – OTHER SIGNIFICANT FACTORS AND RISKS

There is no reason to believe that there are any factors or risks that may affect the title or the ability to perform work on the property.

ITEM 5 - ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

Item 5 (a) - TOPOGRAPHY, ELEVATION AND VEGETATION

The area around the Blanket Mine is hilly and lies at an altitude of about 1,000 m to 1,300 m above mean sea level ("amsl"). Drainage is to the northeast, into the Mchabezi River on which the Sheet dam and the Blanket dam are located (some 5 km to the east of the mine).

The indigenous vegetation is dominated by savannah with Marula (*Sclerocarya birrea*), a variety of Combretum species, Terminalia sericea, Mopane groves and patches of grassland. Around the mine and local settlements vegetation has been cut down and invaded by secondary thorny scrub dominated by Dichrostachys cinerea. Agriculture is limited to subsistence farming of maize and vegetables.

Item 5 (b) - ACCESS TO THE PROPERTY

Access to the Blanket Mine is by an all-weather single lane tarred road from Gwanda. Gwanda is linked by national highways to Bulawayo, Harare and the Beit Bridge Border post. Earlier, Zimbabwe had good road infrastructure. However, lack of investment over the past ten to fifteen years resulted in its deterioration; substantial investment is required country-wide. The railway line connecting the Zimbabwean national network to South Africa passes through Gwanda. An airstrip for light aircraft is located 5 km to the northwest of the town.

Item 5 (c) - PROXIMITY TO POPULATION CENTRES AND NATURE OF TRANSPORT

The Gwanda district hosts the provincial capital of Matabeleland, South Province, and the District Administrator's and Rural District Council offices are located 126 km south of Bulawayo and 195 km from Beit Bridge along the Bulawayo Beit Bridge highway. Gold mining, cement production, livestock production, game ranching and tourism are the major economic activities in the district. Labourers for Blanket Mine are accommodated with their families in a mine village about 1 km from the mine.

The district has 24 wards in which business centres, irrigation schemes, dams, wells, boreholes, clinics, schools, farms and mines are located. There is a fairly good road network linking the various wards internally and externally with the rest of the country. The district is serviced by telecommunication services offered by TelOne, and Telecel, NetOne and Econet whose cellular phone network covers nearly 50% of the district.

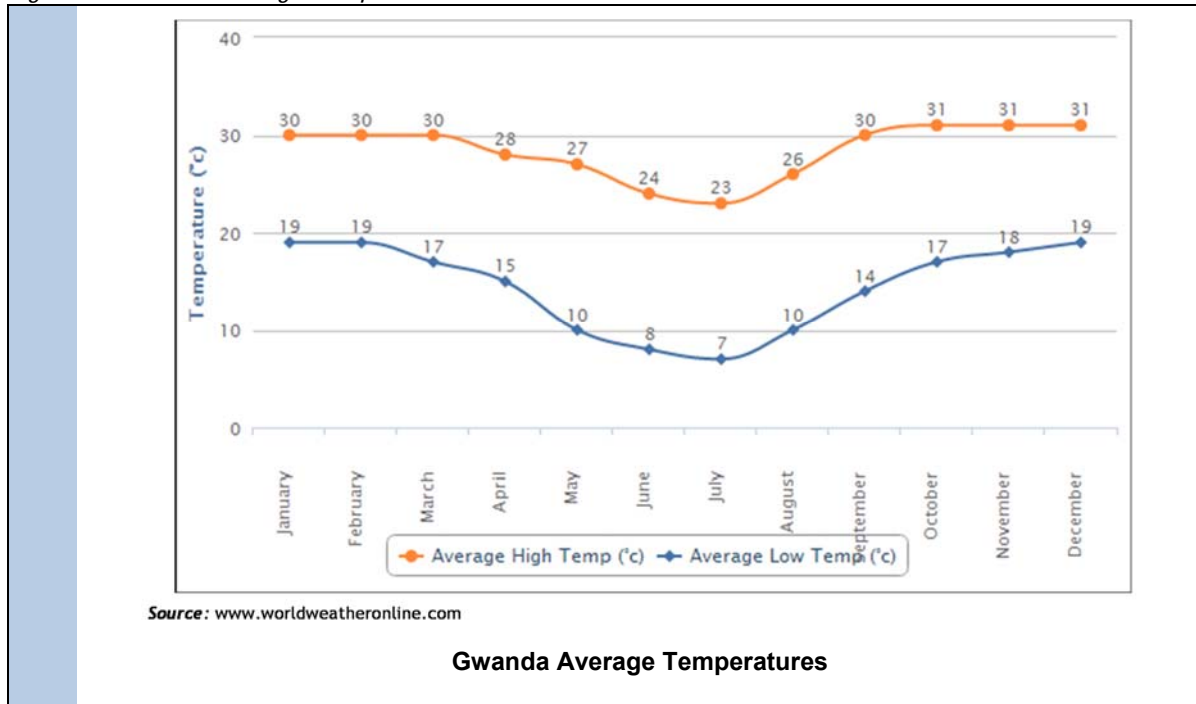
The district covers 31 km² and has an estimated population of 162,622. Of the total number of people employed, the highest proportion (64%) is engaged in agriculture and related occupations followed by services (11%). The population in the district is mostly rural.

The main natural water sources include the Tuli River, with its main tributaries (in the east bank running in a north-south direction) being the Mnyabetsi River in the Dibilashaba Communal Area, the Sengezane River in the Garanyemba Communal Area, and the Ntswangu and Pelele Rivers in the Gwanda Bolamba Communal Area.

Item 5 (d) - CLIMATE AND LENGTH OF OPERATING SEASON

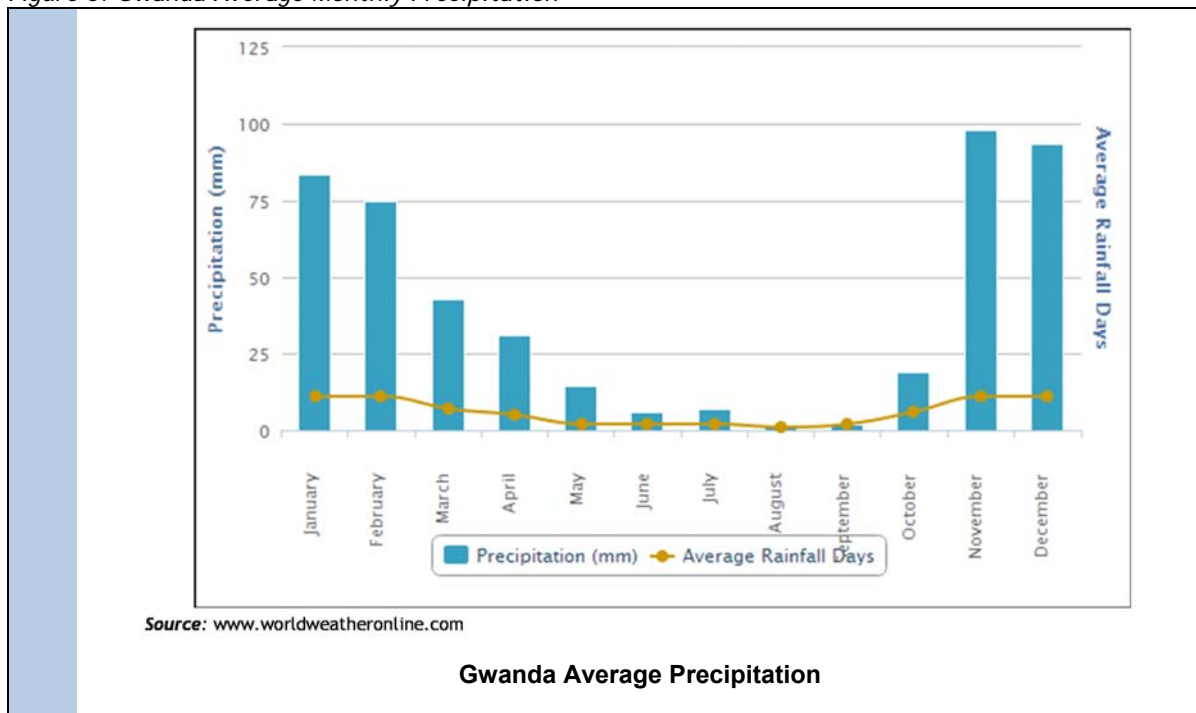
Temperatures are as high as 40°C during summer months and average 13°C during winter. The climatic conditions make the area vulnerable to meteorological hazards such as droughts, floods, gusty winds, as well as lightening during the wet and hot season.

Figure 4: Gwanda Average Temperatures



The entire district lies within Natural Region IV and V, which experience a short, variable rainfall seasons (averaging generally below 400 mm per year), and long, dry winter periods. Rainfall is usually associated with thunderstorms, producing rainfall of short duration and high intensity. The rainfall, in general, is less than half of the potential evaporation which has necessitated irrigation development and, more recently, infield rainwater harvesting in some wards to improve crop production which complements animal husbandry as well as reclaims open access areas such as grazing lands and induce underground water recharge as part of improving the environment. The mine is able to operate year-round.

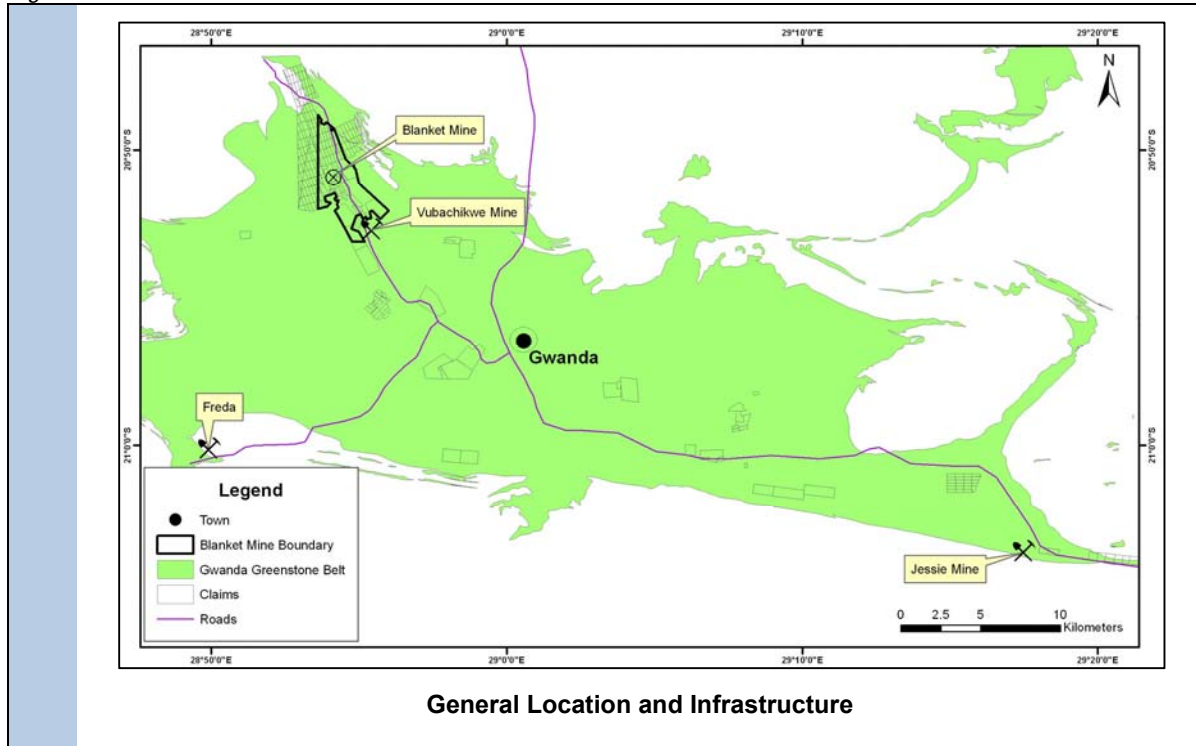
Figure 5: Gwanda Average Monthly Precipitation



Item 5 (e) – INFRASTRUCTURE

Mine infrastructure comprises underground workings with head gear and hoist facilities, a process plant, workshops and a tailings dam. Stores, workshops and offices, as well as an assay laboratory, are located adjacent to the mine shafts. There is an adequate surface area for further expansion. The general location and surrounding infrastructure is indicated in Figure 6.

Figure 6: General Location and Infrastructure



The two-compartment tailings dam, which is located to the east of the mine, is operated by Frazer Alexander Zimbabwe. Based on the throughput rate at that time (3,800 tpd), the tailings dam had a remaining capacity of 9.5 Mt. Since then the mine has slimed 6.0 Mt, leaving a capacity of 3.5 Mt as at January 2011. Since the mine no longer treats old slimes, the planned daily throughput has fallen to 1,000 tpd which equates to a life of approximately 14 years. At a production rate of 1,000 tpd, the rate of rise ("RoR") is 0.54 m per year based on the final design area of 28 ha, which is well below the legal maximum of 2 m per year.

Makeup process water and water for the mine village are derived from the Blanket dam which has a capacity of 15 Mm³. In addition, the mine has several boreholes to provide water during periods of drought (AGS, 2006). The Zimbabwe National Water Authority ("ZINWA") holds all water rights in Zimbabwe. Blanket purchases process and domestic water from ZINWA. This is supplemented with underground and borehole water. No problems have been recorded with water supply.

Two power lines (of 11 kVA and 33 kVA respectively) connect the mine to the national grid operated by the Zimbabwe Electricity Supply Authority ("ZESA"). Owing to frequent interruptions to the power supply the Blanket Mine has installed its own 10 MVA generator consisting of 4 diesel units. The mine is now self-sufficient and able to continue its mining and processing operations during disruptions to the grid supply.

ITEM 6 - HISTORY

Item 6 (a) - PRIOR OWNERSHIP AND OWNERSHIP CHANGES

The Blanket Mine is part of the Sabiwa group of mines within the Gwanda Greenstone Belt from which gold was first extracted in the 19th century. The Blanket Mine is a cluster of mines extending some 3 km from Jethro in the south through Blanket itself, Feudal, AR South, AR Main, Sheet, and Eroica, to Lima in the north. Blanket Mine has produced over a million ounces of gold during its lifetime.

Following sporadic artisanal working, the Blanket Mine was acquired in 1904 by the Matabele Reefs and Estate Company. Mining and metallurgical operations commenced in 1906 and between then and 1911, 128,000 t were mined. From 1912 to 1916 mining was conducted by the Forbes Rhodesia Syndicate who achieved 23,000 t. There are no reliable records of mining for the period between 1917 and 1941 and it is possible that operations were adversely affected by political instability during World Wars I and II. In 1941 F.D.A. Payne produced some 214,000 t before selling the property to Falconbridge in 1964 (Blanket Mine, 2009). Under Falconbridge, production increased to 45 kg per month and the property yielded some 4 Mt of ore up until September 1993. Kinross Gold Corporation ("Kinross") then took over the property and constructed a larger Carbon-in-Leach ("CIL") plant with a capacity of 3,800 tpd. This was designed to treat both run of mine ("RoM") ore and an old tailings dump.

The Blanket Mine is currently 49% owned and operated by Caledonia Mining Corporation who completed purchase of the mine from Kinross on 1 April 2006 (www.caledoniamining.com). The Blanket mine re-started production in April 2009 after a temporary shut-down due to the economic difficulties in Zimbabwe. In late 2010, Blanket Mine successfully completed an expansion project which increased production capacity from 24,000 ounces of gold per annum to 40,000 ounces of gold per annum.

Item 6 (b) - HISTORICAL EXPLORATION AND DEVELOPMENT

Exploration was conducted between 1997 and 2006 around the GG and Mascot areas with follow-up exploration drilling in 2013 around these same areas. Currently, there are two exploration shafts being developed at these two sites.

Item 6 (c) - HISTORICAL MINERAL RESOURCE ESTIMATES

There are no historical estimates which are currently considered to be relevant.

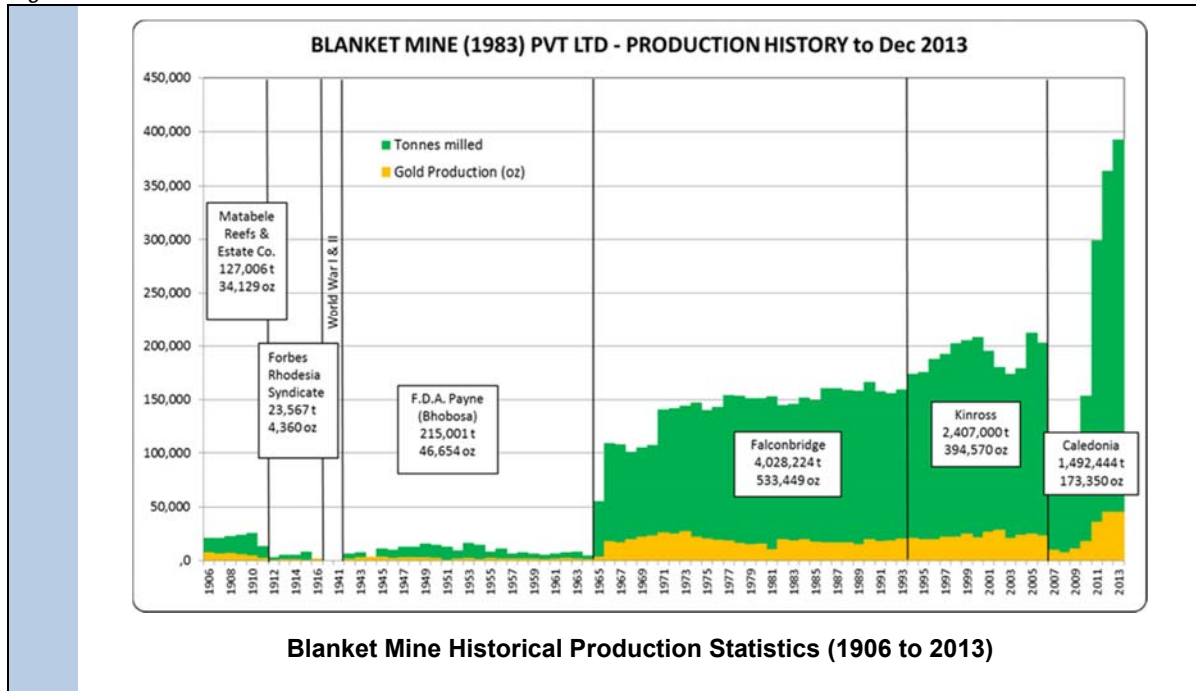
Item 6 (d) - HISTORICAL MINERAL RESERVE ESTIMATES

There are no historical estimates which are currently considered to be relevant.

Item 6 (e) - HISTORICAL PRODUCTION

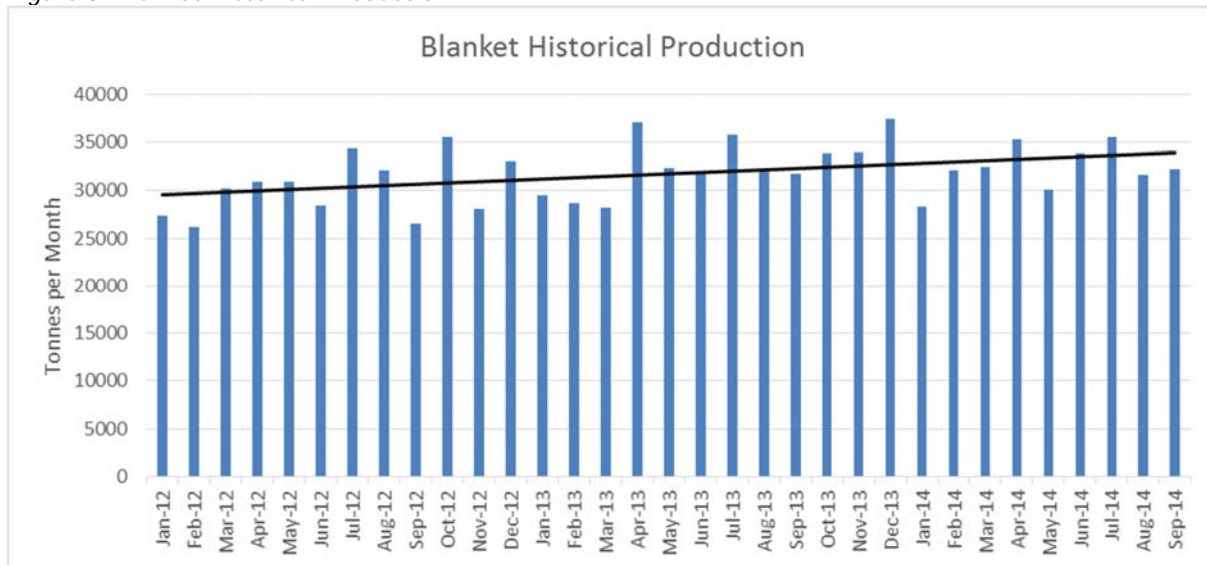
First recorded production started in 1906. The production history for Blanket over the past 107 years are illustrated in Figure 7.

Figure 7: Historical Production Statistics



Blanket's recent actual production per month up to September 2014 is illustrated in Figure 8.

Figure 8: Blanket Historical Production

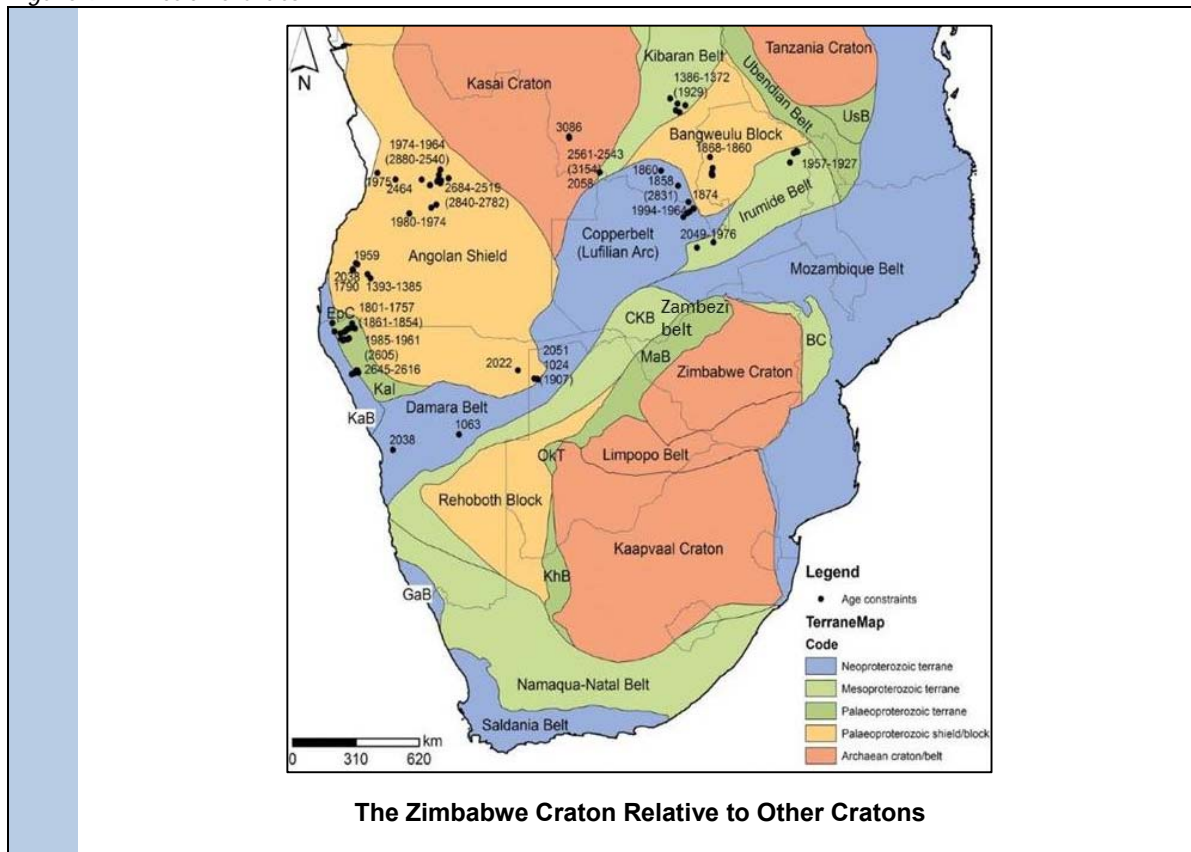


ITEM 7 - GEOLOGICAL SETTING AND MINERALISATION

Item 7 (a) - REGIONAL GEOLOGY

Zimbabwe's known gold mineralisation occurs in host rocks of the Zimbabwe Craton. The Zimbabwean craton is made up of Archaean rocks. The geology of the Craton is characterised by deformed and metamorphosed rocks which include high-grade metamorphic rocks, gneisses, older granitoids, greenstone belts, intrusive complexes, younger granites and the Great Dyke, which make up the geology of the Zimbabwe Craton (Figure 9).

Figure 9: Zimbabwe Craton



Source: <http://jgs.lyellcollection.org>

The Chingezi gneiss, Mashaba tonalite and Shabani gneiss form part of a variety of tonalities and gneisses of varying ages. Three major sequences of slightly younger gold-bearing greenstone belts supracrustal rocks exist. These are:-

- Older greenstones called the Sebakwian Group, which are mostly metamorphosed to amphibolite facies. They comprise komatiitic and basaltic volcanic rocks, some BIF, as well as clastic sediments.
- The Lower Bulawayan Group, which comprises basalts, high-Mg basalts, felsic volcanic rocks and mixed chemical and clastic sediments. The Lower Bulawayan Group forms the Belingwe (Mberengwa) greenstones.
- The Upper Bulawayan (upper greenstones) and Shamvaian groups, which comprise a succession of sedimentary and komatiitic to tholeiitic to calc-alkaline rocks.

The following three metamorphic belts surround the Zimbabwe Craton:-

- The Archaean Limpopo Mobile Belt, which trends east-northeast and separates the Zimbabwe Craton from the Kaapvaal Craton to the south. High-grade metamorphic and igneous rocks, which include amphibolites, gneisses and granulites, characterise the Limpopo Mobile Belt.

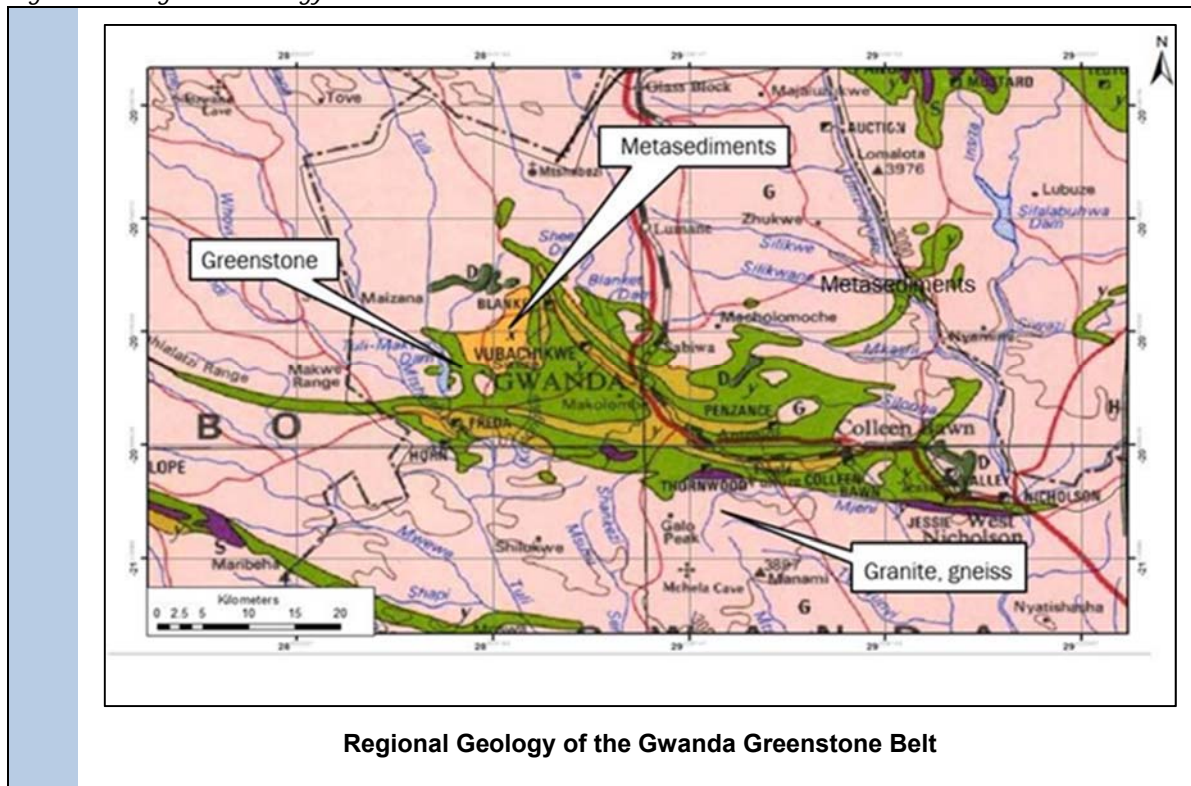
- The Magondi Mobile Belt on the north-western margin of the Craton, which formed as a result of deformation and metamorphism of the Palaeoproterozoic Magondi Supergroup. The Dewaras Group (volcano-sedimentary deposits), the Lomagundi Group (sedimentary deposits) and the Piriwiri Group (sedimentary deposits) form the Magondi Supergroup.
- The Zambezi Mobile Belt (comprising Neoproterozoic to Cambrian rocks) to the north and northeast of the Zimbabwe Craton, consisting of high grade and intensely deformed metasediments with intercalated basement gneisses.

Karoo Supergroup sediments and volcanic rocks of Permian-Triassic-Jurassic age, Cretaceous post-Karoo sediments, and Tertiary to Recent Kalahari sands overlie the Craton in the north, west, south and southeast of Zimbabwe.

Item 7 (b) - LOCAL GEOLOGY

The Blanket Mine is situated on the north-western limb of the Archaean Gwanda Greenstone Belt, along strike from several other gold deposits. It is one of the few remaining producing gold mines out of the approximately 268 mines that were once operational in this greenstone belt. The Gwanda Greenstone Belt (Figure 10) is located in south-western Zimbabwe. It is approximately 70 km in length (west to east) and 15 km wide (north to south). The belt is typical of greenstone belts of the Zimbabwe Craton consisting of mafic to felsic volcanics with intercalated sedimentary units.

Figure 10: Regional Geology of the Gwanda Greenstone Belt



Repeated strong deformation affected all lithologies. Structurally, the Gwanda belt is dominated by a major periclinal synform, plunging approximately 60° to the northwest in the western half of the belt. It is flanked on both sides by two major deformation zones: the North West Gwanda Deformation Zone ("NWGDZ") on the north-western limb and the South Gwanda Deformation Zone ("SGDZ") along the southern limb. The SGDZ forms part of a regional structure bounding the southern margin of the belt. In the convergence zone of the NWGDZ and the SGDZ, the Colleen Bawn Deformation Zone ("CBDZ") splays off the SGDZ eastwards, following the north-eastern arm of the belt (Campbell and Pitfield, 1994).

The NWGDZ is approximately 2 km wide by 18 km long with a general northwest to north-northwest trend, from the town of Gwanda to the north-western extremity of the belt (Campbell and Pitfield, 1994). Four phases of deformation have been defined by Fuchter (1990). Repetition of lithological units, particularly in the north-western arm of the greenstone belt, is interpreted as evidence of D1 thrusting. Wide zones of intense schistose deformation, considered to be associated with the gold mineralisation, are the product of the D2 event. The D1 thrust phase has a coincident trend and may be an early part of the D2 event.

The large fold structures of the D3 deformation event dominate the eastern and western ends of the greenstone belt and are easily identified on geological maps and in aerial imagery. The mineralisation at the Blanket Mine and Vubachikwe lies on the northern limb of the large western fold (the North West Mineralised Camp). The final D4 deformation event produced major lineaments which dominate the southern margin of the greenstone belt (Fuchter, 1990). According to the 2006 AGS report, “[t]he grade of metamorphism at Gwanda, which reaches upper greenschist to amphibolite facies, is higher than in the typical Zimbabwean greenstone belts, possibly due to the close proximity of the Gwanda belt to the Limpopo Mobile Belt” (AGS, 2006).

Item 7 (c) - PROJECT GEOLOGY

At and near the Blanket Mine, the lithologies comprise felsic schists of either sedimentary or igneous origin, overlain by mafic to ultramafic rocks containing layers of BIF, in turn overlain by a thick sequence of mafic rocks (AGS, 2006). The generalised stratigraphic column for the area is shown in Figure 11. The mafic unit which hosts the gold mineralisation is mostly a metabasalt with some remnants of pillow basalts. Regionally, the rock is a fine-grained massive amphibolite with localised shear planes. The entire sequence is cut by a regional dolerite sill from the south, through the Blanket Mine, to the Smiler deposit which lies approximately 3 km north of the Blanket Mine (Figure 12). Mineralisation at Vubachikwe is hosted in BIF interlayers. The mineralisation at the Blanket Mine is located in the overlying mafic unit.

Figure 11: Stratigraphic Column of the Blanket Mine Area

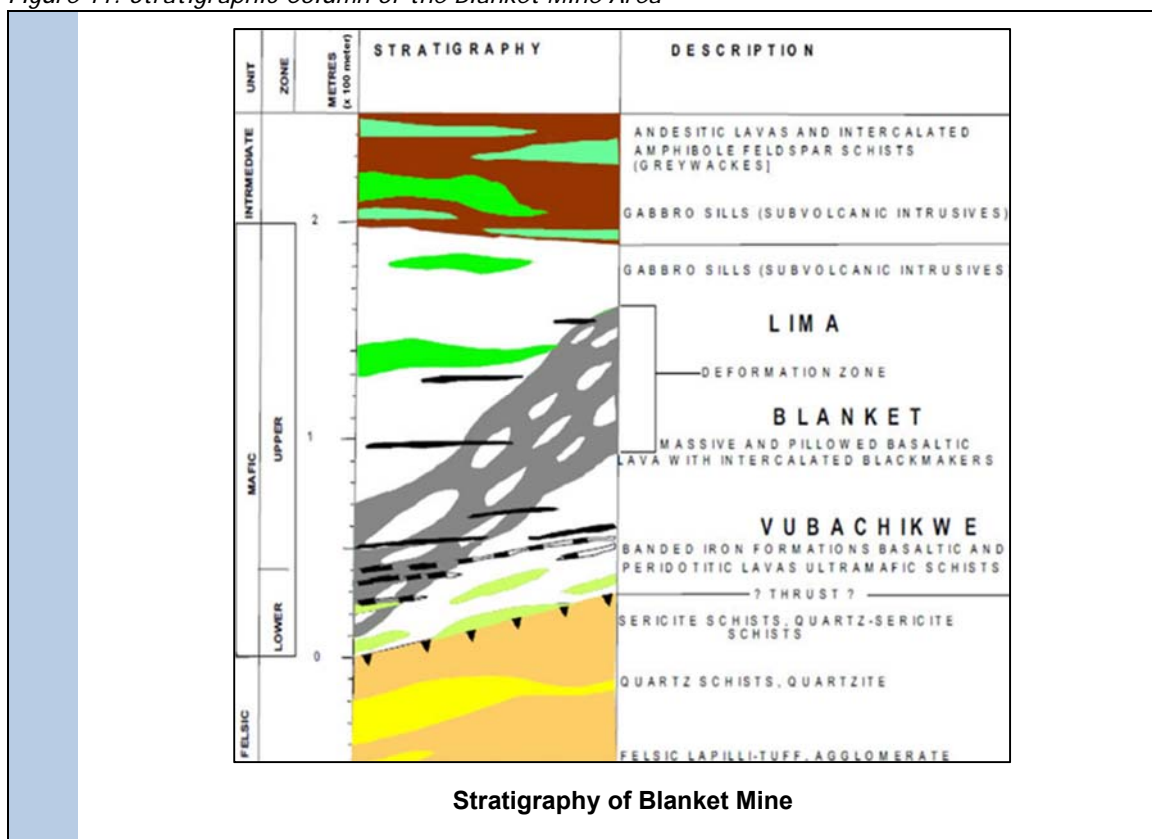
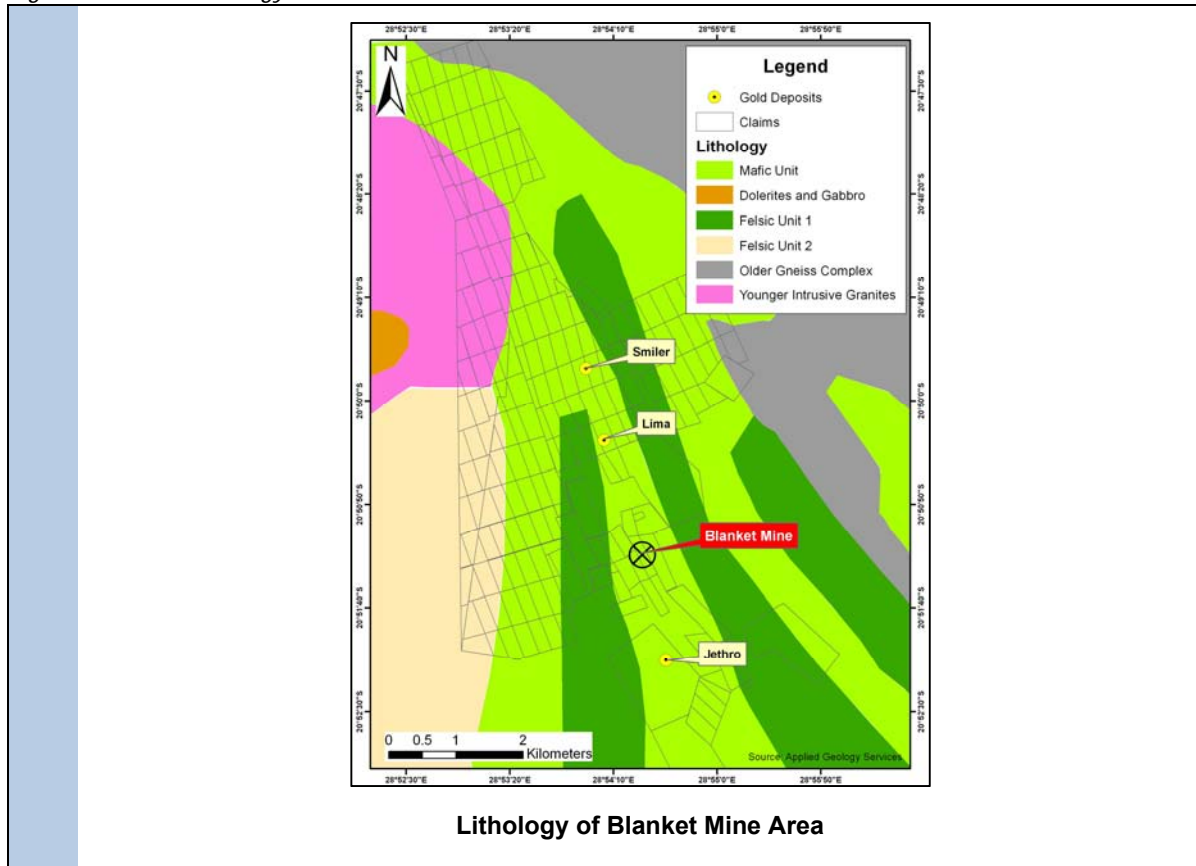
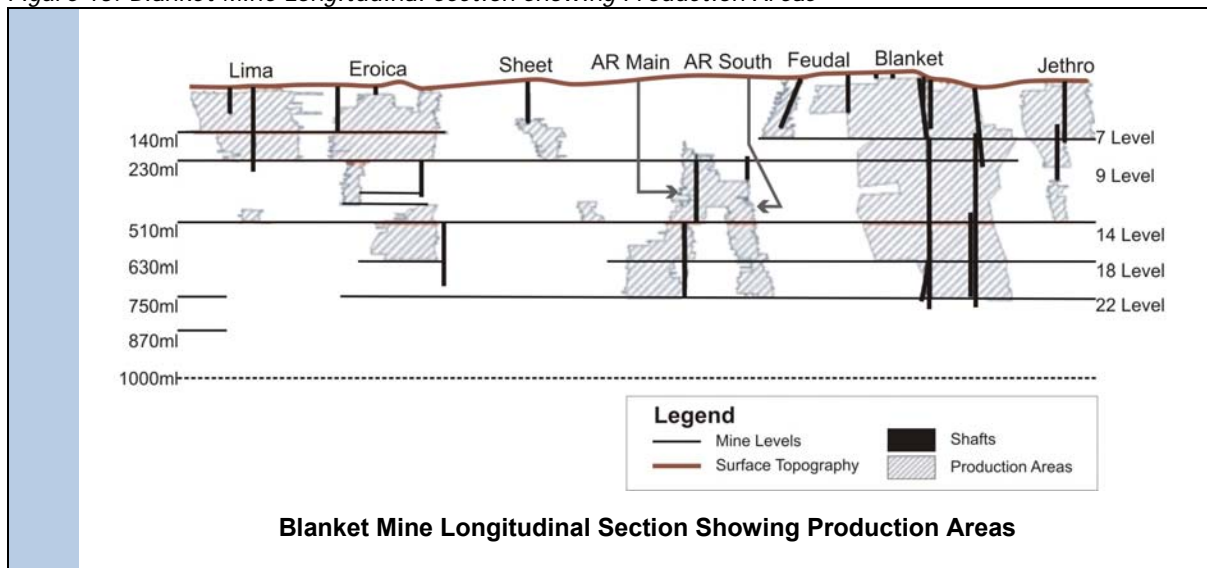


Figure 12: Local Geology of Blanket Mine



The longitudinal section running through the Blanket Mine from Lima in the north to Jethro in the south is illustrated in Figure 13. This section shows the steep to vertical nature of the Mineral Deposits with their depth extension. These Mineral Deposits are areas of mineralisation within the various shears and zones of alteration. The Mineral Deposits of the Blanket mine are listed and described in the following.

Figure 13: Blanket Mine Longitudinal Section Showing Production Areas



Item 7 (d) - BLANKET MINE MINERAL DEPOSITS

Jethro Mineral Deposit

The Jethro Mineral Deposit strikes north-south and dips near vertical in a westerly direction. It tends to roll over locally.

Blanket Section

The Blanket Section is located approximately 400 m to the north of the Jethro Mineral Deposit. Blanket Mineral Deposits 1 and 4 are parallel. They occupy north-south trending shear segments whereas Mineral Deposits 2 and 5, which are also parallel, strike northwest-southeast. Mineral Deposit 3 is cylindrical and lies in a shear segment parallel to the 2 and 5 Mineral Deposits. On average, the Mineral Deposits dip 80° southwest. On surface, the Blanket Quartz Reef lies in the footwall of the disseminated sulphide replacement type Mineral Deposits. The reef has a shallower dip than the disseminated sulphide replacement bodies, but plunges in the same direction so that it progressively advances towards them with depth, displacing Mineral Deposits 2, 3, 1, 4 (MSA, June 2011). Mineral Deposit 2 reappears on the footwall of the Blanket Quartz reef and is established on the 630 mL through to the 730 mL.

AR Mineral Deposits

AR lies approximately 500 m to the north of the Blanket Mineral Deposits. It is a "Z"-shaped mineralised zone and consists of two separate Mineral Deposits that generally reach up to 30 m wide as a result of tectonic thickening from faulting and folding. The AR Mineral Deposits were first discovered in the late 1980s by exploration drilling from the 9 Level haulage. Lateral diamond drill holes (250 m long) were drilled either side of the haulage every 50 m. The body has no known surface expression and appears to form a peak under the regional dolerite sill just above 9 Level some 500 m north of the Blanket Mineral Deposits. From this point the body splits into two ore shoots: the AR Main and the AR South, plunging west at 55° and south-west at 58 ° respectively (MSA, June 2011).

AR Main

The AR Main is a DSR-type Mineral Deposit occurring within a broad shear envelope in pillowed metabasalts. The envelope is generally irregular in plan and is bounded by shears which assist in defining the limits of the mineralisation. At the lowest level of development on 750 m Level, a shear disrupts the bodies causing the plunge to flatten to the west. The Mineral Deposit strike is between 40 m and 60 m with an average width of 30 m at the centre of the envelope.

The ore is a silicified amphibolite consisting predominantly of quartz with minor carbonate and chlorite minerals. Gold mineralisation is associated with arsenopyrite and to a much lesser extent pyrrhotite and pyrite. Finely-disseminated arsenopyrite occurs within the Mineral Deposit which form the high grade areas. Sulphide minerals seldom amount to more than 5% of the rock by volume. The Mineral Deposit is massive and is exploited using the long-hole open stoping method. It currently contributes 30% of the Blanket mine production.

AR South

The AR South Mineral Deposit plunges southwest, trending towards the Blanket No 2 Mineral Deposit at depth. AR South is also developed within a broad shear zone and is more pipe-like than the main body. Its maximum thickness is approximately 50 m. High grade sections of this body are defined by siliceous arsenopyrite.

Eroica

The main Blanket underground workings are connected to Lima by a 2 km long haulage which follows the strike of the main fabric. It thus offered an opportunity to probe for lateral Mineral Deposits on either side which led to the discovery of the Eroica shoot. The Eroica Mineral Deposit lies approximately 1,300 m north of the main Blanket Mineral Deposits. It dips at 65° to the west and has a strike length of 300 m in a northerly

direction. The Eroica Mineral Deposit is hosted in a high-strain area where the shear is up to 15 m wide. Brown carbonate alteration characterises the shear in strong association with biotite development. The Mineral Deposit is defined by thin silicified stringers that develop into swells of up to 5 m in width. The silicification shows pinch and swell both on strike and down-dip, resulting in a series of dismembered silicified pods developed within a particular shear. The biotite and carbonate alteration, together with the silicified stringers, form marker links between the dismembered pods. Finely-disseminated arsenopyrite, pyrite and pyrrhotite are associated with the gold mineralisation. The shoot is renowned for its high native gold content.

Lima

The Lima section is situated 2 km north of the Blanket Mineral Deposits. The two mines are linked by an underground haulage. Like the Blanket Mineral Deposits, the Lima Mineral Deposits developed in very high-strain areas. The main shoots are the Hanging wall and Interlimb. In the Hanging wall limb mineralisation exists in the form of pyrite with subordinate arsenopyrite in cleavage planes within the pervasive biotite/chlorite alteration. The Interlimb is characterised by a centrally silicified core with pyrite and arsenopyrite constituting the main sulphides. The mine was initially established as a stand-alone operation after an exploration programme followed up on an intensive soil sampling exercise which indicated the presence of a major gold anomaly (MSA, 2011).

ITEM 8 - DEPOSIT TYPES

In greenstone belts, gold mineralisation occurs mainly as vein type or shear zone hosted disseminations. Most of the larger deposits are found within the greenstone belts or their contacts with the granitoids. All mineralisation is hydrothermally emplaced and associated with the regionally developed D2 deformation characterised (at the Blanket Mine) by areas of high strain wrapping around relatively undeformed remnants of the original basaltic flows. It is within the more ductile tensional high strain areas that the wider of the Mineral Deposits are located.

These orogenic gold deposits (also referred to as mesothermal, greenstone, shear zone related or lode gold deposits) are commonly associated with late syntectonic intermediate to felsic magmatism. Vein systems occur as a system of echelon veins on all scales. Tabular veins occur within less competent lithologies while veinlets and stringers forming stock works occur in more competent lithologies. Vein systems are often spatially associated with contacts between lithologies displaying competency contrasts. Lower-grade bulk tonnage styles of mineralisation may develop in areas marginal to veins with gold associated with disseminated sulphides in the host rock. Two broad groups of deposits based on precious metal composition were recognised by Roberts (1996):-

- Silver (Ag) rich deposits, in which the concentration of silver exceeds that of gold.
- Gold (Au) rich deposits, in which the concentration of gold exceeds that of silver. The gold and silver concentrations of both types are at the ppm level.

The gold-rich group of deposits may be subdivided into two styles of mineralisation, namely quartz-carbonate vein-hosted and disseminated sulphide replacement type mineralisation. At Blanket Mine silver has been reported up to 10% of precious metals (AGS, 2006), so that the gold-rich model may be applied. Two main types of mineralisation are recognised at Blanket mine, namely disseminated sulphide replacement reefs ("DSR") and quartz-filled reefs and shears.

Item 8 (a) - DISSEMINATED SULPHIDE REPLACEMENT REEFS

DSRs host the best grades and comprise the bulk of the ore shoots. These zones have a silicified core with finely-disseminated arsenopyrite. Relatively high grades are found in a package of silicified biotite chlorite schist with irregular quartz stringers and disseminated and stringer arsenopyrite in the fabric planes. Due to lesser silicification, abundant biotite characterise the margins of these mineralised zones and as a result they have a lower gold content. Disseminated sulphide-replacement Mineral Deposits range up to 50 m in width with a strike of between 60 m and 90 m. Free-milling gold constitutes up to 50% of the total metal content with the remainder locked in the arsenopyrite. The ore is not refractory despite its association with arsenopyrite. Generally, plant recoveries in excess of 90% are achieved.

Item 8 (b) - QUARTZ-FILLED REEFS AND SHEARS

The second type of mineralisation is the quartz-filled reefs and shears. Two quartz shears are mined at the Blanket Mine: the Blanket Quartz Reef and the Eroica Reef. These reefs have long strikes, however, they are not uniformly mineralised. Continuous pay shoots of over 100 m on strike are not present. The Quartz Reef at the Blanket Mine has a surface strike of approximately 500 m, but economic mineralisation is restricted to three 90 m long shoots which were defined on surface by the early workers (AGS 2006). Quartz-filled reefs display a much wider grade range compared to the DSR deposits. On average, these shears are of a higher grade and are used in blending the ore to the mill. Dominant ore minerals are native gold and galena although arsenopyrite becomes more prevalent below the 470 m elevation.

Increasing levels of arsenopyrite association with depth confirm that the quartz shears represent higher level offshoots and splays with brittle deformation relative to the more ductile DSR-type core zone mineralised bodies (AGS 2006). See Item 8 (c) for the mineralisation characteristics of the Mineral Deposits forming the Blanket Mine property (MSA, J2225 Blanket Mine NI 43-101 Technical Report - June 2011).

Item 8 (c) - MINERALISATION

Wall rock alteration typically comprises silica-pyrite-muscovite within a broader carbonate alteration halo. Quartz-carbonate altered rock forms the most commonly recognised alteration assemblage.

Gold is deposited at crustal levels within and near the brittle-ductile transition zone at:-

- depths of between 6 km and 12 km;
- pressures between 1 and 3 kilobars; and
- temperatures between 200° C and 400° C.

The deposits may have a vertical extent of up to 2 km, demonstrate extensive down-plunge continuity, and lack pronounced zoning. The ore mineralogy is dominated by gold, pyrite and arsenopyrite. Subordinate minerals such as galena, chalcopyrite, pyrrhotite, sphalerite, tellurides, scheelite, bismuth and stibnite also occur. Sulphide mineralogy commonly reflects the litho-geochemistry of the host rock with arsenopyrite being the most common sulphide mineral in metasedimentary host rocks and pyrite or pyrrhotite being more typical in metamorphosed igneous hosts. The gangue and alteration mineralogy is dominated by quartz and carbonate (ferroan dolomite, ankerite, siderite, calcite) with subordinate albite, fuchsite, sericite, muscovite, chlorite and tourmaline.

ITEM 9 - EXPLORATION

The majority of the exploration drilling currently conducted at the Blanket mine is referred to as "deep" drilling, as it is drilled from underground cross-cuts. This drilling is aimed at the depth extensions of the various pay shoots or shafts. Surface exploration drilling has been focused around the GG and Mascot Projects (Figure 14). Two exploration programmes were completed here; one in 1997 and the other in 2013. These two areas are now being explored with underground development at the two exploration shafts (Figure 15).

Figure 14: Location of GG and Mascot Exploration Shafts

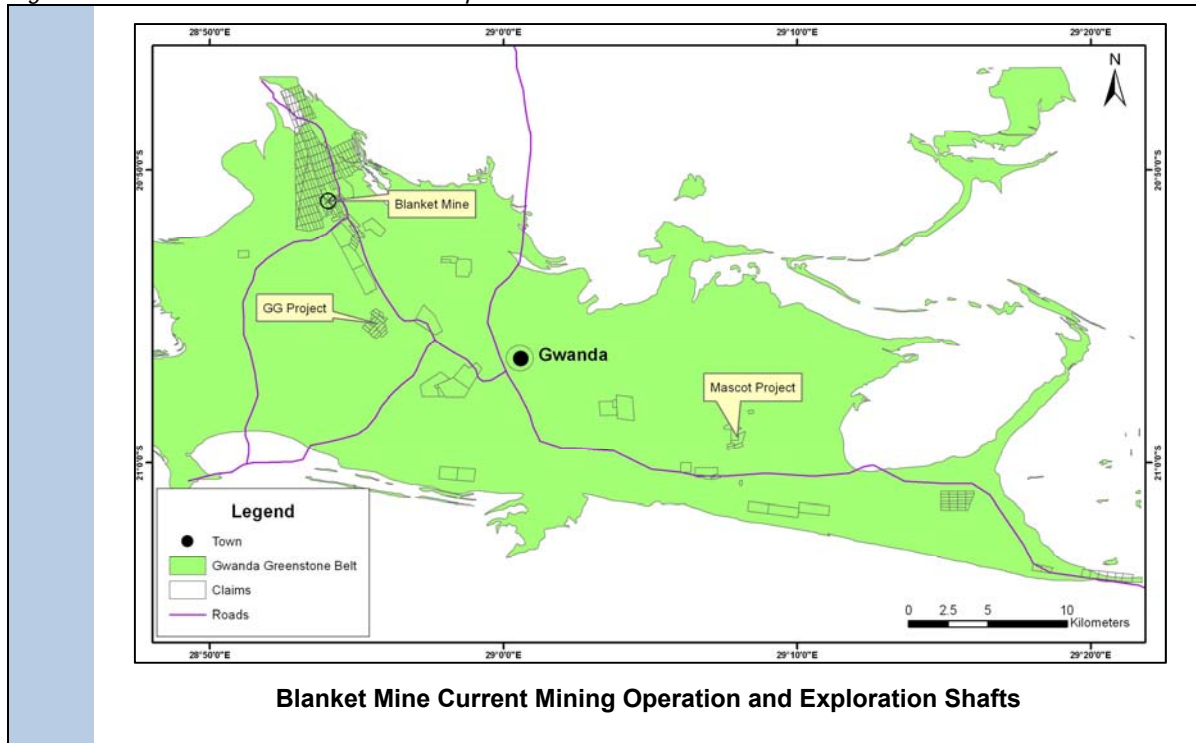
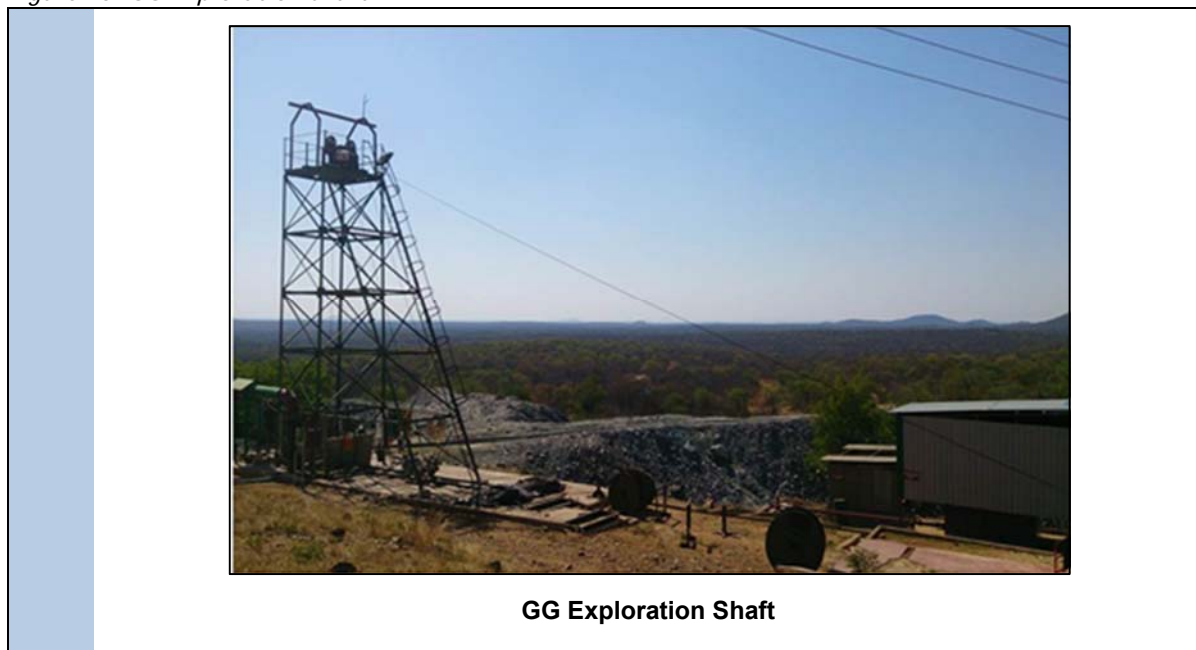


Figure 15: GG Exploration Shaft



Item 9 (a) – SURVEY PROCEDURES AND PARAMETERS

This section summarises the exploration activities other than drilling undertaken during the history of the Blanket Mine. As part of the exploration/delineation of the Mineral Deposits in the underground operations the Blanket Mine conducts the following:-

- Mineralised zones are explored by means of development drives mined along the strike of the shear zones. Evaluation drill holes are drilled from these drives every 7.5 m from cubbies to assist in the delineation of the Mineral Deposits. The delineation of the mineralised zone is based on the geology and the grade above 1.96 g/t.

The above data is captured on 1:250 scale plans or multiples of the 1:250 scale. The sampling and mining data are captured on the following plans to capture the grade and volumes of the Mineral Deposits as ore resource blocks as well as the mined voids for depletion purposes:-

- The main survey plans are the main level plans and 15 m sub-level plans. Survey pegs are installed at about 30 m intervals to guide the development. All core drilling is indicated on these plans.
- There are assay plans which display the development with the chip sampling, sludge sampling and evaluation drilling sampling (Figure 16).
- Stope assay plans capture the stoping and the stope assaying.
- Geological plans to help delineate the Mineral Deposits.
- Due to the vertical nature of the Mineral Deposits there are also longitudinal projection assay plans.

The above survey procedures and plans assist in the accurate capturing of the Mineral Deposits.

Item 9 (b) – SAMPLING METHODS AND SAMPLE QUALITY

Data from the following is used to generate Mineral Resource blocks at the Blanket Mine:-

- underground core;
- channel (chip) sampling;
- percussion drilling;
- sludge sampling;
- evaluation drilling; and
- some deep diamond cored holes drilled from surface or underground platforms.

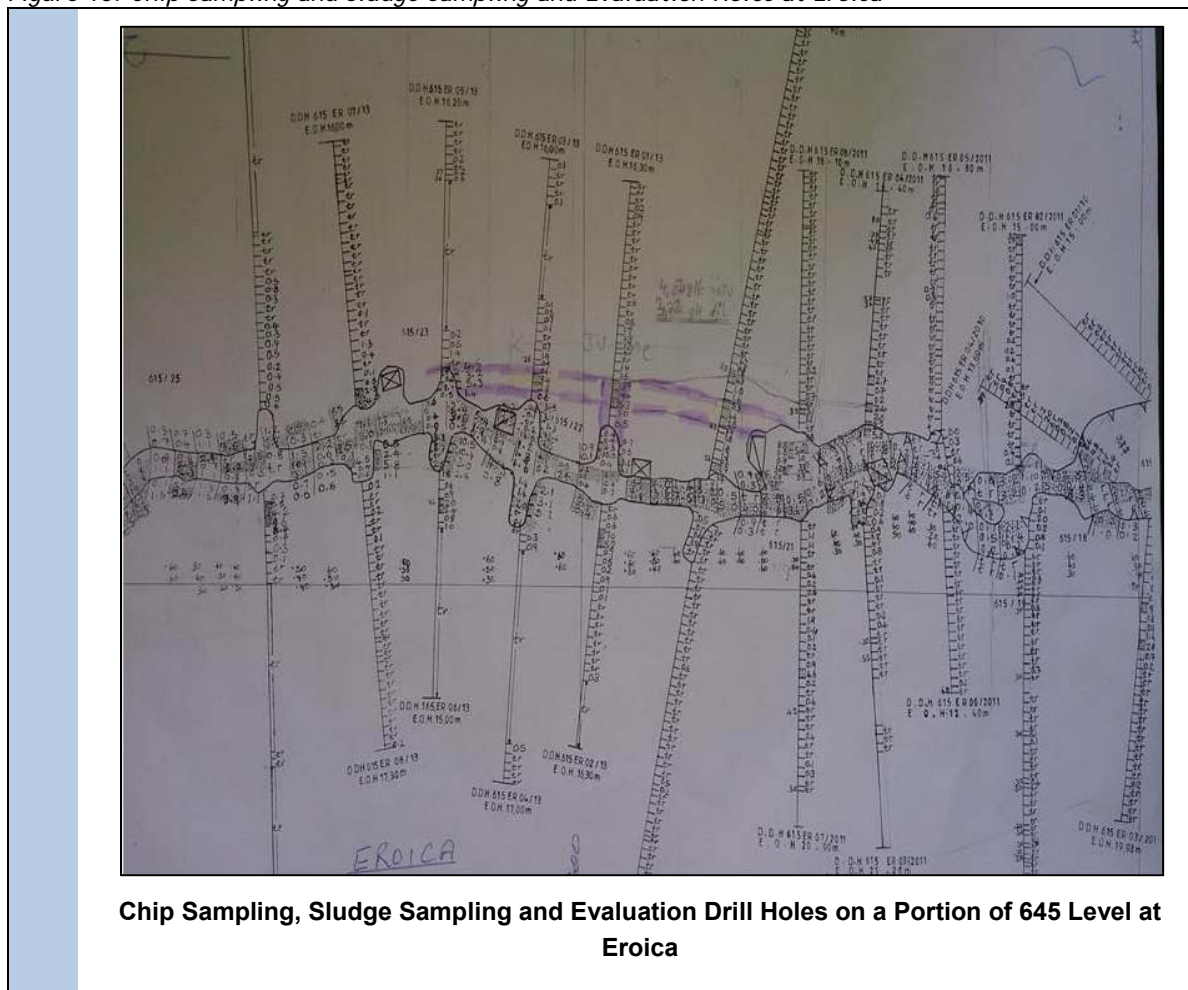
The chip sample sections are taken every 2 m in the roof of the development in the Mineral Deposits except for Jethro and Blanket (every 1.5 m). The individual samples are 0.6 m long or less, depending on their geological nature. The same applies to the evaluation drill sampling lengths. In the case of the percussion/sludge sampling, the drill discharge water is captured in cloth sample bags. The water seeps out of the bag leaving only the sludge. The accuracy of this method is debatable, but it does give an indication of the mineralisation. Closely spaced horizontal drilling in the DSR Mineral Deposits is done in order to define Measured Resources. These holes are drilled along strike of the mineralised zone from cubbies in the sidewalls of the drives located in the centre. The drill hole spacing required for the definition of Measured Resources should not be more than 7.5 m. Percussion holes are drilled every 2 m in the DSR Mineral Deposits in which the mineralised zone is not expected to be more than several metres wider than the development drift (drive). The sludge from percussion drilling is sampled as an extension of the channel sampling pattern. Channel sampling alone is done on the narrow quartz reefs.

All three sampling methods are utilised in the evaluation of the resources and the effect of the mixing of the various types of sampling data in the evaluation has not been assessed. By the nature of the sampling methodologies the chip sampling (from the roof) and sampling of the evaluation drill holes have a higher confidence than the sludge sampling.

Item 9 (c) - SAMPLE DATA

The density and type of the sampling for the evaluation of the Measured and Indicated resources are described above and presented in Figure 16. Deep hole drilling is carried out to determine the depth extensions of the pay shoots. These are drilled predominantly from drilling platforms (cross-cuts) underground. Surface drill holes are limited due to the depth at which the mining is taking place. The intersections of these drill holes are used as sample points in the evaluation of the drilled Indicated and Inferred resource blocks. The parameters for these resource classifications are discussed in Item 14 (a).

Figure 16: Chip Sampling and Sludge Sampling and Evaluation Holes at Eroica

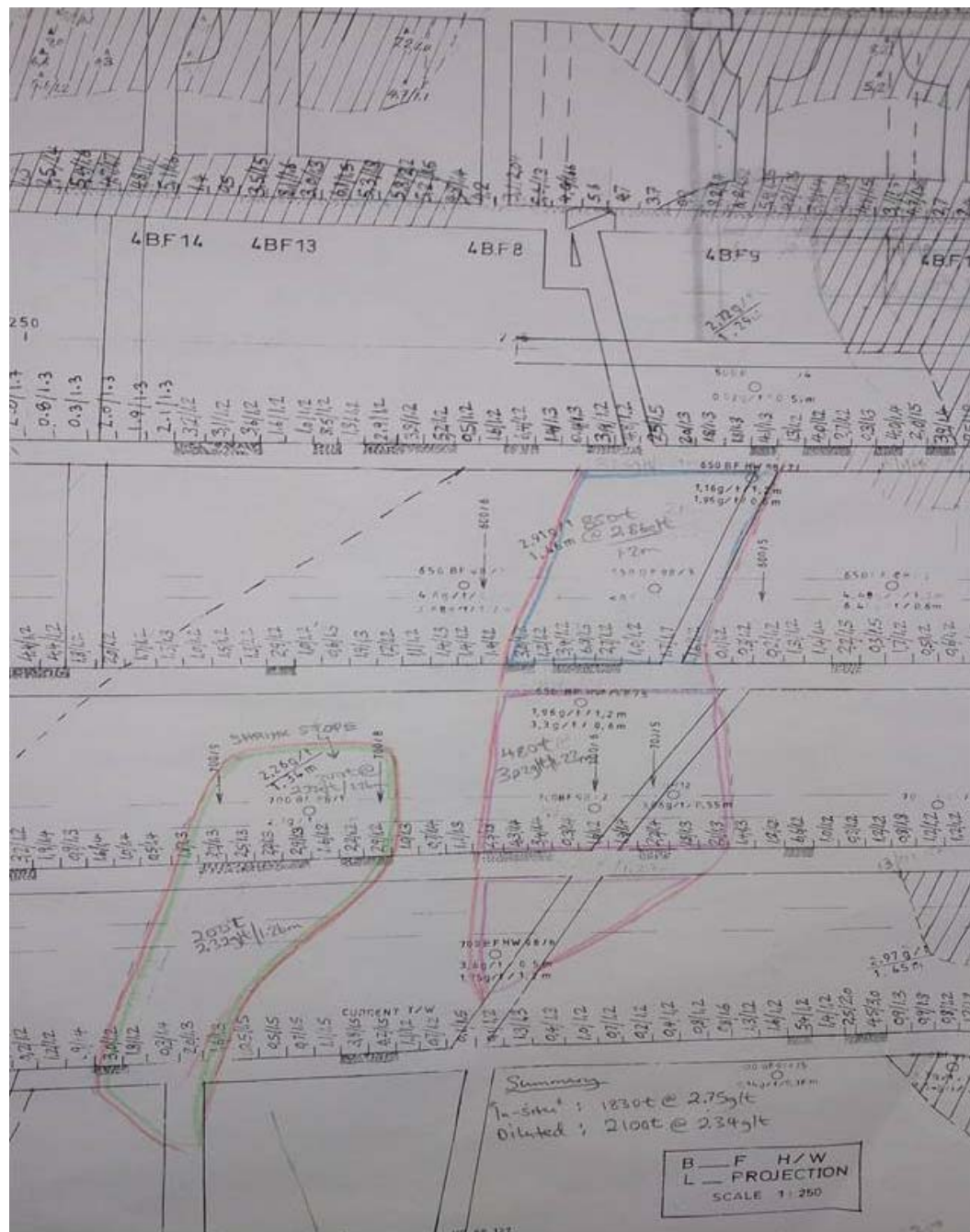


Chip Sampling, Sludge Sampling and Evaluation Drill Holes on a Portion of 645 Level at Eroica

Item 9 (d) - RESULTS AND INTERPRETATION OF EXPLORATION INFORMATION

The delineation/interpretation of the Mineral Deposits or mineralised zones is based on geological data as well as the grade from the chip, sludge and evaluation drilling sampling. The cut-offs for these purposes are based on a gold price of USD1,300/oz. and a cost of USD70.44/t. Using these parameters, the current cut-off for the mineralisation delineation is 1.96 g/t. The cut-off utilised is the same for all the Mineral Deposits. Figure 17 illustrates the delineation of the mineralised zones using the 1.96 g/t cut-off. These portions will be blocked as resource blocks, by level, and will be part of the resource block listing after evaluation.

Figure 17: An Example of a Vertical Projection Using the Chip Sampling to Delineate the Payable Mineral Deposit



An Example of a Projection Using the Chip Sampling to Delineate the Mineralised Mineral Deposit

ITEM 10 - DRILLING

The majority of the surface drilling was conducted by Kinross; the 1997-2006 drilling campaign was their last campaign. Caledonia Mining is continuing with the deep drilling exploration to assist with the evaluation of the depth extensions of the Mineral Deposits. Currently, there is one drill rig at the AR main Mineral Deposit and a second at the Blanket extension. No additional surface drilling is contemplated at the Blanket mine. However, in 2013 Caledonia completed additional surface drilling at the two satellite targets, GG and Mascot. Currently, no surface drilling is taking place as the exploration is being conducted by means of exploration shafts.

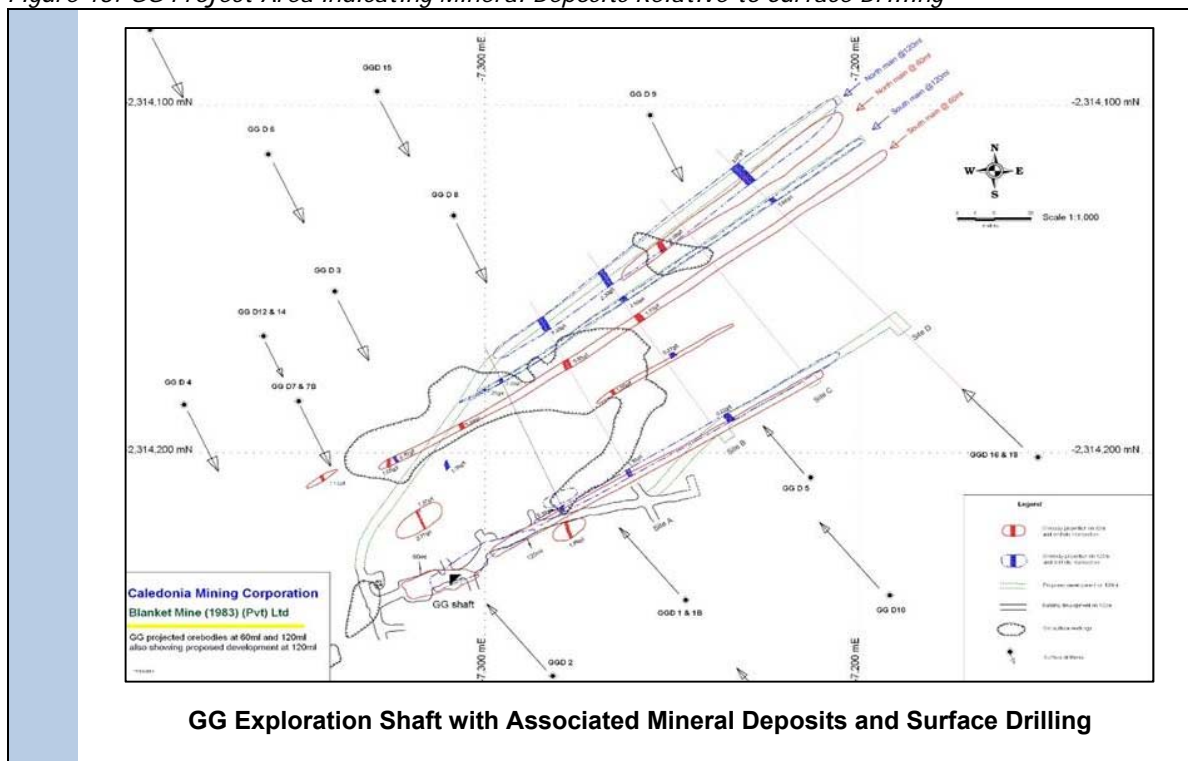
Item 10 (a) - TYPE AND EXTENT OF DRILLING

Surface Drilling Procedures

There was no surface drilling in progress at the time of the site visit. The majority of the drill hole data is historical data from 1997 or earlier. Figure 18 depicts the historical surface drilling completed at GG. The most recent drilling was conducted by Caledonia at the GG and Mascot Projects in 2013. This drilling campaign was drilled using BQ diameter with no deflections. The core was transported by the geologist to the Blanket Mine where the core yard is located; all logging and sampling was completed here. The drill hole identification number and box numbers were clearly marked onto the upper side and face of each core tray. The drill core was put together to ensure that all pieces fit, no core was missing and that orientation lines were consistent. Core recoveries were reconciled by the Geologist at 3 m intervals to ensure that no core was missing. The core recoveries were recorded on geotechnical logging sheets with all core losses being noted on the log sheet. Core recoveries of less than 95% were not accepted.

Down hole surveys were carried out from the collar, every 50 m (at least 3 m) along the hole or as agreed upon with the Geologist. The entire drill core was logged by the Geologist/Geological Technician as per Blanket Mine core logging procedures.

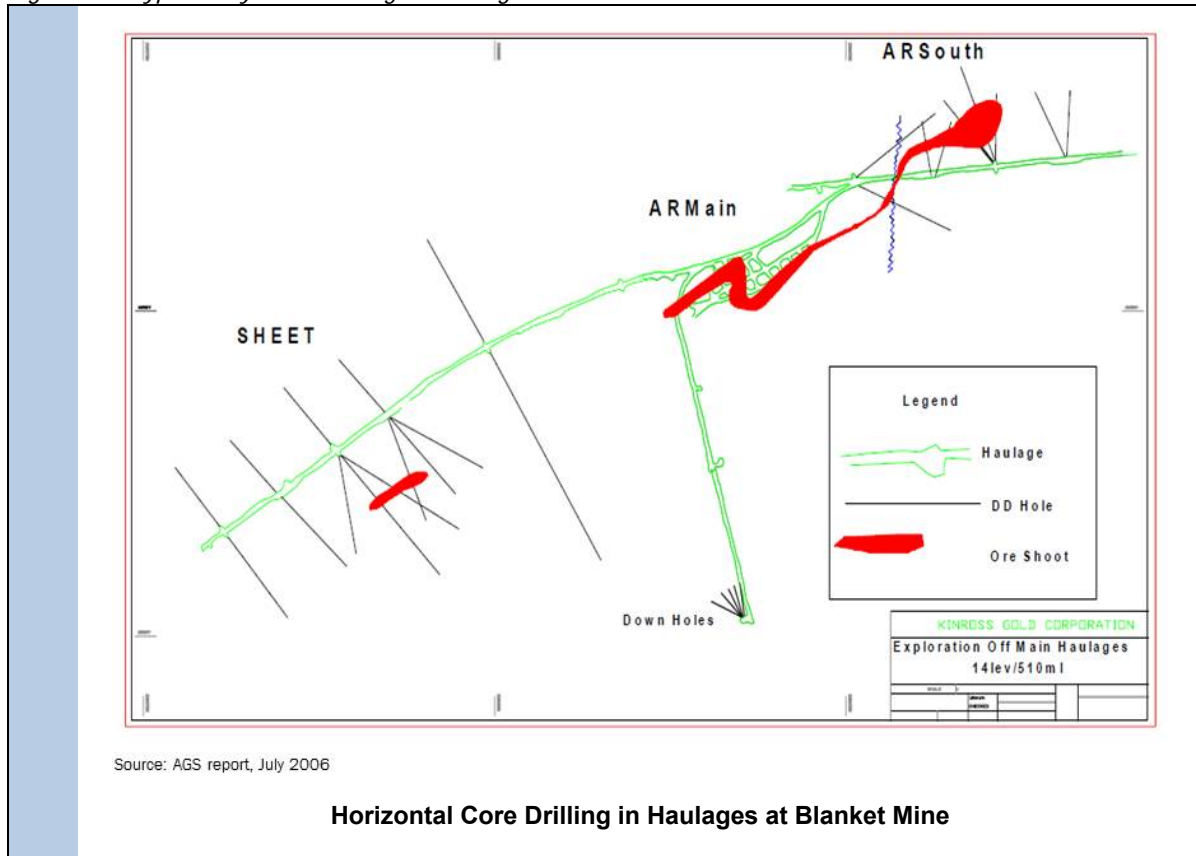
Figure 18: GG Project Area Indicating Mineral Deposits Relative to Surface Drilling



Underground Drilling

Diamond drilling is the main method of exploration used by the mine to increase the resource base. Diamond drilling is also used for probing for extensions of existing Mineral Deposits. For horizontal core drilling (evaluation drilling) AXT diameter core (which is described in the previous section) is used. This drilling is also used to locate additional mineralised zones in the hanging wall and footwall of the main reefs. Figure 19 shows an example of the exploration core drilling conducted at the underground Blanket mine. The deep drilling, which explores for the depth extensions, are drilled from the cross-cuts (Figure 19).

Figure 19: Typical Style of Drilling in Haulages



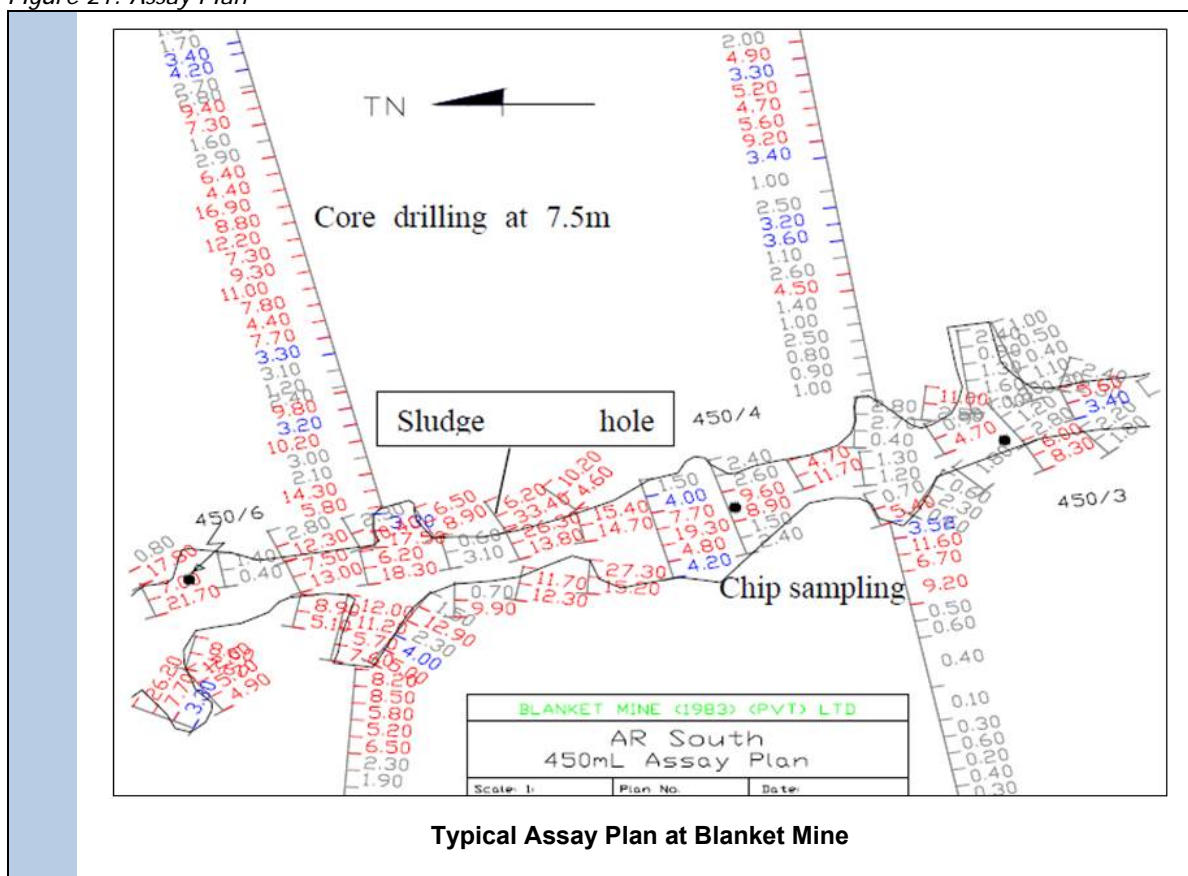
The generation of Measured Mineral Resources is achieved by drilling more closely spaced horizontal drill holes (at 7.5 m intervals) through the DSR Mineral Deposits. The drilling is done from cubbies off a drive located in the centre of the mineralised zone and along the strike of the mineralised zone. A cross-section of one of the deep drilling holes is shown in Figure 20. This cross-section shows the surveyed path, geology, survey and sampling data, all of which are used as the sampling point data for further resource block valuations.

Underground Chip Sampling Procedures

The process of chip sampling was not observed during the site visit. The underground channel/chip sampling, which is taken in the roof, has similar sampling protocols. The distance from a known survey peg to the first sample section is noted. Subsequent sample sections are marked at 2 m intervals on the back of the drives on strike. Samples are taken every 0.6 m across the drive on the section starting from the hanging wall to the footwall. Where there are discrepancies between assay results and the visual grade estimation, a channel is cut across the mineralised zone with a diamond saw in order to improve the geometry of the sample groove. In wider Mineral Deposits where not all the mineralisation is exposed by the primary development, sidewall sludge holes are drilled to a depth of 1.2 m. In pinch-and-swell Mineral Deposits, like Eroica, the width of the transverse section is determined by the lithology, e.g. a 0.2 m quartz vein is sampled separately over its width. A sample weight of about 2 kg is collected in each instance.

Both chip and sludge samples (Figure 21) are taken to give a complete section across the strike at standard 0.6 m intervals. In all of the mineralised zones, except the very wide AR Main and AR South bodies, only 4.2 m is sampled across the strike and any mineralisation beyond these limits is not included in resource. The unsampled payable sections are mined, but reported as coming from not-in-reserve (“NIR”) blocks. An exception to the standard 0.6 m channel sample interval occurs in the quartz shear deposits where lithology determines the sampled width when the vein is less than, or not a multiple of, 0.6 m. Cross-cuts through very wide Mineral Deposits are treated in the same way as evaluation core drilling and the sidewalls are sampled at 0.6 m intervals.

Figure 21: Assay Plan



Item 10 (b) - FACTORS INFLUENCING THE ACCURACY OF RESULTS

No geotechnical core recovery logs were observed for the historical and underground deep exploration holes during the site visit, so the impact of this on the accuracy of drill hole assay is uncertain. In the case of the underground chip sampling the high volume of samples taken would reduce the impact of isolated

inaccuracies. However, in the case of the underground exploration drilling the frequency of samples is lower and therefore the recovery records are important from an accuracy point of view.

The sludge samples, by the nature of their sampling, have inherent inaccuracies. Measures are taken to reduce these by flushing the hole between samples, and using cloth sample bags and individual sample ticket numbers. The fines in these samples are washed away and therefore there could be a bias introduced to the sampling process.

The drilling sample data points are based on a single intersection with no deflections. Due to the variability in this type of Mineral Deposit, Minxcon considers it prudent to drill an additional short deflection, for the deep drilling and surface exploration holes.

Item 10 (c) - EXPLORATION PROPERTIES - DRILL HOLE DETAILS

There are two satellite exploration sites that are being developed by Blanket Mine. These are the GG and Mascot sites. The sites are exploration shafts that have a combination of historical surface drilling, underground lateral drilling as well as on-reef sampling. Figure 22 shows the section through the GG exploration shaft with the associated development and resource blocks. The GG shaft has two mineralised zones - the South Main and North Main reefs. The Mascot shaft is represented in Figure 23 and Figure 24 which show the working plans of the Mascot Main parallel reef and the South parallel reef respectively. Resources were first declared for these two shafts in 2014. These resources are stated in the Mineral Resources section.

Figure 22: Section through GG Exploration Shaft with Resource Blocks, Development Sampling and Drilling

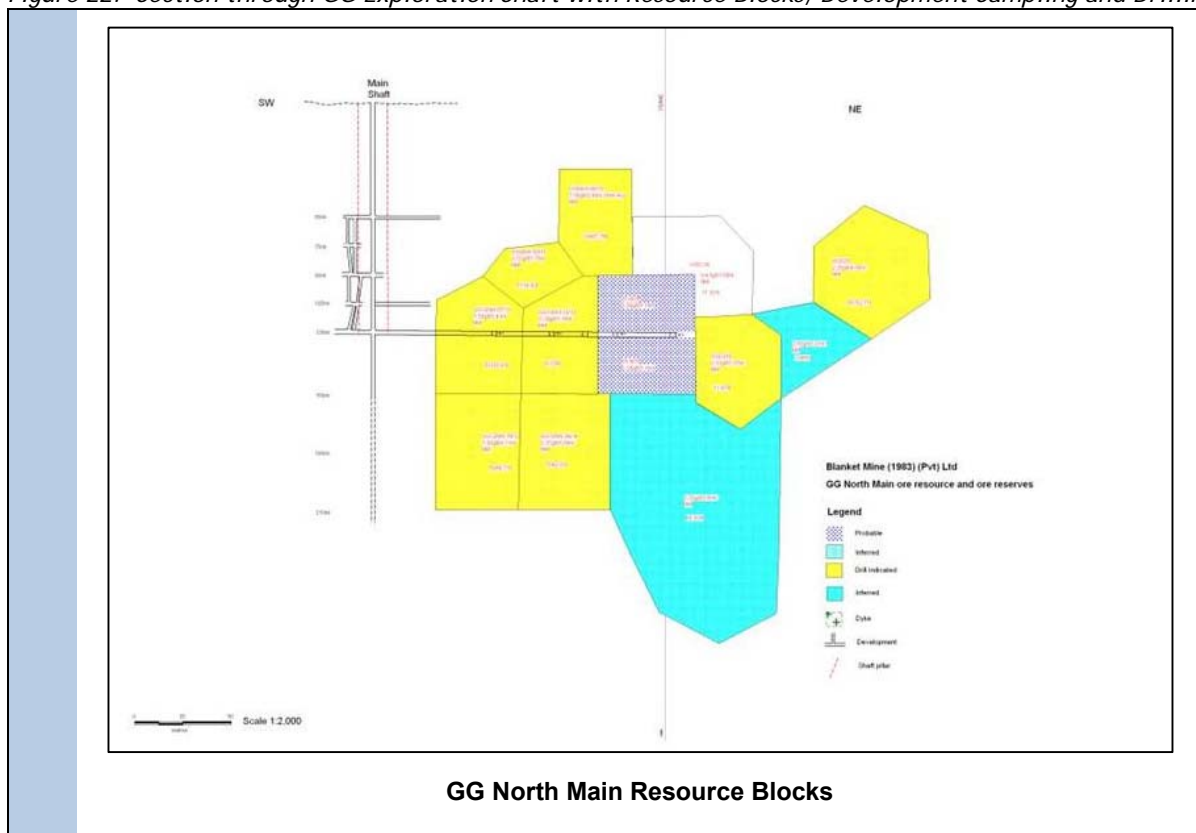


Figure 23: Mascot Main Reef Resource Blocks as Defined by Historical Development Sampling and Current Drilling

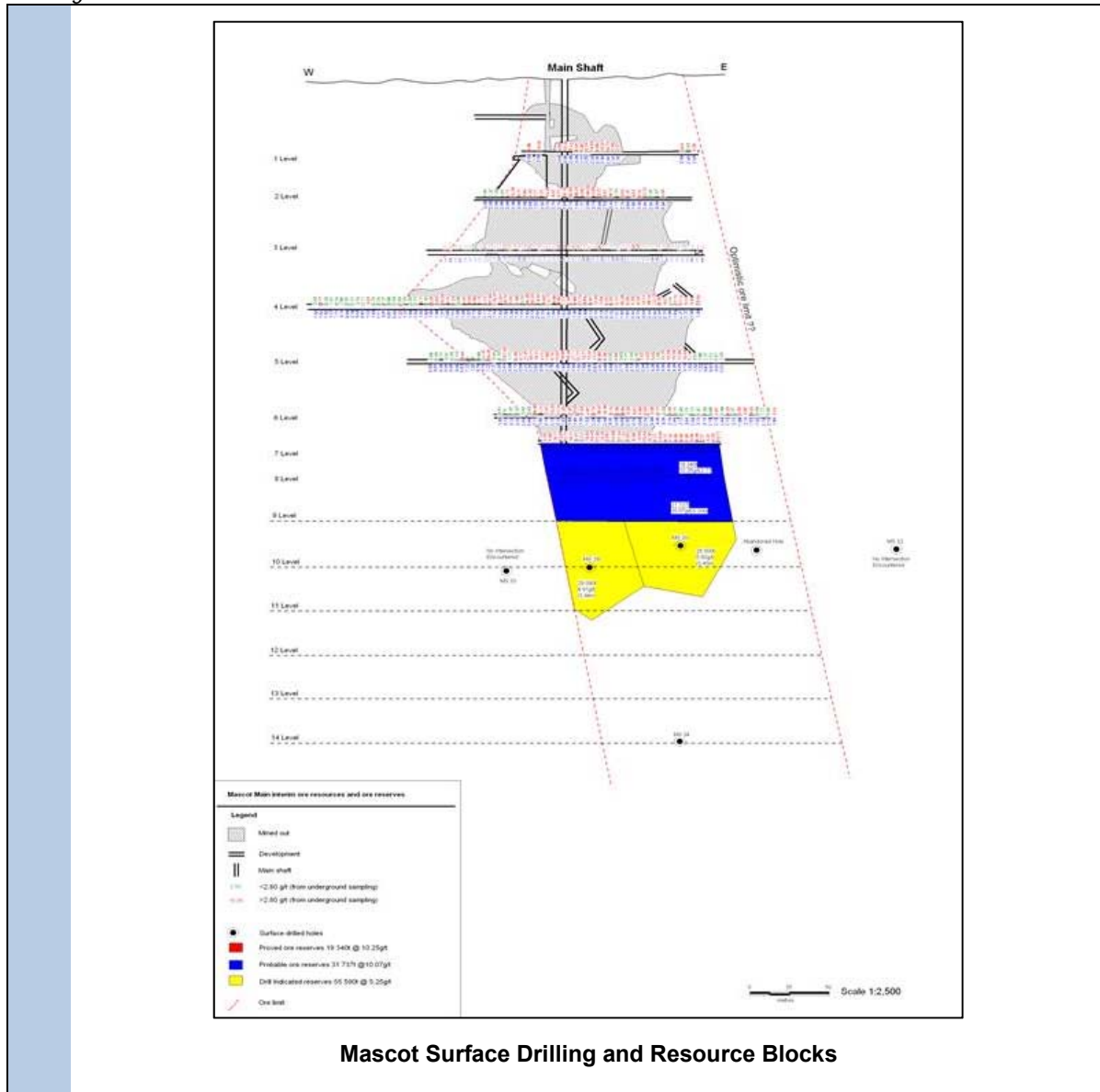
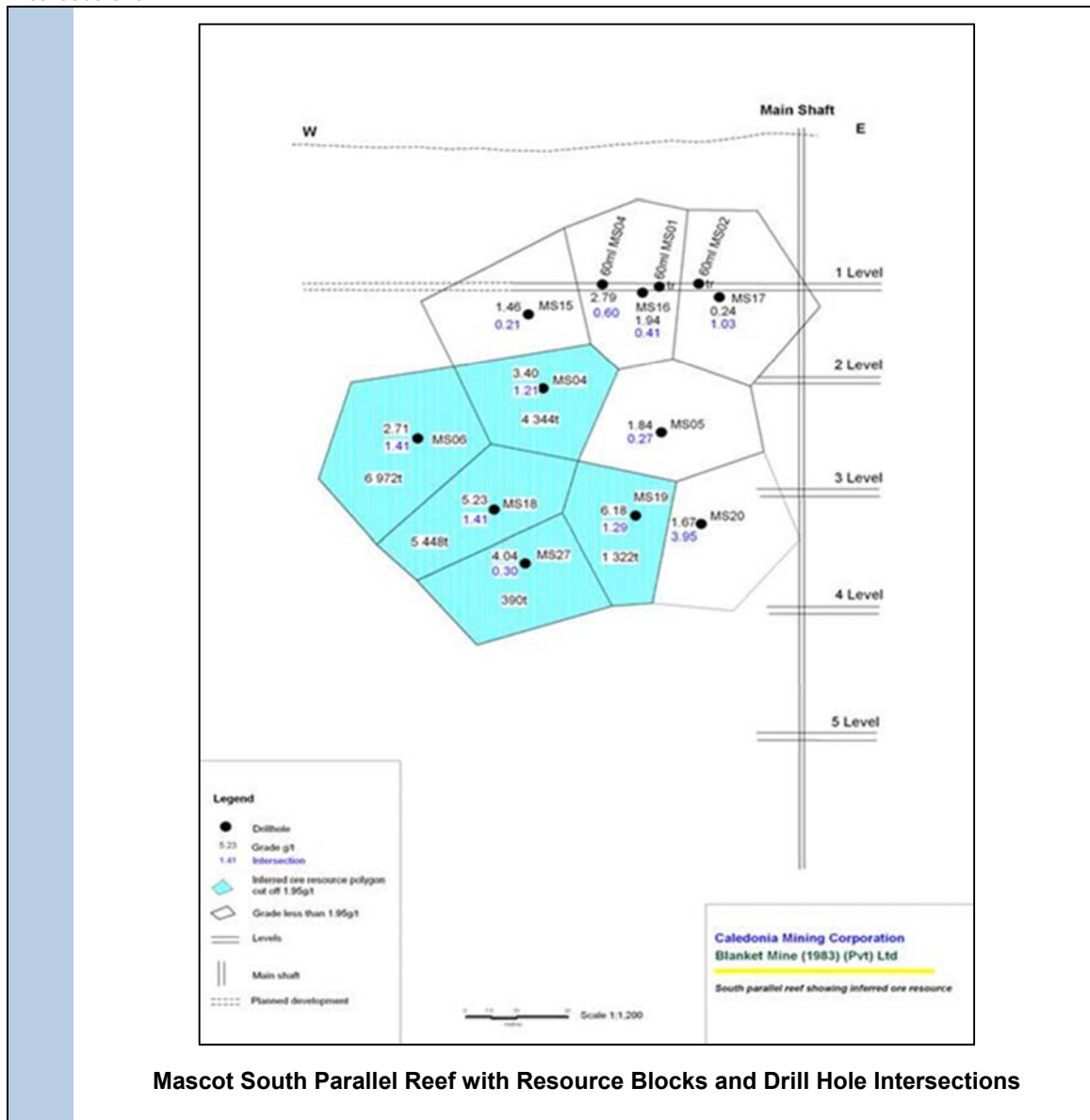


Figure 24: Mascot South Parallel Reef Projection Indicating Resource Blocks as Defined by Drill Hole Intersections



Mascot South Parallel Reef with Resource Blocks and Drill Hole Intersections

ITEM 11 - SAMPLE PREPARATION, ANALYSES AND SECURITY

Item 11 (a) - SAMPLE HANDLING PRIOR TO DISPATCH

The management of drilled core at the drilling sites and its transportation (surface and underground) to the laboratory rests with the responsible Mine Geologist and or Geological Technician. At the drilling site, the Geologist/Technician:-

- Ensures that all core is sequentially laid down in core boxes which are kept secure and guarded against possible mixing.
- Checks the drillers to ensure core obtained attains a recovery of at least 95%.
- Ensures that all core boxes are collected at the end of the drilling shift. The core boxes are secured and transported to the core yard where they are entered into a log book, logged and sampled within 3 days.
- Places the boxes containing the core in the correct sequence and identifies the mineralised zones.
- Marks samples at 0.6 m intervals in nearly homogeneous mineralised zones. Selective sampling intervals are employed on mineralised units with unique features e.g. colour, concentration of mineralisation, alteration, and mineralogy.
- Splits the core into two halves (after completing marking) and then breaks at the marked intervals.
- Inserts blank samples (dolerite dyke material) at a minimum rate of 1 blank sample after every 20 samples and with duplicates inserted randomly in every batch of samples to the laboratory.

Measures taken to ensure the validity and integrity of samples taken include using the following three types of sample bags:-

- Cloth sample bags (for sludge sampling) to allow for effective decanting of water while retaining the sample. Since more than one sample is taken from the sludge hole, the hole is flushed thoroughly with water before drilling and collecting the next sample.
- Plastic sample bags are used in continuous chip and grab sampling.
- Paper bags are used for sampling on-site core. The above bags are used once and discarded to minimise contamination. A ticket tagging system is used with sketches drawn at the face showing the ticket numbers corresponding to the samples taken. On receipt from the laboratory, results are plotted on the assay plan against the corresponding ticket numbers.

Item 11 (b) - SAMPLE PREPARATION AND ANALYSIS PROCEDURES

Borehole Samples

Boxes containing the core are laid out in the correct sequence and mineralised zones are identified. Samples are marked at 0.6 m intervals in nearly homogeneous mineralised zones. Selective sampling intervals are employed on mineralised units with unique features e.g. colour, concentration of mineralisation, alteration and mineralogy.

Once the samples have been marked, the core is split into two halves and broken at the marked intervals in accordance with the company's core cutting procedure. The two halves from the same interval are assigned and marked with the same ID, but with the additional labels, e.g. A1 or A2 for the half that is retained and B1 or B2 for the half that will be bagged. Also included in the assignment of sample IDs is a blank sample. At the Blanket mine the blank sample used is dolerite dyke. Certified reference materials are occasionally inserted by the Laboratory Supervisor. However, no records of this were available.

The halved core samples that are to be bagged are placed into sample bags with corresponding sample IDs. Individual sample bags from each intersection are sent to the in-house Blanket Mine laboratory for gold determinations. At the laboratory a sample submission sheet listing all sample numbers is completed. As a check control, residue pulp from duplicate samples are extracted from the samples at the Blanket Mine Laboratory and sent to another laboratory for independent assaying. All mineralised (payable) intersections from the deep drilling programme and the exploration surface drilling are sent to an external laboratory for check assay.

Item 11 (c) - QUALITY ASSURANCE AND QUALITY CONTROL

During the site visit no QA/QC protocols were readily available. QA/QC procedures should be documented and revised to adapt to changing conditions. Very few QA/QC samples are introduced into the sample stream, be that for the underground chip and sludge samples or the drilling samples (evaluation or exploration). This is evident in the fact that no QA/QC plots were available to check. Therefore, there is no tracking of re-assays or whether they were conducted or not. In the case of the day-to-day production and development, sludge and evaluation drilling samples might not be as crucial due to the high volume of samples being processed. However, in the case of the deep drilling and surface exploration drilling it is crucial that a high QA/QC standard is maintained as these are single sample points that are utilised for resource evaluation purposes.

Best QA/QC practices require that CRMs, blanks and duplicates are introduced into the sample stream to test for accuracy and precision. Industry standard assay QA/QC protocols require that percentages introduced generally range from 10% to 20% depending on the type of Mineral Deposit and operation. In the case of the Blanket operation only dolerite blanks are introduced into the sampling stream of the surface exploration but not for the other sampling. The exploration drilling pulp (which is prepared at the mine laboratory) is split in two and one sample is sent to an external laboratory (Duration) in Bulawayo or Harare (Performance Labs) (according to mine personnel this laboratory is accredited). The records of the QA/QC should be documented as part of best practice. Blanket Mine must review the QA/QC protocols and ensure that best practice is implemented in the future, especially for the deep drilling and exploration drilling samples.

Minxcon does, however, still deem the sampling data base to be acceptable for resource estimation.

Item 11 (d) - ADEQUACY OF SAMPLE PREPARATION

The mine laboratories were inspected by Mr Dario Clemente and even though the mine laboratory is not accredited, it employs good housekeeping, suggesting a fairly high standard (refer to Item 13). As part of its external verification process the mine laboratory sends samples away to Duration, Met Solution and Performance Laboratories (accredited according to the mine personnel), to test their precision and accuracy. Minxcon was supplied with figures for January, April, July and August 2014 which (apart from April) had a good correlation coefficient. In addition, the laboratory makes use of standard reference material which it sources from Geostats in Australia or AMIS from South Africa. Graphs, which show a good correlation, were supplied to Minxcon. The laboratory is manually operated and does not have an electronic tracking system. The implementation of a Laboratory Information Management system ("LIMS") will assist in reducing human error. The sample preparation methodology could be improved but is considered to be adequate for Mineral Resource estimation purposes given the good correlation between planned grades and actual recovered grades in the plant.

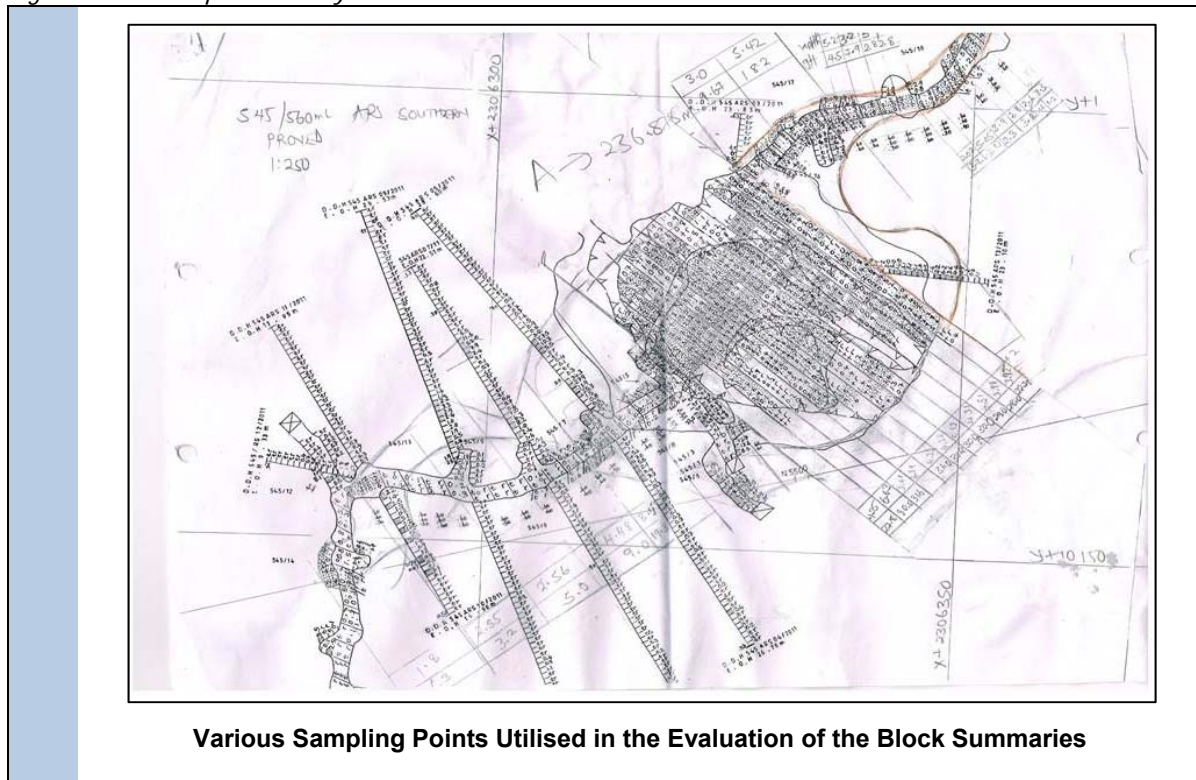
ITEM 12 - DATA VERIFICATION

During the site visit, the Qualified Person reviewed the data utilised for the Mineral Resource estimation of the mine in order to independently verify the data. Due to time constraints and the manual nature of the large database, only spot checks were done. These checks focused on the data flow process to verify the data from the sampling stage to the resource block listing which makes up the resource statement; this data forms the basis for the geological model. The historical data is currently being captured digitally which will minimise human error in data flow as well as assist in visualising the complex geology in 3D.

Item 12 (a) - DATA VERIFICATION PROCEDURES

As part of the verification process the development assay plans were checked in terms of the displayed data and how it feeds into the mineral resource evaluation process. The chip, sludge and evaluation drilling assay data is displayed on the development assay plan (Figure 25) and this data is weighted to determine the grade of a section of the resource block. It must be noted that the individual grades are top cut to the 90% percentile when calculating the block grades.

Figure 25: Development Assay Plan



This grade is weighted by the length of the section of influence as can be seen in Figure 26. This weighted value is then assigned to that specific block which uses the level as part of its nomenclature. The valuation of the block uses the value of the level above it as well as the value of the level beneath it by means of weighting. This is weighted equally as the block is influenced equally between the 15 m sub levels. It is, in addition, weighted by the length of the section.

Figure 26: Resource Block Evaluation Sheet

Blanket Mine (1983) (Pvt) Ltd Reserve/Resource Calculation (2013/2014) As at 31/08/2013					
Ore body	A.R. South	545/560		545 Level	
Section (m)	Sample Width (cm)	Sample Value (g/t)	m*cm	(g/t*m*cm)	
7.5	967	3	7252.5	21757.5	
7.5	1820	5.42	13650	73983	
2	520	4.5	1040	4680	
2	350	7.9	700	5530	
2	300	2.8	600	1680	
2	300	2.8	600	1680	
2	320	2.02	640	1292.8	
2	300	5.05	600	3030	
2	230	3.9	460	1794	
2	300	2.8	600	1680	
2	224	2.6	480	1248	
2	120	8.5	240	2040	
Total/Ave	35	7.68	4.48	26862.5	12395.3

Resource Block Evaluation Sheet on AR South Mineral Deposit

The area of the block is measured off the plans using a planimeter on the two levels and an average is calculated. The height between the two levels is used to work out the volume, after which it is multiplied by the standard historical SG of 2.86. This results in the tonnage of the resource block which will form part of the resource block listing (with an associated grade) which, in turn, makes up the mine mineral resource. The cut-off for the delineation of the mineralised portion is currently 1.96 g/t.

Figure 27: Resource Block Summary (note that Sample Width has m and not cm units - affects other units)

Figure 27: Resource Block Summary (note that sample width has m and not cm units - affects other units)

SUMMARY

Orebody :	A. R SOUTH				
Block :	545/560		SOUTHERN		
Category :	Proved				
Level	Section	Sample width	Sample value		
	(m)	(cm)	(g/t)	(m *cm)	(g/t *m*cm)
545	35	7.68	4.48	26862.5	120395.3
560	32	19.38	3.80	62020	235950.4
Tot / Av	67	13.27	4.01	88882.5	356345.7

Block Average grade	4.01 g/t
Block Average width	13.27 m
545m ' Lev Area	236.875 m ²
560m ' Lev Area	580.83 m ²
Mean Area	408.8525 m ²
Height	16.8
S. G	2.86
	19644.54492
Block Tonnes	<u>19645 t @ 4.01g/t over 13.27m</u>

Block Summary for the Resource Block Listing

The manual nature of the process is prone to human error when data is transferred from one activity to the next, e.g. from the block listing to the actual resource block plans in longitudinal sections. The total resource and the various classifications are discussed in the resources section.

Item 12 (b) - LIMITATIONS ON/FAILURE TO CONDUCT DATA VERIFICATION

The QA/QC data was not readily available or well-documented. This suggests that the QA/QC procedure is not consistently applied and the results are not statistically analysed. Discrepancies appear to be visually assessed; it is uncertain when these discrepancies are considered unacceptable or how they are dealt with.

Item 12 (c) - ADEQUACY OF DATA

The data observed during the site visit is deemed adequate due to the manual nature and high volume of data; the mine has been operating successfully for a number of years using this system. The reconciliations indicate that the mine has a fairly high mine call factor (>90%) which indicates that the evaluation is close to the actual grade or that there is a possible underestimation of gold loss during mining due to the under evaluation via the sludge samples due to the fines being lost.

Minxcon is however of the opinion that the sampling data base is acceptable for the manual resource estimation methodology being utilised at the Blanket Operation because of the sheer volume of sampling data from the mining operation as well as the historical reconciliation between the gold called for and the recovered gold which indicates a good correlation.

ITEM 13 - MINERAL PROCESSING AND METALLURGICAL TESTING

Item 13 (a) - NATURE AND EXTENT OF TESTING AND ANALYTICAL PROCEDURES

The plant currently treats RoM from the main Mineral Deposits (refer to Item 17 (b) for analysis on the historic production efficiencies). The ore is free milling and the mineralogy has not changed to a significant degree (the gold recoveries have been consistent for the past two years). Sufficient information from historic production is required to determine the expected production performance with reasonable confidence.

Item 13 (b) - BASIS OF ASSUMPTIONS REGARDING RECOVERY ESTIMATES

The expected processing efficiencies are based on historic production.

Item 13 (c) - REPRESENTATIVENESS OF SAMPLES

The samples measured from historic production are considered reliable and representative. As a result, they can be used to adequately predict future performance.

Item 13 (d) - DELETERIOUS ELEMENTS FOR EXTRACTION

The arsenopyrite content of RoM material currently being treated from Blanket Mine is sufficiently low enough not to pose a risk to economic extraction and deposition of tailings.

Blanket ores are free milling in that 93% of the gold is recovered via direct cyanidation. Arsenic therefore reports to the mine residue deposit in the form of undecomposed arsenopyrite, constituting less than 1% of the ore. The ore contains approximately 35% carbonate minerals which results in the tailings having an alkaline chemistry which inhibits the decomposition of arsenopyrite which is not exposed to the atmosphere. Rain water run-off from the tailings dam is channelled within bund walls to a sump from where it is returned to the plant as makeup water.

Blanket will be undertaking a pilot plant test work programme on the other more-refractory Mineral Deposits not currently being mined which may have a higher arsenopyrite content. Continuous testing and analysing of arsenic and other potential deleterious elements will be conducted as part of this test programme. Appropriate neutralisation steps will be included in the process design as required.

ITEM 14 - MINERAL RESOURCE ESTIMATES

The Mineral Resources were compiled and supplied by the Blanket mine personnel. During the site visit and audit process, the Qualified Person verified that the Mineral Resources comply with the definitions and guidelines for the reporting of Exploration Information, Mineral Resources and Mineral Reserves in Canada, “the CIM Standards on Mineral Resources and Reserves - Definitions and Guidelines” and the Rules and Policies of the National Instrument 43-101 - Standards of Disclosure for Mineral Projects, Form 43-101F1 and Companion Policy 43-101CP. However, the mineral resources reported on the Blanket Mine combine the reserves and resources in a single tabulation which is not strictly compliant (Table 1).

Item 14 (a) - ASSUMPTIONS, PARAMETERS AND METHODS USED FOR RESOURCE ESTIMATES

Due to the manual nature of the sampling database no electronic modelling or estimation is conducted on the sampling database. Estimation methodologies such as Kriging is, therefore, not utilised in the mineral resource estimation. The block listing received from the mine is compiled using the method described in Item 12. A summary of the parameters used in the resource estimation is as follows:-

- Manual weighted averages of sampling data.
- No kriging or digital estimation process.
- The individual sample points are top cut to the 90th percentile.
- Mineralised widths are determined by the combination of geology and the mineral resource cut-off of 1.96 g/t (based on a gold price of \$ 1 300/oz. and a cost of \$ 70.44/t).
- A historical SG of 2,86 is standard for all reefs.
- For narrow reefs a minimum mining width of 1.2 m is used.
- Ore resource blocks are based on the geology and the geometry of mined-out areas.
- Ore resource blocks are not corrected for dip.
- The block model is the combination of the mineral resource blocks.
- Depletions are determined by the mine survey department.
- The resources are classified into Measured, Indicated and Inferred Mineral Resources (classification criteria are described in the following section as per the mine’s definition).

Inferred Mineral Resources

Inferred Mineral Resource block boundaries are taken to the following limits where no point within the block is greater than the specified distance from a sample point:-

- 60 m on strike; and
- 120 m on dip.

Down-dip continuity at two times strike is taken from the known limits of pay shoots on other Mineral Deposits (Jethro and Blanket No.1) which have tapered outlines with depths three to four times maximum strike. The following exceptions limit the distance of a resource block boundary from a sample point:-

- Where the 60 m limit exceeds the strike confines of the pay shoot defined by existing up-dip mining limits.
- Where peripheral intersections suggest a significant thinning of the mineralised zone.
- Where un-mineralised holes indicate termination of the mineralised zone. In this instance the boundary is taken halfway between the mineralised and non-mineralised intercepts, with the restrictions of pay shoot boundary-taking precedence.
- Where projected geological features (e.g. dykes and faults) are likely to affect the mineralised zone.

Indicated Mineral Resources

Indicated Mineral Resources are generated from core holes, mainly from underground drifts and in some instances from channel sampling of mine development. The latter are essentially extension blocks from Measured Mineral Resources and Proven Mineral Reserves. Indicated Mineral Resource block boundaries are

taken to the following limits where no point within the block is greater than the specified distance from a sample point, with the following exceptions:-

- 30 m on strike; and
- 60 m on dip.

The 30 m strike distance of a resource block from a borehole intersection is reduced in the following situations:-

- Where the 30 m limit exceeds the strike confines of the ore shoot defined by the up-dip mining limits.
- Where peripheral intersections suggest a significant thinning of the mineralised zone.
- Where un-mineralised holes indicate termination of the mineralised zone. In this instance the boundary is taken halfway between the mineralised and non-mineralised intercepts, with the restrictions of pay shoot boundary taking precedence.
- Where projected geological features (e.g. dykes and faults) are likely to affect the mineralised zone.

Measured Mineral Resources

In practice, Measured Mineral Resources are not normally reported as these are converted upon completion of development and sampling to Proven Reserves. Measured resource blocks are taken to the following limits, where no point within the block is greater than the specified distance from a sample point, with the following exceptions:-

- 7.5 m on strike; and
- 7.5 m on dip.

Down-dip continuity is determined by the mining method of 15 m lifts on the DSR Mineral Deposits and quartz shear reefs.

Mineral Resource for Blanket Underground Operations

Table 1 details the reconciliation of the August 2013 and August 2014 Mineral Resource as tabulated by the Blanket Mine.

Table 1: August 2013 and August 2014 Blanket Mine Mineral Resource Reconciliation (as tabulated by Blanket Mine)

Category	2013				2014			
	Estimated Tonnes	Est Mill Head Grade	%	Ounces	Estimated Tonnes	Est Mill Head Grade	%	Ounces
	t	g/t		oz.	t	g/t		oz.
Proven *	966,733	3.72	13.48	115,517	895,194	3.37	11.78	96,943
Total Available	966,733	3.72	13.48	115,517	895,194	3.37	11.78	96,943
Probable*	2,121,373	3.56	29.57	243,143	1,888,805	3.58	24.85	217,591
Probable Pillars*	765,337	4.13	10.67	101,740	772,143	4.05	10.16	100,522
Total Reserves*	3,853,442	3.72	53.72	460,400	3,556,142	3.63	46.79	415,055
Indicated Resources**	448,364	3.81	6.25	54,940	698,963	3.66	9.20	82,177
Inferred Resources**	2,871,099	5.02	40.03	462,944	3,344,831	5.11	44.01	549,963

Notes:

1. * Reserve tonnages are fully diluted (factor of 7.5%).
2. ** Resource tonnages are *in situ* i.e. no modifying factors have been applied.
3. 2013 gold price = USD1,400/oz.
4. 2013 pay limit = 1.95 g/t.
5. 2014 gold price = USD1,300/oz.
6. 2014 pay limit = 1.96 g/t.
7. Conversion from g to troy oz. = 32.15076.

Table 2 reflects the reclassified Mineral Resource as verified by Minxcon. The Blanket mine/operation resource classifications have been changed to Measured, Indicated and Inferred. No reserves are stated here, however, the Mineral Resources are declared as inclusive of all Mineral Reserves. The reserves have been declared separately, as determined by the Reserve LoM plan.

The Proven and Probable pillar reserves of the Caledonia mineral resource have been declared Measured Resources and the Probable Reserves have been included in the Indicated Resource. The modifying factors as applied by Caledonia have not been applied to the Minxcon mineral resource. The Indicated and Inferred Mineral Resource categories remained the same as the Caledonia calculated mineral resource.

Table 2: August 2014 Mineral Resource as Verified by Minxcon

Mineral Resource Category	Tonnage	Au	Au Content	Ounces
	t	g/t	kg	oz.
Measured Resource	1,572,733	3.91	6,146	197,606
Indicated Resource	2,478,902	3.77	9,340	300,288
Total Measured and Indicated	4,051,635	3.82	15,486	497,895
Inferred Resource	3,344,831	5.11	17,106	549,963

Notes:

1. Tonnes are *in situ*.
2. All figures are in metric tonnes.
3. Mineral Reserves are included in the Mineral Resource.
4. Mineral Resources are stated at a 1.96 g/t cut-off.
5. No geological losses were applied to the tonnage.
6. Tonnage and grade have been rounded and this may result in minor adding discrepancies.
7. The tonnages are stated at a relative density of 2.86 t/m³.
8. Conversion from kg to oz.: 1:32.15076.

Mineral Resource for GG and Mascot Exploration Shafts

The Mineral Resource for the two exploration shafts are a combination of drilling data as well as underground sampling of the development haulages. The evaluation process is the same as for the Blanket mine. Sections of the two exploration shafts can be seen in the mineral resource working plans illustrated in Figure 22 to Figure 24.

Table 3: August 2014 Mineral Resource for GG as Verified by Minxcon

Resource Category	Tonnage	Width	Au	Au Content	Ounces
	t	m	g/t	kg	oz.
Measured Resource	127,178	4.53	3.79	482	15,486
Indicated Resource	55,123	2.45	5.86	323	10,386
Measured & Indicated Resource	182,301	3.90	4.41	805	25,872
Inferred Resource	110,242	2.73	2.87	316	10,173

Notes:

1. Tonnes are *in situ*.
2. All figures are in metric tonnes.
3. Mineral Resources are stated at a 1.96 g/t cut-off.
4. No geological losses were applied to the tonnage.
5. Tonnage and grade have been rounded and this may result in minor adding discrepancies.
6. The tonnages are stated at a relative density of 2.86 t/m³.
7. Conversion from kg to oz.: 1:32.15076.

Table 4: August 2014 Mineral Resource for Mascot as Verified by Minxcon

Resource Category	Tonnage	Width	Au	Au Content	Ounces
	t	m	g/t	kg	oz.
Measured Resource	66,532	1.75	2.60	173	5,571
Indicated Resource	69,006	3.18	4.83	333	10,716
Measured & Indicated Resource	135,538	2.48	3.74	507	16,288
Inferred Resource	69,587	2.53	8.23	573	18,416

Notes:

1. Tonnes are *in situ*.
2. All figures are in metric tonnes.
3. Mineral Resources are stated at a 1.96 g/t cut-off.
4. No geological losses were applied to the tonnage.
5. Tonnage and grade have been rounded and this may result in minor adding discrepancies.
6. The tonnages are stated at a relative density of 2.86 t/m³.
7. Conversion from kg to oz.: 1:32.15076.

Item 14 (b) - DISCLOSURE REQUIREMENTS FOR RESOURCES

All Mineral Resources have been categorised and reported in compliance with the definitions embodied in the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council (incorporated into NI 43-101). As per CIM Code specifications, Mineral Resources have been reported separately in the Measured, Indicated and Inferred Mineral Resource categories. Inferred Mineral Resources

have been reported separately and have not been incorporated with the Measured and Indicated Mineral Resources.

Item 14 (c) - INDIVIDUAL GRADE OF METALS

Mineral Resources for gold have been estimated for the Blanket Mine (Table 2). No other metals or minerals have been estimated for the Project.

Item 14 (d) - FACTORS AFFECTING RESOURCE ESTIMATES

No socio-economic, legal or political modifying factors have been taken into account in the estimation of Mineral Resources for the Blanket Mine.

ITEM 15 - MINERAL RESERVE ESTIMATES

Item 15 (a) - KEY ASSUMPTIONS, PARAMETERS AND METHODS

Key Assumptions

- It is assumed that the planned production will be achieved.
- The modifying factors applied over the LoM were derived from historical production figures that are assumed to be untampered and correct.

Parameters

- All the Mineral Resources included in the Reserve LoM plan will be extracted mainly through the existing infrastructure. Production rates applied are inclusive of required on-reef development, such as raises, ore passes, travelling ways, etc. the cost of the on reef development are included in the mining costs.
- The mining rate was applied as a rate per day, supported by achieved actual rates.
- Stopping rates were planned between 50 tpd in some areas and up to 500 tpd in others.
- The rates were based on shaft hoisting capacity constraints and further reduced to accommodate other capital development activities that is required beyond the scope of the NI 43-101 report. These are discussed in Item 24 (a).

Methods

The Reserve LoM plan comprises Measured and Indicated Mineral Resources in the area above 750 m (above 22 Level) at Blanket Mine. The Mineable Resources were indicated on the mine plans and subsequently logged into a block list. The position of each resource block was evaluated regarding its position relative to existing infrastructure, such as shafts, and the position in terms of stoping sequence. An extraction sequence number was given to each resource block, after which the block list was sorted to reflect the order of extraction. This sorted list was imported into Enhanced Production Scheduler (“EPS”). The blocks from different areas were tagged and the appropriate mining rates were applied according to the mine’s extraction strategy (Table 5).

Table 5: Mine Design Criteria - Stopping

Description	Unit	Value
Stope Preparation	Months	2
Above 750 level Blanket Production	t/day	50
Above 750 level AR Main Production	t/day	400
Above 750 level AR South Production	t/day	500
Above 750 level Eroica Production	t/day	200
Above 750 level Lima Production	t/day	50

Mining rates were applied as a rate per day; the mine will produce 352 days a year. Modifying factors were built into the EPS schedule.

Item 15 (b) - MINERAL RESERVE RECONCILIATION - COMPLIANCE WITH DISCLOSURE REQUIREMENTS

The Mineral Reserves for Blanket Mine is illustrated in Table 6.

Table 6: Mineral Reserve Statement (October 2014)

Mineral Reserve Category	Tonnage	Au	Au Content	Ounces
	t	g/t	kg	oz.
Proven	856,005	3.40	2,912	93,638
Probable	2,077,828	3.78	7,862	252,758
Total Mineral Reserves	2,933,833	3.67	10,774	346,396

Notes:

1. Tonnages refer to tonnes delivered to the metallurgical plant.
2. All figures are in metric tonnes.
3. 1kg = 32.15076 oz.
4. Pay limit Blanket Mine 2.03 g/t.
5. Pay Limit calculated: USD/oz. = 1,250; Direct Cash Cost (C1) - 71 USD/t milled.
6. Production profile cut end 2021.

Mineral Reserve Reconciliation

Table 7: Mineral Reserve Reconciliation

Category	2013			2014			Difference		
	Estimated	Est. Mill	Ounces	Estimated	Est. Mill	Ounces	Estimated	Est. Mill	Ounces
	Tonnes	Head Grade		Tonnes	Head Grade		Tonnes	Head Grade	
	Mt	g/t	Moz.	Mt	g/t	Moz.	Mt	g/t	Moz.
Proven	1,349,000	3.84	166,600	856,005	3.40	93,638	-492,995	-0.44	-72,962
Probable	2,121,000	3.56	243,000	2,077,828	3.78	252,758	-43,172	0.22	9,758
Total Mineral Reserves	3,470,000	3.67	409,400	2,933,833	3.67	346,396	-536,167	0.00	-63,004

Notes:

1. Tonnages refer to tonnes delivered to the metallurgical plant.
2. All figures are in metric tonnes.
3. 1kg = 32.15076 oz.
4. The reduction in ounces is mainly attributed to the exclusion of previously stated Proven and Probable Reserves below 750 m Level. (These ounces are accounted for as Measured and Indicated Resources)
5. 2013 Probable Reserves include Probable and Probable Pillars.

Item 15 (c) - MULTIPLE COMMODITY RESERVE (PRILL RATIO)

Gold is the only commodity within the mining areas that is present in significant concentrations.

Item 15 (d) - FACTORS AFFECTING MINERAL RESERVE ESTIMATION

No factors were identified that can materially alter the Mineral Reserve statement.

ITEM 16 – MINING METHODS

Item 16 (a) – PARAMETERS RELEVANT TO MINE DESIGN

Mining Methods

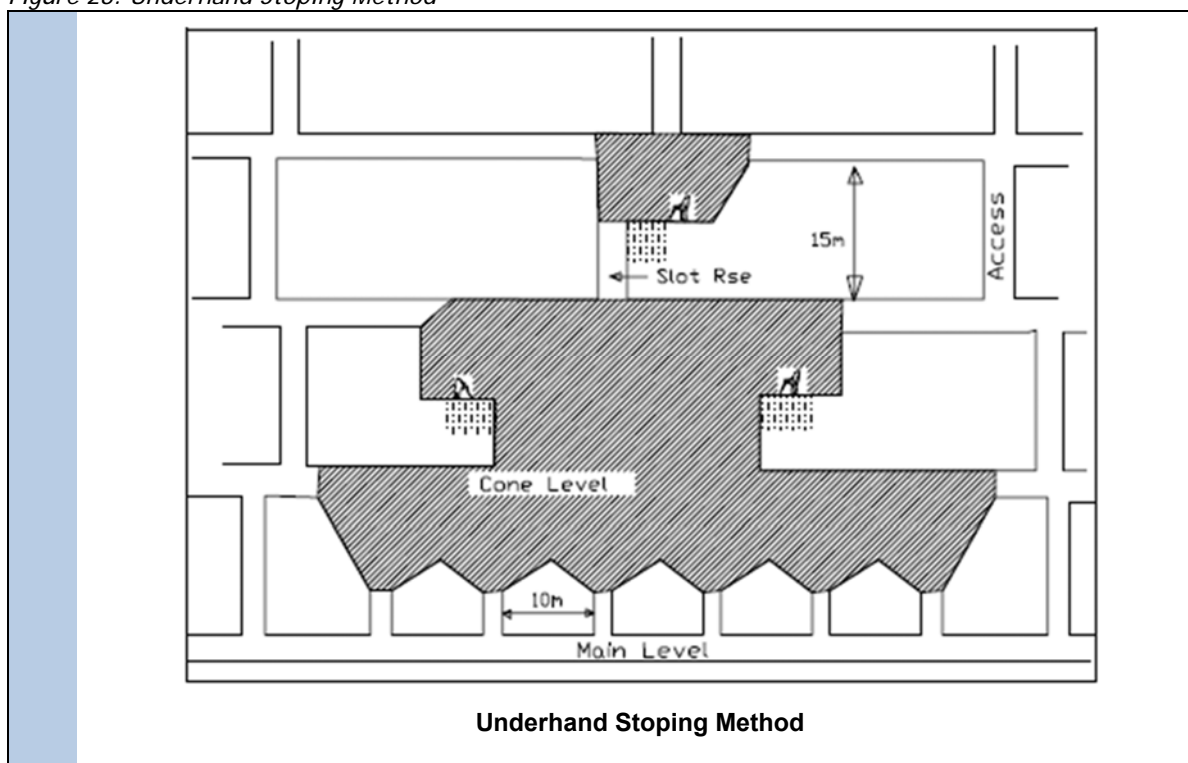
Blanket Mine uses mining methods that are commonly employed and well-understood by Greenstone Belt miners who generally have to deal with steep tabular to massive Mineral Deposits. Since the nature of the Mineral Deposits varies, the exact mining practices are tailored to suit the specific attributes of each particular Mineral Deposit. The mining methods employed represent experience gained from many years of mining. Two types of mining methods are used at the Blanket Mine:-

- Underhand stoping in the narrow Mineral Deposits.
- Long hole stoping in the wider Mineral Deposits.

The Mineral Deposits can be accessed on several main levels: 7 Level, 9 Level, 14 Level, 18 Level and 22 Level. In-between these levels cross-cuts are cut every 30 m from where diamond drilling is used to locate ore shoots for development planning. Most of the development is within mineralised zones, except when developing transfer levels between Mineral Deposits. Such development is treated as waste.

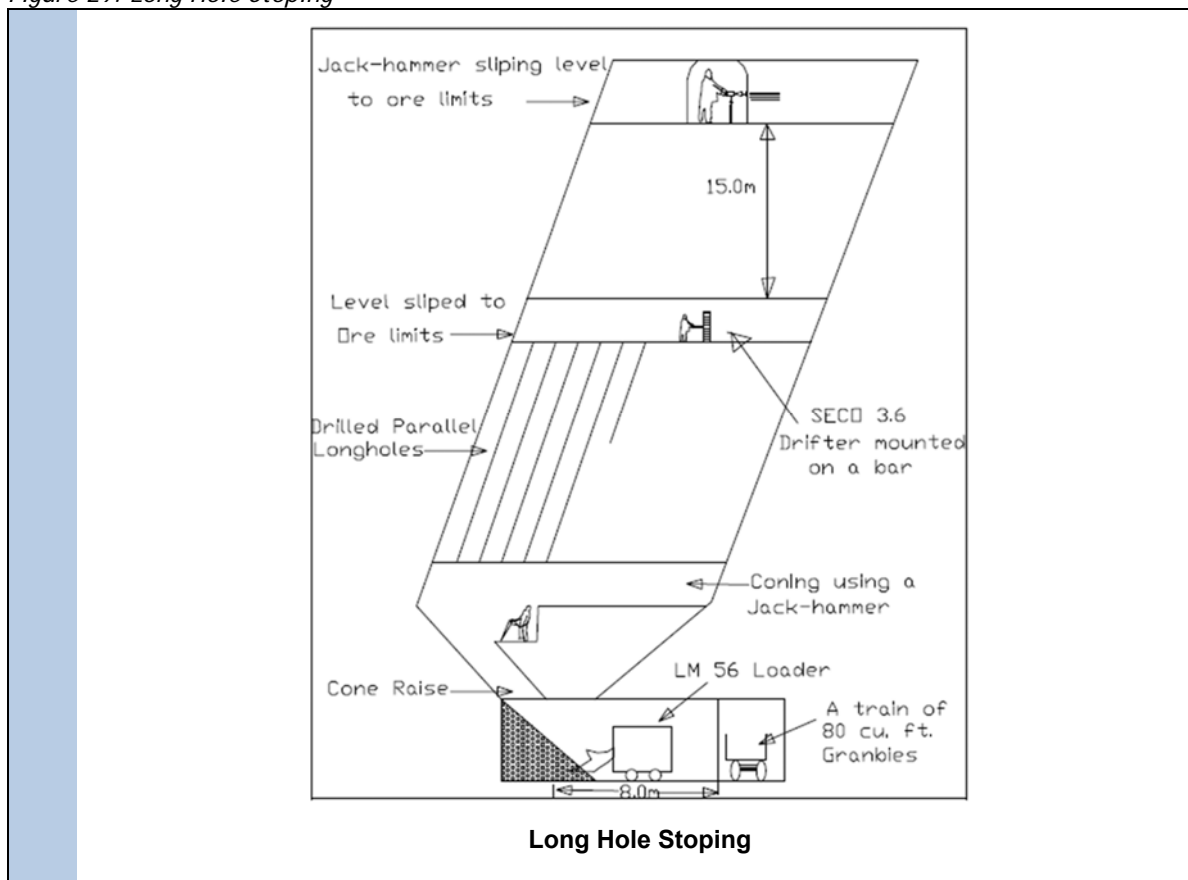
Stoping preparations in narrow Mineral Deposits (<3.0 m) begin by mining box raises sited at 10 m intervals from the footwall of the Mineral Deposit. In wider Mineral Deposits (>3.0 m), air loader operated draw points are mined instead of boxes to facilitate long hole open stoping which generates large rocks. Underhand bench stoping is usually applied in the narrow Mineral Deposits and allows for control of the stoping width (+/-2 m) and dilution. Figure 28 presents a schematic section of a typical underhand stoping method.

Figure 28: Underhand Stoping Method



Long hole stoping is the mining method used most often at the Blanket Mine. Figure 29 is a schematic section of a typical long hole stoping layout in wider Mineral Deposits.

Figure 29: Long Hole Stopping



Modifying Factors

The Mineral Reserves were calculated based on the block list supplied by Blanket Mine. The blocks were arranged according to an extraction strategy and modifying factors were applied. Only Measured and Indicated Mineral Resources were included in the Reserve LoM plan. The applied modifying factors are:-

- Extraction rate - A 100% extraction rate was applied to the Measured and Indicate Mineral Resources. The indicated pillars are resources that were left behind as pillars either for shaft stability, cones or crown pillars. After the extraction of the above ore and/or the decommissioning of the shaft, these resources can be extracted with an expected 70% extraction ratio.
- Dilution - Waste dilution was applied based on a 10 cm over break into the hanging wall and 10 cm into the footwall.
- Mine Call Factor ("MCF") - By applying an MCF, the differences between shaft head grade and Reserve grades that are supported by historical measurements, will be accounted for. These differences typically occur due to gold losses in fines. The MCF only affects the gold grade; it has no impact on the plant feed tonnes. An MCF of 100% was applied for the Blanket Mine based on historical recordings. The MCF history is illustrated in Table 8.

Table 8: MCF History

Year	Milled Tonnes	Gold Recovered	Gold in Tails	Gold Accounted For	Total Mined Tonnes	Mined Grade	Gold Called For	MCF
	t	oz.	oz.	oz.	t	g/t	oz.	%
1998	215,580	24,194	3,604	27,798	216,330	4.56	31,716	88%
1999	205,330	22,838	2,839	25,677	199,787	4.27	27,428	94%
2000	193,300	23,725	2,859	26,584	187,466	4.34	26,158	102%
2001	195,400	24,748	3,204	27,952	176,625	4.71	26,746	105%
2002	179,891	26,773	3,236	30,009	178,329	5.19	29,756	101%
2003	173,700	24,525	2,234	26,759	165,887	4.80	25,600	105%
2004	178,896	24,119	2,416	26,535	185,302	4.60	27,405	97%
2005	212,319	24,783	2,867	27,650	212,176	4.05	27,628	100%
2006	99,361	11,685	1,342	13,027	94,824	4.08	12,439	105%
2007	100,082	9,885	1,098	10,983	100,082	3.70	11,906	92%
2008	81,987	7,687	760	8,447	81,987	3.75	9,885	85%
2009	103,445	11,295	1,117	12,412	103,445	3.54	11,773	105%
2010	153,501	17,707	1,540	19,247	153,501	3.75	18,507	104%
2011	299,257	35,826	2,738	38,564	299,257	3.85	37,042	104%
2012	363,725	45,464	3,057	48,521	363,725	3.83	44,788	108%
2013	392,320	45,527	3,269	48,796	392,320	3.99	50,328	97%
Tot/Ave	3,148,094	380,781	38,181	418,962	3,111,043	4.19	419,104	100%

Ventilation Design Criteria

Ventilation is downcast via the Main shaft, Jethro surface, 5 Winze and N° 4 shaft. In the Lima, Sheet, Jethro Winze and other old shafts, ventilation is up cast. Various axial flow fans have been installed on the mine to enhance the ventilation volume.

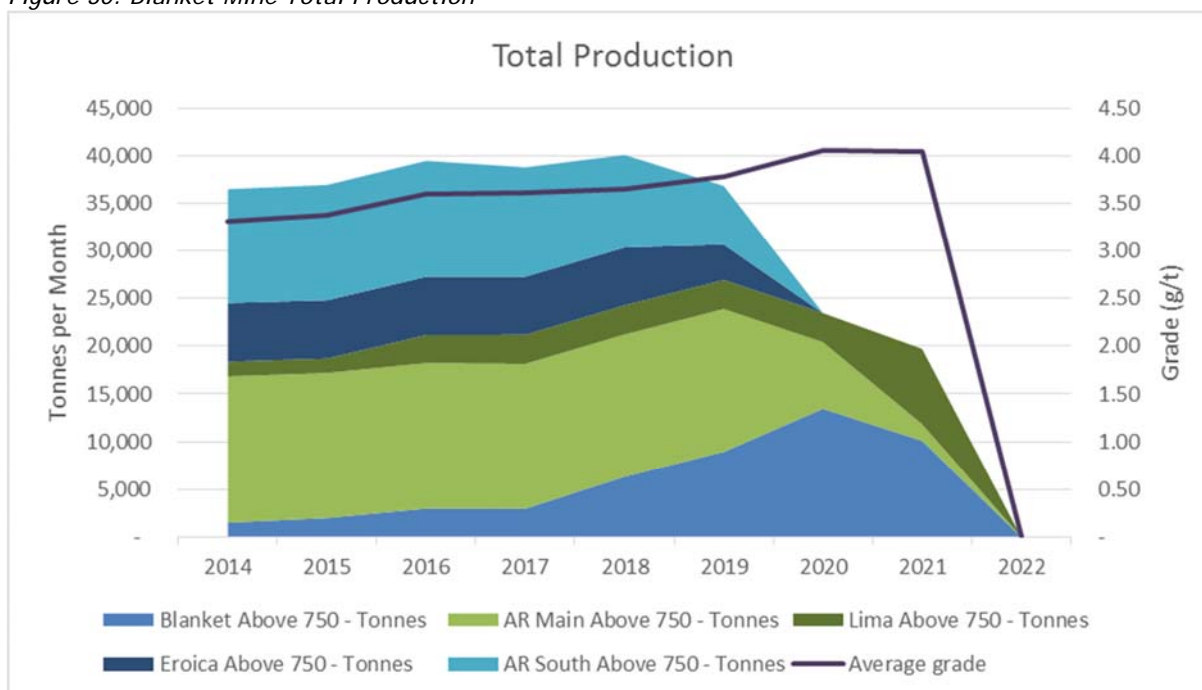
Rock Engineering Design Criteria

The different rock types at the Blanket Mine are generally competent and support such as rock bolts are only installed on rare occasions where weaker rock conditions are encountered. There are zones with unstable sidewalls such as the Quartz Reef and Feudal at Blanket, but this is addressed by the application of a shrinkage methodology. The types of stopes do not contribute a relatively high tonnage and is insignificant to the overall dilution incurred.

Item 16 (b) - PRODUCTION RATES, EXPECTED MINE LIFE, MINING UNIT DIMENSIONS, AND MINING DILUTION

The production for the Blanket mine is from five different areas that are all above 750 m. The production from the different levels is illustrated in Figure 30. The tonnes are illustrated as an average per month. Following a financial analysis, all production after 2021 was excluded from the Reserve LoM plan as it is uneconomical.

Figure 30: Blanket Mine Total Production



Item 16 (c) - REQUIREMENTS FOR STRIPPING, UNDERGROUND DEVELOPMENT AND BACKFILLING

Underground Development

All the areas that form part of the Reserve LoM plan have development in place. The blocks only originate from the Above 750 m level and the mining rates applied are within the shaft capacity limits; no new development will be required for the Above 750 m level areas.

Backfilling

Backfilling is needed when mining at great depth. It is currently not a Rock Engineering requirement to backfill stoped-out panels at Blanket Mine, as mining is still shallow.

Item 16 (d) - REQUIRED MINING FLEET AND MACHINERY

As at June 2011, underground drilling equipment comprised seventy Seco 23, Seco 25, Seco 215 jackhammers and Seco 36 (Konkola) drifters. The jackhammers are mainly used for development and the drifters for production (long hole drilling). Trammig of ore and waste is done by LM56/57 air loaders, grandby cars, cocopans and battery-operated locomotives.

ITEM 17 - RECOVERY METHODS

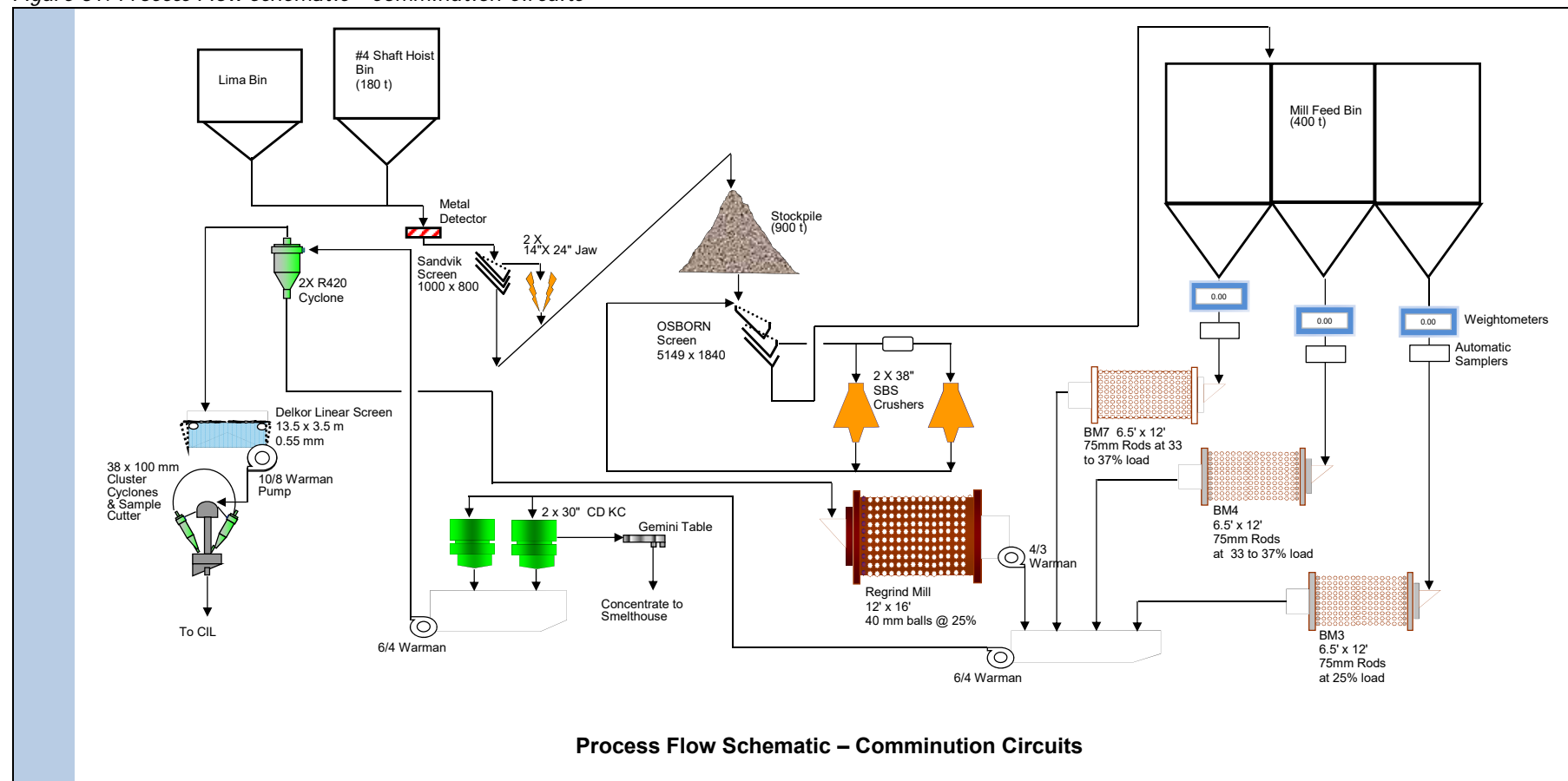
Item 17 (a) - FLOW SHEETS AND PROCESS RECOVERY METHODS

The Blanket gold Plant consists of a conventional crushing, milling and CIL, batch elution and smelting configuration with a current capacity of 40 ktpm. The crushing and milling circuits are designed to process RoM. However, the CIL and downstream circuits were designed to treat tailings dam material at a rate of about 110 ktpm (or 3,800 tonnes per day). More recently, historic tailings and RoM were treated in the CIL plant at a combined rate of approximately 100 ktpm to 120 ktpm. The tailings treatment was stopped about three years ago. The CIL is currently used exclusively for treatment of RoM at a rate of 30 ktpm to 35 ktpm. The retention time in the CIL circuit is as high as 72 hr as a result of the lower tonnage throughput. A process flow diagram can be seen in Figure 31.

The plant consists of the following circuits:-

- jaw crushing;
- cone crushing in closed circuit with a screen;
- primary rod mill in open circuit;
- ball mill in closed circuit with cyclones;
- gravity circuit;
- dewatering cyclones;
- CIL;
- combined elution and electrowinning;
- smelt house;
- carbon re-activation in a kiln;
- reagent make-up and dosing circuits; and
- water recycling and storage.

Figure 31: Process Flow Schematic - Comminution Circuits



Property and Claims Information

THE DATA PROVIDED BELOW FOR THE THREE PROPERTY AREAS IS CONSIDERED THE MATERIAL INFORMATION RELATING TO THE PROPERTIES AND CLAIMS. THE FULL TEXT OF THIS DATA AND INFORMATION IS AVAILABLE IN THE VARIOUS TECHNICAL REPORTS THAT ARE AVAILABLE ON THE COMPANY WEBSITE www.caledoniamining.com

BLANKET GOLD MINE

a) Nature of Ownership Interests

Blanket Mine's claims area is based on 2701 pegged claims. An application made to the Ministry of Mines to convert the claims area into a mining lease was approved and its issue is awaited.

Blanket's exploration properties are all pegged claims (see Table 14 g(i)) and held 100% by Blanket although some of the claims are subject to royalties.

b) Salient Terms of Agreements, Royalties

- 1.5 – 2.0% NSR. Blanket owns the claims totally.

Based on current mining law in Zimbabwe, Blanket's Mining Lease is valid in perpetuity.

Prospecting claims are renewable on an annual basis (Table 14 g(i)) by payment of a claim fee based on the area of the claim. The claims may also be maintained by carrying out exploration activities on the claims. Royalties are payable on some of the claims (see Table 14 g(i)).

c) Mineral Rights – Process of Acquisition

Mineral rights in Zimbabwe may be acquired by pegging claims or by purchasing claims. In the case of the purchase of an operating mine the mining lease/ claim is transferrable together with the related conditions. Proposed changes to the Mining Law will require that indigenous persons hold a significant interest in mining companies. Claims are held indefinitely so long as they are serviced in terms of work done or fees paid.

d) The Claim/Right type and Conditions

Zimbabwe recognizes both precious metal (gold) and base metal claims regardless of the nature of the deposit. In the event of a gold mine being located on base metal claims, the claims can be converted to precious metal claims. The claims are awarded and monitored by the State. A mining lease is awarded over existing claims on application by the mining company.

e) Property details

See Table 14 g(i).

f) Conditions of retention, Payments etc

See Table 14 g(i). Claim fee payments are made by Blanket Gold Mine (responsible person – V. Naik).

g) Property area – see Table 14 g (i)

The protection of non-producing claims is the subject of ongoing discussions as the claim protection fees have been dramatically increased and the economic feasibility of protecting all claims is being assessed.

CLAIM BLOCK	NUMBER OF CLAIM BLOCKS	CLAIM TYPE	CLAIM/BLOCK NUMBERS	EXPIRY DATES	AREA (ha)
GWANDA CLAIMS					
Blanket Mine					
Valentine	26	Gold	GA2767-92	21-Mar-16	240.6
Oqueil	36	Gold	35928-63	29-Jan-16	270
Havard	1	Base	5576BM	02-Feb-15	25
Blanket	11	Gold	GA512'GA547,GA247-8,GA349, GA5030,1817,31202,3958	06-Apr-16	114
		Base	6874BM,9627BM	26-Aug-15	
Feudal	6	Gold	31190,19918,21065,GA446,	10-May-16	77
		Base	10051BM,10358BM	25-Sep-15	
Lima	85	Gold	36066-117,35753-68,34052-67,	02-Apr-16	828.5
		Base	10925BM	23-Sep-15	
Sheet	21	Gold	35628-39,34744,34747-51,34856,GA341,	03-Apr-16	179.6
		Base	9629BM	26-Aug-15	
Sabiwa	12	Gold	GA281,GA513,1978,25610,9628BM,	11-Apr-16	594
		Base	9628BM,10922-23BM,10894-96BM,10049-50BM	23-Sep-15	
Mbudzane Rock	43	Gold	36160-202	21-May-16	353.9
Jethro	1	Gold	19923	23-Jul-16	9
DT	2	Gold	21775	01-Sep-16	10
Smiler	1	Gold	32939	20-Nov-15	10
Site Cemetry	1	Site	577	14-Dec-15	2
Site Compound	1	Site	701	15-Sep-15	10
Site Compound	1	Site	575	14-Dec-15	17
Site Compound	1	Site	574	14-Dec-15	7
Site Dump	1	Site	646	15-Sep-15	18
Site Housing	1	Site	573	17-Mar-15	23
Site Housing	1	Site	645	15-Sep-15	8
Site Magazine	1	Site	578	14-Dec-15	29
Site Slimes	1	Site	613	21-Mar-15	28
Blanket Exploration					
Penzance	3	Base	11264BM,11265BM,8838BM	07-Jan-15	99
Bunny's Luck	6	Base	10443-48BM	15-Jan-15	150
Cinderella	5	Base	11122-23BM,10824-26BM	19-Jan-15	428
Eagle 16	1	Base	11266BM	21-Jan-15	51
Spruit	5	Base	10623-24BM,GA532-4BM	24-Feb-15	388
Shakeshake	3	Base	10625-27BM	24-Feb-15	288
Surprise	2	Base	10628-29BM	24-Feb-15	196
Abercorn	2	Base	11269BM,10602BM	11-May-15	216
Banshee	1	Base	11093BM	14-Jul-15	135

Dan's Luck South	3	Base	GA537-38BM,11268BM	11-Mar-15	135
Abercorn	1	Gold	32251	28-Apr-15	10
Annette	3	Gold	GA3258-60	03-Apr-16	24
Dan's Luck	2	Gold	32776,GA3769B	13-May-15	18
Eagle Hawk	1	Gold	30544	08-Oct-16	10
GG	7	Gold	GA3769-75	06-Jul-16	162.9
Gum	2	Gold	GA3060-61	10-Oct-16	12
Lincoln	1	Gold	30548	01-Oct-16	10
Mascot	3	Gold	GA583,29657,32756	03-May-16	30
Mazeppa	1	Gold	32769	26-May-15	3
Rubicon	23	Gold	34519-20,34794-805,34913-21	23-Jan-16	220
Valentine	3	Gold	GA2994-96	11-Jul-16	30
Vulture	2	Gold	5031, 8106	13-Jan-16	20
Will South	1	Gold	33143	30-Sep-15	5
Site	1	Site	649	08-May-15	4
Site	1	Site	607	24-Sep-15	1
Site	1	Site	608	24-Sep-15	1
Site	1	Site	609	24-Sep-15	1
Site	1	Site	610	24-Sep-15	1
Site	1	Site	512	31-Dec-15	1

Bubi Claims

Stu	4	Base	12072-74BM,12021BM	07-Jan-13	495
Chikosi	7	Base	12011-17BM	30-Jan-13	499.5
Sandy	2	Base	12018-19BM	30-Jan-13	300
Ruswayi	6	Base	12022-27BM	30-Jan-13	544
Lonely	5	Base	12028-30BM,12075-76BM	02-Feb-13	670
Spawn	3	Base	12031-33BM	30-Jan-13	311

Kadoma Claims

Goldern Donkey	2	Gold	1254-55	18-Mar-13	8
Headley NE	3	Gold	1256-58	18-Mar-13	30

Harare

Apollo	27	Gold	17438-46,28665-79,28734-36	27-Sep-13	208
Electra	1	Base	19482BM	13-Mar-13	12
Apollo	3	Base	28382-84BM	27-Sep-13	96
Avlin	15	Gold	28030-28044	08-Sep-13	117

TOTAL	419				8793.96
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Exploration claims

GG-GG6, GGA-GGE	11	Gold	GA651,GA942-51	06-Jul-16	110
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Shareholder rights plan

Summary

Our AIM-listed client, Caledonia Mining Corporation ("**Caledonia**", "**the Company**"), is emigrating from Canada to Jersey (the emigration is due to become effective on Monday 21 March 2016). The Company will therefore fall under the umbrella of The Takeover Code, and we, alongside their UK and Canadian lawyers, have been taking the Company through the implications of this.

Caledonia's Canadian lawyers have pointed out that the Company has entered into a rights plan agreement with Computershare ("**the Rights Plan**") which has been approved by Caledonia's shareholders. We are uncertain how the Rights Plan would be treated under Rule 21 (Restrictions on Frustrating Action) and would appreciate your comments on how The Takeover Panel would view the Rights Plan in the event a bid is made for the Company. We confirm that the Company has confirmed that it is not in receipt of any offers, nor to its knowledge are any in contemplation.

The Rights Plan

Set out below is a brief summary of the Rights Plan that was prepared by Caledonia's Canadian lawyers for the Caledonia Board when the Rights Plan was adopted back in 2013. In general terms, the Rights Plan forces a bidder to make a bid for the Company that meets certain minimum conditions in terms of timing and acceptance procedures (see "Permitted Bid" below). If the bidder does not make a Permitted Bid, the rights under the Rights Plan become exercisable such that all shareholders other than the bidder have the right to buy additional shares at a discount. As a result, the Rights Plan creates a disincentive for a hostile bidder to acquire Caledonia without making a Permitted Bid because it dilutes the bidder's interest in Caledonia. The Rights Plan was approved at the 2014 AGM.

We have also been advised by the Company's Canadian lawyers that, as a result of changes to Canada's takeover rules which were announced last week, there is currently much debate around the continued utility of rights plans (or "poison pills" as they are commonly known). Their primary purpose was to extend the time for target companies to react to an unsolicited offer beyond the statutory time for which a takeover bid had to be open for acceptance, which is currently only 35 days, and to eliminate certain other potentially coercive aspects of some bids. Under the new rules, which are to come into effect in May, the minimum period for a bid to be open (unless the target agrees to a shorter period) is increased to 105 days. Caledonia's Rights Plan, in common with most plans, only requires that a bid be open for 60 days, so the new requirements will actually be better in some respects from Caledonia's perspective than the Rights Plan.

Details of the Rights Plan

- | | |
|---------|--|
| Form: | The Rights Plan is an agreement dated December 5, 2013 between Caledonia and Computershare Investor Services Inc. (the " Rights Agent "). |
| Rights: | One Right is issued for each common share. Initially, the Rights are attached to and trade with the common shares and have an artificial exercise price in |

excess of the market price. Rights are not exercisable before the Separation Time (described below).

Flip-In Event:	Upon a person (an “ Acquiring Person ”) acquiring 20% or more of the outstanding common shares (a “ Flip-In-Event ”), each Right then entitles the holder to purchase one additional common share at 50% (or less) of the market price of the common shares as at the date which is ten trading days after the Flip-In Event. Rights held by the Acquiring Person, however, would be null and void. This massive dilution of the Acquiring Person’s shareholdings is the “poison pill” in the Plan. Two other conditions must be in place before the poison pill defence is fully activated: the Separation Time must have occurred and no waiver by the board of the dilution clause or other exempting steps shall have occurred.
Separation Time:	The “Separation Time” occurs on the tenth trading day following the earlier of an announcement that a person has become an Acquiring Person or the public announcement that someone proposes to make a take-over bid other than a Permitted Bid (or such later time as may be determined by the board). After the Separation Time, the Rights become exercisable at the dilutive exercise price and become transferable separately from the shares.
Permitted Bid:	<p>The poison pill provisions of the Rights Plan can be avoided if the prospective acquirer makes a Permitted Bid. A Permitted Bid may be for all or less than all the outstanding common shares and must have the following characteristics:</p> <ul style="list-style-type: none">a) it must be made by way of take-over bid circular;b) it must be made to all shareholders;c) it must provide that no shares will be taken up or paid for until the bid has been open for at least 60 days, and then only if 50% of the shares held by independent shareholders (being shareholders not affiliated or acting jointly or in concert with the bidder) have been tendered; andd) if the 50% deposit condition described above is met, the bidder must announce that fact and allow the bid to remain open for tender of shares for at least a further 10 days.
Portfolio Managers:	The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-In Event solely by virtue of the customary activities of such managers, including trust companies and other such persons, where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a take-over bid either alone or jointly with others.

- Redemption: At any time prior to the Separation Time, the Board may with the approval of shareholders redeem the Rights for nominal consideration. This is a method for winding up and terminating the Rights Plan.
- Amendments: After the effective date of the Rights Plan, all substantive amendments can only be made with shareholder approval.
- Expiration: The Rights Plan expires unless approved by Caledonia's shareholders on or before the third anniversary of the date of the last shareholder approval of the Rights Plan.

EX-15.4 11 exh15_4.htm EXHIBIT 15.4

Exhibit 15.4

Share Subscription Agreements – Blanket Mine

SUBSCRIPTION AGREEMENT

between

NATIONAL INDIGENISATION ECONOMIC EMPOWERMENT FUND

(The NIEEF is established by Section 12 of the Indigenisation Act and is administered by NIEEB, a body corporate established by Section 7 of the Act.)

("the Subscriber")

and

BLANKET MINE (1983) (PRIVATE) LIMITED

(a company incorporated in Zimbabwe under registration number 172/69)

("the Company")

and

CALEDONIA HOLDINGS ZIMBABWE (PRIVATE) LIMITED

(a company incorporated in Zimbabwe under registration number 5/45)

("CHZ")

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SCHEDULE 1	THE MANAGEMENT AGREEMENT	

1 DEFINITIONS

In this Agreement, unless the context indicates otherwise, the words and expressions set out below shall have the meaning assigned to them and cognate expressions shall have a corresponding meaning, namely:

1.1	Agreement	means this subscription agreement and Schedule 1 hereto;
1.2	Auditors	means the Company's auditors as at the Signature Date or failing that, at the election of the board of directors of the Company, Deloitte, KPMG or Ernst & Young;
1.3	Business Day	means any day that is not a Saturday, Sunday or public holiday in Zimbabwe;
1.4	Closing Date	means the 5 th (fifth) Business Day after the fulfilment of the suspensive conditions in clause 3 ;
1.5	Directors	means the directors of the Company from time to time appointed in accordance with clause 7 ;
1.6	Indigenisation	means the process and objectives contemplated in the Indigenisation Act and the Regulations;
1.7	Indigenisation Act	means the Indigenisation and Economic Empowerment Act [<i>Chapter 14.33</i>];
1.8	Interest	means interest calculated monthly in arrears at 10 (ten) percentage points above the 12 (twelve) month London InterBank Offered Rate published by Thomson Reuters from time to time;
1.9	Loan Account	means the loan account to be opened in the Subscriber's name in the books of the Company;
1.10	MOU	means the memorandum of understanding concluded by Caledonia Mining Corporation, CHZ, the Company, and the Minister of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe on 20 February 2012;

1.11	Parties	means CHZ, the Company, and the Subscriber and "Party" means any one of them, as the context may indicate;
1.12	Regulations	means the Indigenisation and Economic Empowerment (General) Regulations, 2010;
1.13	Signature Date	means the date of signature of this Agreement by the Party last in time to do so;
1.14	Subscription Price	means the subscription price for the Subscription Shares as set out in clause 5.1 ; and
1.15	Subscription Shares	means 6,848,000 (six million eight hundred and forty eight thousand) "A" class shares representing 16% (sixteen percent) of the issued share capital of the Company after the implementation of the transactions envisaged in the MOU.

2 BACKGROUND

- 2.1 CHZ and the Company have agreed to the Indigenisation of the Company in accordance with the provisions of the MOU.
- 2.2 In terms of the MOU, the Company is required to issue the Subscription Shares to the Subscriber.
- 2.3 The Parties wish to record the terms on which the Subscriber will subscribe for the Subscription Shares.

3 CONDITIONS PRECEDENT

- 3.1 The implementation of this Agreement is, save for the provisions of **clauses 1, 3 and 9 to 18**, inclusive, which will be of immediate force and effect, subject to:
 - 3.1.1 receipt by CHZ and the Company of written confirmation from the Ministry of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe that the implementation of this Agreement and the other transactions envisaged in the MOU constitutes compliance by CHZ and the Company with the requirements of the Indigenisation Act and the Regulations;
 - 3.1.2 receipt by CHZ and the Company of the approvals, to the extent certified in writing by the Auditors to be required by law, by the Reserve Bank of Zimbabwe of the transactions contemplated in the MOU and any related transactions and/or corporate re-organisation required to give effect to the Indigenisation by CHZ of the Company; and

- 3.1.3 receipt by CHZ and the Company of written confirmation of the unconditional withdrawal by the Zimbabwe Ministry of Mines and Mining Development of the letter sent by it to the Company dated 13 December 2011 requiring the Company to reach agreement with the Zimbabwean Mining Development Corporation regarding the Indigenisation of the Company.
- 3.2 The Parties shall use all commercially reasonable endeavours to procure the fulfilment of the conditions precedent stipulated in **clause 3.1**.
- 3.3 The conditions in **clause 3.1** above are stipulated for the benefit of CHZ and CHZ may waive any one or all of those conditions by way of written notice to the Subscriber.
- 3.4 In the event of the conditions stipulated in **clause 3.1** not being fulfilled or waived on or before 30 September 2012, or on or before such later date as CHZ and the Company may agree upon in writing, this Agreement shall lapse and shall be of no further force or effect and no Party shall have any claim against the other Parties arising from the provisions of this Agreement or the termination thereof.

4 SUBSCRIPTION

- 4.1 The Subscriber hereby subscribes for the Subscription Shares.
- 4.2 The Company hereby accepts the subscription for the Subscription Shares as set out in **clause 4.1**, and undertakes to allot and issue the Subscription Shares to the Subscriber on the Closing Date.

5 PRICE AND PAYMENT

- 5.1 The Subscription Price for the Subscription Shares shall be the sum of US\$ 11,742,439.02 (eleven million seven hundred and forty two thousand four hundred and thirty nine US Dollars and two cents), which amount shall be debited to the Loan Account which shall:

- 5.1.1 bear compound Interest from the Closing Date to the date of repayment, both dates inclusive; and
 - 5.1.2 be paid in instalments on the date of payment of dividends by the Company from time to time, in an amount equal to 80% (eighty percent) of the dividends payable to the Subscriber, after deduction of withholding or any other taxes, in respect of the Subscription Shares. Each such payment shall be credited to the Loan Account in part settlement of Interest in the first instance and thereafter in settlement of capital owing in respect of the Subscription Price. Such payments shall cease once the Loan Account has been settled.
- 5.2 The remaining 20% (twenty percent) of the dividends payable to the Subscriber shall be paid by the Company to the Subscriber after deduction of any Zimbabwean withholding or other tax or levies that may be applicable on the full amount of dividends declared by the Company.
- 5.3 The Subscriber hereby irrevocably authorises the Company to apply dividends declared and becoming due for payment to the Subscriber, in the manner set out in **clause 5.1.2**.
- 5.4 The Subscriber shall be entitled to transfer the Subscription Shares to any party provided that:
- 5.4.1 the Company shall not register the transfer of the Subscription Shares unless the transferee acknowledges in writing to the Company that those shares are subject to the dividend rights in **clause 5.1.2**; and
 - 5.4.2 any transfer of the Subscription Shares will not result in non-compliance by CHZ or the Company with the requirements of the Indigenisation Act and the Regulations.
- 5.5 The amount due in respect of the Subscription Price and Interest shall be payable free of any deduction or set off and any taxes that may be levied thereon, which shall be for the account of the Subscriber.

6 FUNDING

- 6.1 If the Directors should at any time resolve to call on the shareholders of the Company to advance capital to the Company, either by way of share capital or loans, the Subscriber shall advance such capital *pro rata* to its shareholding in the Company at the date on which the Directors determine that the capital is required.

- 6.1.1 If the Subscriber is unable or unwilling to provide the capital required in terms of **clause 6.1**, then it shall notify the Company in writing to that effect within 30 (thirty) days of the date on which it is advised in writing (“the Finance Date”) by the Company that capital is required from it.
- 6.1.2 If the Company should receive a notice contemplated in **clause 6.1.1**, or if the Subscriber should fail to give a notice as contemplated in **clause 6.1.1** and should fail to comply with its obligation to advance capital to the Company in terms of this **clause 6.1** within 90 (ninety) days from the Finance Date, and if CHZ is prepared to provide the amount of the finance which the Subscriber was required to advance to the Company, then CHZ shall notify the Company in writing to that effect within 10 (ten) Business Days of receipt of the notice referred to in **clause 6.1.1**, or of failure by the Subscriber to advance capital as required in terms of this **clause 6.1**.
- 6.2 If the Subscriber is called upon to advance an amount to the Company in terms of **clause 6.1** above, and if the Subscriber has declined or, as the case may be, failed to comply with such request in accordance with the provisions of **clauses 6.1.1** and **6.1.2**, then, if it shall have exercised the right to advance to the Company the amount which the Subscriber has declined to advance, CHZ shall have the right, to call upon the Subscriber to sell to it such number of shares at par as shall, after transfer thereof into the name of CHZ, result in CHZ holding such percentage of the issued voting capital of the Company as shall be equal to the percentage which the aggregate of loan capital and share capital contributed by CHZ to the Company constitutes of the total capital contributed by all shareholders by way of share capital and loan capital.

7 DIRECTORS

- 7.1 The board of Directors shall be comprised of a minimum of 8 (eight) Directors.
- 7.2 The Parties agree that:
 - 7.2.1 the Subscriber shall be entitled to appoint 1 (one) Director who shall be acceptable to the majority of the board of directors of the Company whose acceptance shall not be unreasonably withheld; and
 - 7.2.2 CHZ shall be entitled to appoint 4 (four) Directors.
- 7.3 The Subscriber and CHZ shall have the right, from time to time, by notice in writing to the Company, to remove a Director nominated by it in terms of **clause 7.1** as a Director and to nominate, in accordance with **clause 7.2** another person in the place of the Director so removed.

8 MANAGEMENT

The management of the Company shall continue to be undertaken by Greenstone Management Services (Proprietary) Limited ("Greenstone") in terms of the existing management agreement between Greenstone and the Company on at least identical terms and conditions as set out in **Schedule 1** hereto.

9 CONFIDENTIALITY

9.1 All communications between the Parties and all information and other materials supplied to or received by a Party from any of the other Parties which relates in any way to this Agreement and to the Company shall be kept confidential by the Parties unless or until the relevant Party can reasonably demonstrate that:

9.1.1 any such communication, information or material is, or part of it is, in the public domain through no fault of its own; or

9.1.2 any such communication, information or material has been lawfully obtained from any third party; or

9.1.3 the information is already lawfully known to the relevant Party at the time that Party receives such information; or

9.1.4 the relevant Party is obliged by law to disclose such information,

whereupon this obligation in respect of that information shall cease.

9.2 The Parties shall use their best endeavours to procure the observance of these restrictions and shall take all reasonable steps to minimise the risk of disclosure of confidential information by ensuring that only they themselves and such of their employees, agents or consultants whose duties will require them to possess any of such information shall have access to such information, and will be instructed to treat the same as confidential.

9.3 The obligation contained in this **clause 9** shall endure, even after the termination of this Agreement, without limit in point of time, except and until such confidential information falls within any of the provisions of **clauses 9.1.1 to 9.1.4**, and shall be subject to the Company's confidentiality regime at the Signature Date.

10SUPPORT

The Parties undertake at all times to do all such things, perform all such actions and take such steps (including in particular the exercise of their voting rights in the Company) and to procure the doing of all such things, the performance of all such actions and taking of all such steps as may be open to them and necessary for or incidental to the putting into effect the provisions of this Agreement.

11 DOMICILIUM CITANDI ET EXECUTANDI

11.1 Each Party chooses the address set out opposite its name below as its *domicilium citandi et executandi* at which all notices, legal processes and other communications must be delivered for the purposes of this Agreement:

11.1.1 the Subscriber 12th Floor, Social Security Centre
 cnr Sam Nujoma Street & Julius Nyerere Way
 Harare
 Zimbabwe

Fax: +263 4 750 139
 Email: chapfikadvd@yahoo.co.uk,
wgwatiringa@nieeb.co.zw and
endhlovu@nieeb.co.zw

[For attention: Mr David Chapfika – Chairman
 NIEEB and Mr Wilson Gwatiringa – Chief Executive
 Officer [NIEEB]

11.1.2 the Company 6th Floor Red Bridge NE
 Eastgate
 3rd Street and R. Mugabe Road
 Harare
 Zimbabwe

Fax: 263 284 23193
 Email: CMangezi@blanketmine.com
 [For attention: Mr. Caxton Mangezi]

11.1.3 CHZ 6th Floor Red Bridge NE
 Eastgate
 3rd Street and R Mugabe Road
 Harare
 Zimbabwe

Fax: +27 11 447 2554
 Email: SCurtis@greenstone.co.za
 [For attention: Mr. Steve Curtis]

- 11.2 Any notice or communication required or permitted to be given in terms of this Agreement shall be valid and effective only if in writing, and delivered by hand or sent or transmitted by registered post, telefax or by email.
- 11.3 Each Party may by written notice to the other Parties change its chosen address and/or its chosen telefax number and/or its email address to another physical address, telefax number or email, provided that the change shall become effective on the fourteenth day after the receipt of the notice by the addressee.
- 11.4 Any notice to a Party:
- 11.4.1 sent by prepaid registered post to it at its chosen address;
 - 11.4.2 delivered by hand to a responsible person during ordinary business hours at its chosen address;
 - 11.4.3 transmitted during ordinary office hours by facsimile to its chosen telefax number; or
 - 11.4.4 transmitted during ordinary office hours by email to its chosen email address,

unless the contrary is proved, shall be deemed to have been received, in the case of **clause 11.4.1**, on the 7th (seventh) Business Day after posting and, in the case of **clauses 11.4.2, 11.4.3 and 11.4.4**, on the day of delivery or transmission as the case may be.

12 BREACH AND TERMINATION

- 12.1 Should a Party ("the Defaulting Party") commit a breach of any provision of this Agreement and fail to remedy such breach within 14 (fourteen) days from the date of written notice from any other Party to this Agreement ("the Aggrieved Party") calling upon it to do so, the Aggrieved Party shall have the right, without prejudice to any other rights available in law, either:
- 12.1.1 if the breach complained of can be fully remedied by the payment of money, to take whatever action may be necessary to obtain payment of the amounts required by the Aggrieved Party to remedy such breach; or

- 12.1.2 if the breach complained of cannot be fully remedied by the payment of money, or, alternatively, if it can be so remedied and payment of any amounts claimed by the Aggrieved Party in terms of **clause 12.1.1** is not made to the Aggrieved Party within 7 (seven) days of the date of determination through arbitration or legal process of the amount legally payable, to take whatever action may be necessary to enforce its rights under this Agreement or to terminate this Agreement,

and in either event to claim such damages as it may have suffered as a result of such breach of contract.

- 12.2 The Defaulting Party shall be liable for all costs and expenses (calculated on an attorney and own client scale) incurred as a result of or in connection with the default.
- 12.3 Without limiting the generality of this **clause 12**, if at any time it is or becomes unlawful for the Company to perform or comply with any or all of its obligations under this Agreement or any of its obligations under this Agreement are not or cease to be legal, valid, binding and enforceable, the Company shall be entitled, without prejudice to any other rights or remedies which it may have under this Agreement or otherwise, by written notice to the Subscriber, to claim immediate payment of the balance of the Subscription Price and all Interest accrued in terms thereof regardless of whether or not such amounts are then otherwise due and payable.
- 12.4 Should the Company terminate this Agreement in the circumstances contemplated in this **clause 12**, the Company shall have the right, exercisable by written notice given to the Subscriber to purchase from the Subscriber all of the Subscription Shares at a value determined by the Auditors less any amounts owed by the Subscriber to the Company in terms of **clause 5.1**.

13 ARBITRATION

- 13.1 Any dispute arising out of this Agreement or the interpretation thereof, both while in force and after its termination, shall be submitted to and determined by arbitration in accordance with the provisions of the First Schedule to the Arbitration Act, 6 of 1996, (for the purpose of this **clause 13**, ("the Act"). Such arbitration shall be held in Harare unless otherwise agreed and shall be held in a summary manner with a view to it being completed as soon as possible.
- 13.2 There shall be one arbitrator, who shall be, if the question in issue is:

- 13.2.1 primarily an accounting matter, an independent chartered accountant of not less than 10 (ten) years' standing;
 - 13.2.2 primarily a legal matter, a practising Senior Counsel or commercial attorney of not less than 10 (ten) years' standing; and
 - 13.2.3 any other matter, a suitably qualified independent person.
- 13.3 The appointment of the arbitrator shall be agreed upon between the Parties, but failing agreement between them within a period of 14 (fourteen) days after the arbitration has been demanded by a Party by notice in writing to the others, a Party shall be entitled to request the Commercial Arbitration Centre in Harare to make the appointment.
- 13.4 The arbitrator shall have the powers conferred upon an arbitrator under the Act.
- 13.5 A Party shall have the right to appeal against the decision of the arbitrator in accordance with the Act. The decision resulting from such appeal shall be final and binding on the Parties, and may be made an order of any court of competent jurisdiction. The Parties hereby submit to the jurisdiction of the High Court of Zimbabwe sitting at Harare should a Party wish to make the arbitrator's decision an order of Court.
- 13.6 The fact that any dispute has been referred to or is the subject of arbitration in terms of this **clause 13**, as well as any information submitted or furnished to the arbitrators or in any other manner forming part of the record of any arbitration proceedings, shall be kept confidential by the parties to such arbitration proceedings, and the parties to such proceedings shall use their reasonable endeavours to procure that all their employees, agents or advisers who are involved in or who obtain knowledge of any confidential information disclosed during such proceedings, shall be made aware of, and shall undertake in writing to be bound by, and to comply with, the provisions of this **clause 13**.

14 GOVERNING LAW AND JURISDICTION

- 14.1 The interpretation of this Agreement shall be governed by the law of Zimbabwe in all respects.
- 14.2 Any Party shall be entitled to institute all or any proceedings against any of the other Parties in connection with this Agreement in the High Court of Zimbabwe sitting at Harare.

15 INTERPRETATION

15.1 In this Agreement, unless the context requires otherwise:

15.1.1 words importing any one gender shall include the other 2 (two) genders;

15.1.2 the singular shall include the plural and *vice versa*; and

15.1.3 a reference to natural persons shall include created entities (corporate or unincorporated) and *vice versa*.

15.2 In this Agreement, the headings have been inserted for convenience only and shall not be used for nor assist or affect its interpretation.

15.3 If anything in a definition is a substantive provision conferring rights or imposing obligations on anyone, effect shall be given to it as if it were a substantive provision in the body of this Agreement.

16 GENERAL

16.1 This Agreement contains the entire agreement between the Parties as to the subject matter hereof.

16.2 No Party shall have any claim or right of action arising from any undertaking, representation or warranty not included in this Agreement.

16.3 No failure by a Party to enforce any provision of this Agreement shall constitute a waiver of such provision or affect in any way that Party's right to require performance of any such provision at any time in the future, nor shall the waiver of any subsequent breach nullify the effectiveness of the provision itself.

16.4 No agreement to vary, add to, or cancel this Agreement shall be of any force or effect unless reduced to writing and signed on behalf of all of the Parties to this Agreement.

16.5 No Party may cede any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other Parties to this Agreement.

16.6 This Agreement may be signed in counterparts, in which event the originals together will constitute the entire agreement between the Parties.

17 COSTS

Each Party shall bear its own costs to be incurred in connection with the drafting and negotiation of this Agreement.

18 WARRANTY

The Company and CHZ warrant that the shareholder of the Company does not at the Signature Date have any liability for the unlawful conduct of the business and affairs of the Company.

SIGNED at Johannesburg on 12 June 2012

For and on behalf of:

NATIONAL INDIGENISATION ECONOMIC EMPOWERMENT FUND

Signatory: **D. Chapfika**
Capacity: Chairman NIEEB
Authority: **Board Resolution**

Witness:

Name:

SIGNED at Johannesburg on 12 June 2012

For:

BLANKET MINE (1983) (PRIVATE) LIMITED

Signatory: **S.R. Curtis**
Capacity: **Director**
Authority: Board Resolution

Witness:

Name:

SIGNED at Johannesburg on 12 June 2012

For: **CALEDONIA HOLDINGS ZIMBABWE (PRIVATE) LIMITED**

Signatory: **S.E. Hayden**
Capacity: Director
Authority: Board Resolution

Witness:

Name:

SCHEDULE 1

MANAGEMENT AGREEMENT

SUBSCRIPTION AGREEMENT

between

FREMIRO INVESTMENTS (PRIVATE) LIMITED

(a company incorporated in Zimbabwe under registration number 5560/2011)
("the Subscriber")

and

BLANKET MINE (1983) (PRIVATE) LIMITED

(a company incorporated in Zimbabwe under registration number 172/69)
("the Company")

and

CALEDONIA HOLDINGS ZIMBABWE (PRIVATE) LIMITED

(a company incorporated in Zimbabwe under registration number 5/45)
("CHZ")

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1 DEFINITIONS

In this Agreement, unless the context indicates otherwise, the words and expressions set out below shall have the meaning assigned to them and cognate expressions shall have a corresponding meaning, namely:

1.1	Agreement	means this subscription agreement;
1.2	Auditors	means the Company's auditors as at the Signature Date or failing that, at the election of the board of directors of the Company, Deloitte, KPMG or Ernst & Young;
1.3	Business Day	means any day that is not a Saturday, Sunday or public holiday in Zimbabwe;
1.4	Closing Date	means the 5 th (fifth) Business Day after the fulfilment of the suspensive conditions in clause 3 ;
1.5	Directors	means the directors of the Company from time to time appointed in accordance with clause 7 ;
1.6	Indigenisation	means the process and objectives contemplated in the Indigenisation Act and the Regulations;
1.7	Indigenisation Act	means the Indigenisation and Economic Empowerment Act [<i>Chapter 14.33</i>];
1.8	Interest	means interest calculated monthly in arrears at 10 (ten) percentage points above the 12 month LIBOR base rate published by REUTERS from time to time;
1.9	Loan Account	means the loan account to be opened in the Subscriber's name in the books of the Company;
1.10	MOU	means the memorandum of understanding concluded and signed by Caledonia Mining Corporation, CHZ, the Company, and the Minister of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe on 20 February 2012;

1.11	Parties	means CHZ, the Company, and the Subscriber and "Party" means any one of them, as the context may indicate;
1.12	Regulations	means the Indigenisation and Economic Empowerment (General) Regulations, 2010;
1.13	Signature Date	means the date of signature of this Agreement by the Party last in time to do so;
1.14	Subscription Price	means the subscription price for the Subscription Shares as set out in clause 5.1 ; and
1.15	Subscription Shares	means 6,420,000 (six million four hundred and twenty thousand) "A" class shares representing 15% (fifteen per cent) of the issued share capital of the Company after the implementation of the transactions envisaged in the MOU which will total 42,800,000 shares.

2 BACKGROUND

- 2.1 CHZ and the Company have agreed to the Indigenisation of the Company in accordance with the provisions of the MOU.
- 2.2 In terms of the MOU, the Company and the Subscriber are required to conclude an agreement in terms of which the Subscriber will subscribe for the Subscription Shares.
- 2.3 The Parties wish to record the terms on which the Subscriber will subscribe for the Subscription Shares.

3 CONDITIONS PRECEDENT

- 3.1 The implementation of this Agreement is, save for the provisions of **clauses 1, 6.2 to 17**, inclusive, which will be of immediate force and effect, subject to:
 - 3.1.1 receipt by CHZ and the Company of written confirmation from the Ministry of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe that the implementation of this Agreement constitutes compliance by CHZ and the Company with the requirements of the Indigenisation Act and the Regulations;

- 3.1.2 receipt by CHZ and the Company of the approvals, to the extent certified in writing by the Auditors to be required by law, by the Reserve Bank of Zimbabwe of the transactions contemplated in the MOU and any related transactions and/or corporate re-organisation required to give effect to the Indigenisation by CHZ of the Company; and
 - 3.1.3 receipt by CHZ and the Company of written confirmation of the unconditional withdrawal by the Zimbabwean Ministry of Mines and Mining Development of the letter sent by it to the Company dated 13 December 2011 requiring the Company to reach agreement with the Zimbabwean Mining Development Corporation regarding the Indigenisation of the Company.
- 3.2 The Parties shall use all commercially reasonable endeavours to procure the fulfilment of the conditions precedent stipulated in **clause 3.1**.
- 3.3 In the event that CHZ is unable to obtain the confirmation stipulated in 3.1 on or before 30 September 2012, CHZ may at its sole discretion, renegotiate the terms of this agreement.

4 SUBSCRIPTION

- 4.1 The Subscriber hereby subscribes for the Subscription Shares.
- 4.2 The Company hereby accepts the subscription for the Subscription Shares as set out in **clause 4.1**, and undertakes to allot and issue the Subscription Shares to the Subscriber on the Closing Date.

5 PRICE AND PAYMENT

- 5.1 The Subscription Price for the Subscription Shares shall be the sum of US\$ 11,008,536 (eleven million and eight thousand five hundred and thirty six dollars), which amount shall be debited to the Loan Account which Loan Account shall:
- 5.1.1 bear compound Interest from the Closing Date to the date of repayment, both dates inclusive; and
 - 5.1.2 be paid in instalments on the date of payment of dividends by the Company from time to time, in an amount equal to 80% (eighty percent) of the dividends payable to the Subscriber, after deduction of withholding or any other taxes, in respect of the Subscription Shares. Each such payment shall be credited to the Loan Account in part settlement of Interest in the first instance and thereafter in settlement of capital owing in respect of the Subscription Price. Such payments shall cease once the full loan amount has been settled.

- 5.2 The remaining 20% (twenty percent) of the dividends payable to the Subscriber shall be paid by the Company to the Subscriber after deduction of any Zimbabwean withholding or other tax or levies that may be applicable on these dividends declared.
- 5.3 The Subscriber hereby irrevocably authorises the Company to apply dividends declared and becoming due for payment to the Subscriber, in the manner set out in **clause 5.1.2**.
- 5.4 For as long as any amounts are owed to the Company by the Subscriber in respect of the Subscription Price in terms of **clause 5.1** the Subscriber may not, without prior written consent of CHZ, cede any right, title or interest in, pledge, or otherwise encumber any Subscription Share.
- 5.5 The amount due in respect of the Subscription Price and Interest shall be payable free of any deduction or set off and any taxes that may be levied thereon, which shall be for the account of the Subscriber.

6 FUNDING

- 6.1 If the Directors should at any time resolve to call on the shareholders of the Company to advance capital to the Company, either by way of share capital or loans, the Subscriber shall advance such capital *pro rata* to its shareholding in the Company at the date on which the Directors determine that the capital is required.
 - 6.1.1 If the Subscriber is unable or unwilling to provide the capital required in terms of **clause 6.1**, then it shall notify the Company in writing to that effect within 30 (thirty) days of the date on which it is advised in writing (“the Finance Date”) by the Company that capital is required from it.
 - 6.1.2 If the Company should receive a notice contemplated in **clause 6.1.1**, or if the Subscriber should fail to give a notice as contemplated in **clause 6.1.1** and should fail to comply with its obligation to advance capital to the Company in terms of this **clause 6.1** within 90 (ninety) days from the Finance Date, and if CHZ is prepared to provide the amount of the finance which the Subscriber was required to advance to the Company, then CHZ shall notify the Company in writing to that effect within 10 (ten) Business Days of receipt of the notice referred to in **clause 6.1.1**, or of failure by the Subscriber to advance capital as required in terms of this **clause 6.1**.

- 6.2 If the Subscriber is called upon to advance an amount to the Company in terms of **clause 6.1** above, and if the Subscriber has declined or, as the case may be, failed to comply with such request in accordance with the provisions of **clauses 6.1.1** and **6.1.2**, then, if it shall have exercised the right to advance to the Company the amount which the Subscriber has declined to advance, CHZ shall have the right to call upon the Subscriber to sell to CHZ such number of shares at par as shall, after transfer thereof into the name of CHZ, result in CHZ holding such percentage of the issued voting capital of the Company as shall be equal to the percentage which the aggregate of loan capital and share capital contributed by CHZ to the Company constitutes of the total capital contributed by all shareholders by way of share capital and loan capital

7 DIRECTORS

- 7.1 The board of Directors shall be comprised of a minimum of 8 (eight) Directors.
- 7.2 The Parties agree that:
- 7.2.1 the Subscriber shall be entitled to appoint 1 (one) Director who shall be acceptable to the majority of the Board of Directors of the Company whose acceptance shall not be unreasonably withheld; and
- 7.2.2 CHZ shall be entitled to appoint 4 (four) Directors.
- 7.3 The Subscriber and CHZ shall have the right, from time to time, by notice in writing to the Company, to remove a Director nominated by it in terms of **clause 7.1** as a Director and to nominate, in accordance with **clause 7.2** another person in the place of the Director so removed.

8 MANAGEMENT OF THE COMPANY

For as long as any amounts are owed to the Company by the Subscriber on the Loan Account, the management of the Company shall continue to be undertaken by Greenstone Management Services (“Greenstone”) in terms of the existing management agreement between Greenstone and the Company on identical terms and conditions. The Parties undertake to vote in favour of all resolutions necessary to give effect to this **clause 8**, failing which the vendor funding shall immediately be withdrawn and, the Subscriber asked to settle the outstanding balance in cash within 90 days of such notice, failing which the outstanding principal amount and interest shall automatically be converted into equivalent A shares and issued to CHZ.

9CONFIDENTIALITY

9.1 All communications between the Parties and all information and other materials supplied to or received by a Party from any of the other Parties which relates in any way to this Agreement and to the Company shall be kept confidential by the Parties unless or until the relevant Party can reasonably demonstrate that:

9.1.1 any such communication, information or material is, or part of it is, in the public domain through no fault of its own; or

9.1.2 any such communication, information or material has been lawfully obtained from any third party; or

9.1.3 the information is already lawfully known to the relevant Party at the time that Party receives such information; or

9.1.4 the relevant Party is obliged by law to disclose such information,

whereupon this obligation in respect of that information shall cease.

9.2 The Parties shall use their best endeavours to procure the observance of these restrictions and shall take all reasonable steps to minimise the risk of disclosure of confidential information by ensuring that only they themselves and such of their employees, agents or consultants whose duties will require them to possess any of such information shall have access to such information, and will be instructed to treat the same as confidential.

9.3 The obligation contained in **clause 9.2** shall endure, even after the termination of this Agreement, without limit in point of time, except and until such confidential information falls within any of the provisions of **clauses 9.1.1 to 9.1.4**, and shall be subject to the Company's confidentiality regime at the Signature Date.

10SUPPORT

The Parties undertake at all times to do all such things, perform all such actions and take such steps (including in particular the exercise of their voting rights in the Company) and to procure the doing of all such things, the performance of all such actions and taking of all such steps as may be open to them and necessary for or incidental to the putting into effect the provisions of this Agreement.

11 DOMICILIUM CITANDI ET EXECUTANDI

11.1 Each Party chooses the address set out opposite its name below as its *domicilium citandi et executandi* at which all notices, legal processes and other communications must be delivered for the purposes of this Agreement:

11.1.1 the Subscriber

58 Broadlands Road

Emerald Hill,
Harare,
Zimbabwe

Fax: To be advised

Email: july.ndlovu@mweb.co.za

[For attention: July Ndlovu]

11.1.2 the Company

6th Floor Red Bridge NEEastgate
3rd Street and R. Mugabe Road
Harare
Zimbabwe

Fax: 263 284 23193

Email: CMangezi@blanketmine.com

[For attention: Mr. Caxton Mangezi]

11.1.3 CHZ

6th Floor Red Bridge NEEastgate
3rd Street and R Mugabe Road
Harare
Zimbabwe

Fax: +27 11 447 2554

Email: SCurtis@caledoniamining.com

[For attention: Mr. Steven Curtis]

11.2 Any notice or communication required or permitted to be given in terms of this Agreement shall be valid and effective only if in writing, and delivered by hand or sent or transmitted by registered post, telefax or by email.

11.3 Each Party may by written notice to the other Parties change its chosen address and/or its chosen telefax number and/or its email address to another physical address, telefax number or email, provided that the change shall become effective on the fourteenth day after the receipt of the notice by the addressee.

11.4 Any notice to a Party:

11.4.1 sent by prepaid registered post to it at its chosen address;

11.4.2 delivered by hand to a responsible person during ordinary business hours at its chosen address;

11.4.3 transmitted during ordinary office hours by facsimile to its chosen telefax number; or

11.4.4 transmitted during ordinary office hours by email to its chosen email address,

unless the contrary is proved, shall be deemed to have been received, in the case of **clause 11.4.1**, on the 7th (seventh) Business Day after posting and, in the case of **clauses 11.4.2, 11.4.3 and 11.4.4**, on the day of delivery or transmission as the case may be.

12 BREACH AND TERMINATION

12.1 Should a Party ("the Defaulting Party") commit a breach of any provision of this Agreement and fail to remedy such breach within 14 (fourteen) days from the date of written notice from any other Party to this Agreement ("the Aggrieved Party") calling upon it to do so, the Aggrieved Party shall have the right, without prejudice to any other rights available in law, either:

12.1.1 if the breach complained of can be fully remedied by the payment of money, to take whatever action may be necessary to obtain payment of the amounts required by the Aggrieved Party to remedy such breach; or

12.1.2 if the breach complained of cannot be fully remedied by the payment of money, or, alternatively, if it can be so remedied and payment of any amounts claimed by the Aggrieved Party in terms of **clause 12.1.1** is not made to the Aggrieved Party within 7 (seven) days of the date of determination through arbitration or legal process of the amount legally payable, to take whatever action may be necessary to enforce its rights under this Agreement or to terminate this Agreement,

and in either event to claim such damages as it may have suffered as a result of such breach of contract.

12.2 The Defaulting Party shall be liable for all costs and expenses (calculated on an attorney and own client scale) incurred as a result of or in connection with the default.

12.3 Without limiting the generality of this **clause 12**, if at any time it is or becomes unlawful for the Company to perform or comply with any or all of its obligations under this Agreement or any of its obligations under this Agreement are not or cease to be legal, valid, binding and enforceable, the Company shall be entitled, without prejudice to any other rights or remedies which it may have under this Agreement or otherwise, by written notice to the Subscriber, to claim immediate payment of the balance of the Subscription Price and all Interest accrued in terms thereof regardless of whether or not such amounts are then otherwise due and payable.

12.4 Notwithstanding the aforesaid, should the Subscriber institute and/or cause to be instituted, any legal action of any nature whatsoever against the Company, the Company shall have the right, exercisable by written notice given to the Subscriber at any time after the institution of any such legal action, to terminate this Agreement and purchase from the Subscriber all of the Subscription Shares at a value determined by the Auditors less any amounts owed by the Subscriber to the Company in terms of **clause 5.1**.

13 ARBITRATION

13.1 Any dispute arising out of this Agreement or the interpretation thereof, both while in force and after its termination, shall be submitted to and determined by arbitration in accordance with the provisions of the

First Schedule to the Arbitration Act, 6 of 1996, (for the purpose of this **clause 13**, ("the Act"). Such arbitration shall be held in Harare unless otherwise agreed and shall be held in a summary manner with a view to it being completed as soon as possible.

13.2 There shall be one arbitrator, who shall be, if the question in issue is:

13.2.1 primarily an accounting matter, an independent chartered accountant of not less than 10 (ten) years' standing;

13.2.2 primarily a legal matter, a practising Senior Counsel or commercial attorney of not less than 10 (ten) years' standing; and

13.2.3 any other matter, a suitably qualified independent person.

13.3 The appointment of the arbitrator shall be agreed upon between the Parties, but failing agreement between them within a period of 14 (fourteen) days after the arbitration has been demanded by a Party by notice in writing to the others, a Party shall be entitled to request the High Court of Zimbabwe to make the appointment.

- 13.4 The arbitrator shall have the powers conferred upon an arbitrator under the Act.
- 13.5 A Party shall have the right to appeal against the decision of the arbitrator in accordance with the Act. The decision resulting from such appeal shall be final and binding on the Parties, and may be made an order of any court of competent jurisdiction. The Parties hereby submit to the jurisdiction of the High Court of Zimbabwe sitting at Harare should a Party wish to make the arbitrator's decision an order of Court.
- 13.6 The fact that any dispute has been referred to or is the subject of arbitration in terms of this **clause 13**, as well as any information submitted or furnished to the arbitrators or in any other manner forming part of the record of any arbitration proceedings, shall be kept confidential by the parties to such arbitration proceedings, and the parties to such proceedings shall use their reasonable endeavours to procure that all their employees, agents or advisers who are involved in or who obtain knowledge of any confidential information disclosed during such proceedings, shall be made aware of, and shall undertake in writing to be bound by, and to comply with, the provisions of this **clause 13**.

14 GOVERNING LAW AND JURISDICTION

- 14.1 The interpretation of this Agreement shall be governed by the law of the Zimbabwe in all respects.
- 14.2 Any Party shall be entitled to institute all or any proceedings against any the other Parties in connection with this Agreement in the High Court of Zimbabwe sitting at Harare.

15 INTERPRETATION

- 15.1 In this Agreement, unless the context requires otherwise :
- 15.1.1 words importing any one gender shall include the other 2 (two) genders;
 - 15.1.2 the singular shall include the plural and *vice versa*; and
 - 15.1.3 a reference to natural persons shall include created entities (corporate or unincorporated) and *vice versa*.

- 15.2 In this Agreement, the headings have been inserted for convenience only and shall not be used for nor assist or affect its interpretation.
- 15.3 If anything in a definition is a substantive provision conferring rights or imposing obligations on anyone, effect shall be given to it as if it were a substantive provision in the body of this Agreement.

16 GENERAL

- 16.1 This Agreement contains the entire agreement between the Parties as to the subject matter hereof.
- 16.2 No Party shall have any claim or right of action arising from any undertaking, representation or warranty not included in this Agreement.
- 16.3 No failure by a Party to enforce any provision of this Agreement shall constitute a waiver of such provision or affect in any way that Party's right to require performance of any such provision at any time in the future, nor shall the waiver of any subsequent breach nullify the effectiveness of the provision itself.
- 16.4 No agreement to vary, add to, or cancel this Agreement shall be of any force or effect unless reduced to writing and signed on behalf of all of the Parties to this Agreement.
- 16.5 No Party may cede any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other Parties to this Agreement.
- 16.6 This Agreement may be signed in counterparts, in which event the originals together will constitute the entire agreement between the Parties.

17 COSTS

Each Party shall bear its own costs to be incurred in connection with the drafting and negotiation of this Agreement.

18 WARRANTY

The Company and CHZ warrant that the shareholder of the Company does not at the date of this agreement have any liability for the unlawful conduct of the business and affairs of the Company.

SIGNED at

on

2012

For: **BLANKET MINE (1983) (PRIVATE) LIMITED**

Signatory:
Capacity:
Authority:

SIGNED at

on

2012

For: **CALEDONIA HOLDINGS ZIMBABWE (PRIVATE)
LIMITED**

Signatory:
Capacity:
Authority:

SIGNED at

on

2012

For: **FREMIRO INVESTMENTS (PRIVATE) LIMITED**

Signatory:
Capacity:
Authority:

SUBSCRIPTION AGREEMENT

between

BLANKET EMPLOYEE TRUST SERVICES (PRIVATE) LIMITED

(a company to be incorporated in Zimbabwe)

("the Subscriber")

and

BLANKET MINE (1983) (PRIVATE) LIMITED

(a company incorporated in Zimbabwe under registration number 172/69)

("the Company")

and

CALEDONIA HOLDINGS ZIMBABWE (PRIVATE) LIMITED

(a company incorporated in Zimbabwe under registration number 5/45)

("CHZ")

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18	WARRANTY	12

1 DEFINITIONS

In this Agreement, unless the context indicates otherwise, the words and expressions set out below shall have the meaning assigned to them and cognate expressions shall have a corresponding meaning, namely:

1.1	Agreement	means this subscription agreement;
1.2	Auditors	means the Company's auditors as at the Signature Date or failing that, at the election of the board of directors of the Company, Deloitte, KPMG or Ernst & Young;
1.3	Business Day	means any day that is not a Saturday, Sunday or public holiday in Zimbabwe;
1.4	Closing Date	means the 5 th (fifth) Business Day after the fulfilment of the suspensive conditions in clause 3 ;
1.5	Directors	means the directors of the Company from time to time appointed in accordance with clause 7 ;
1.6	Indigenisation	means the process and objectives contemplated in the Indigenisation Act and the Regulations;
1.7	Indigenisation Act	means the Indigenisation and Economic Empowerment Act [<i>Chapter 14.33</i>];
1.8	Interest	means interest calculated monthly in arrears at 10 (ten) percentage points above the 12 (twelve) month London InterBank Offered Rate published by Thomson Reuters from time to time;
1.9	Loan Account	means the loan account to be opened in the Subscriber's name in the books of the Company;
1.10	MOU	means the memorandum of understanding concluded by Caledonia Mining Corporation, CHZ, the Company, and the Minister of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe on 20 February 2012;

1.11	Parties	means CHZ, the Company, and the Subscriber and "Party" means any one of them, as the context may indicate;
1.12	Regulations	means the Indigenisation and Economic Empowerment (General) Regulations, 2010;
1.13	Signature Date	means the date of signature of this Agreement by the Party last in time to do so;
1.14	Subscription Price	means the subscription price for the Subscription Shares as set out in clause 5.1 ; and
1.15	Subscription Shares	means 4,280,000 (four million two hundred and eighty thousand) "A" class shares representing 10% (ten percent) of the issued share capital of the Company after the implementation of the transactions envisaged in the MOU.

2 BACKGROUND

- 2.1 CHZ and the Company have agreed to the Indigenisation of the Company in accordance with the provisions of the MOU.
- 2.2 In terms of the MOU, the Company is required to issue the Subscription Shares to the Blanket Mine Employee Trust.
- 2.3 The Company has procured the incorporation of the Subscriber for the purpose of subscribing for and holding the Subscription Shares and the Blanket Mine Employee Trust will, on its formation, acquire the entire issued share capital of the Subscriber.
- 2.4 The Parties wish to record the terms on which the Subscriber will subscribe for the Subscription Shares.

3 CONDITIONS PRECEDENT

- 3.1 The implementation of this Agreement is, save for the provisions of **clauses 1, 3 and 7 to 18**, inclusive, which will be of immediate force and effect, subject to:

- 3.1.1 receipt by CHZ and the Company of written confirmation from the Ministry of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe that the implementation of this Agreement and the other transactions envisaged in the MOU constitutes compliance by CHZ and the Company with the requirements of the Indigenisation Act and the Regulations;
 - 3.1.2 receipt by CHZ and the Company of the approvals, to the extent certified in writing by the Auditors to be required by law, by the Reserve Bank of Zimbabwe of the transactions contemplated in the MOU and any related transactions and/or corporate re-organisation required to give effect to the Indigenisation by CHZ of the Company; and
 - 3.1.3 receipt by CHZ and the Company of written confirmation of the unconditional withdrawal by the Zimbabwe Ministry of Mines and Mining Development of the letter sent by it to the Company dated 13 December 2011 requiring the Company to reach agreement with the Zimbabwean Mining Development Corporation regarding the Indigenisation of the Company.
- 3.2 The Parties shall use all commercially reasonable endeavours to procure the fulfilment of the conditions precedent stipulated in **clause 3.1**.
- 3.3 The conditions in **clause 3.1** above are stipulated for the benefit of CHZ and CHZ may waive any one or all of those conditions by way of written notice to the Subscriber.
- 3.4 In the event of the conditions stipulated in **clause 3.1** not being fulfilled or waived on or before 30 September 2012, or on or before such later date as CHZ and the Company agree upon in writing, this Agreement shall lapse and shall be of no further force or effect and no Party shall have any claim against the other Parties arising from the provisions of this Agreement or the termination thereof.

4SUBSCRIPTION

- 4.1 The Subscriber hereby subscribes for the Subscription Shares.
- 4.2 The Company hereby accepts the subscription for the Subscription Shares as set out in **clause 4.1**, and undertakes to allot and issue the Subscription Shares to the Subscriber on the Closing Date.

5 PRICE AND PAYMENT

- 5.1 The Subscription Price for the Subscription Shares shall be the sum of US\$ 7,339,024 (seven million three hundred and thirty nine thousand and twenty four US Dollars), which amount shall be debited to the Loan Account which Loan Account shall:
- 5.1.1 bear compound Interest from the Closing Date to the date of repayment, both dates inclusive; and
 - 5.1.2 be paid in instalments on the date of payment of dividends by the Company from time to time, in an amount equal to 80% (eighty percent) of the dividends payable to the Subscriber, after deduction of withholding or any other taxes, in respect of the Subscription Shares. Each such payment shall be credited to the Loan Account in part settlement of Interest in the first instance and thereafter in settlement of capital owing in respect of the Subscription Price. Such payments shall cease once the Loan Account has been settled.
- 5.2 The remaining 20% (twenty percent) of the dividends payable to the Subscriber shall be paid by the Company to the Subscriber after deduction of any Zimbabwean withholding or other tax or levies that may be applicable on the dividends declared by the Company.
- 5.3 The Subscriber hereby irrevocably authorises the Company to apply dividends declared and becoming due for payment to the Subscriber, in the manner set out in **clause 5.1.2**.
- 5.4 For as long as any amounts are owed to the Company by the Subscriber in respect of the Subscription Price in terms of **clause 5.1**, the Subscriber may not, without prior written consent of CHZ, cede any right, title or interest in, pledge, or otherwise encumber any Subscription Share.
- 5.5 The amount due in respect of the Subscription Price and Interest shall be payable free of any deduction or set off and any taxes that may be levied thereon, which shall be for the account of the Subscriber.

6 FUNDING

- 6.1 If the Directors should at any time resolve to call on the shareholders of the Company to advance capital to the Company, either by way of share capital or loans, the Subscriber shall advance such capital *pro rata* to its shareholding in the Company at the date on which the Directors determine that the capital is required.

- 6.1.1 If the Subscriber is unable or unwilling to provide the capital required in terms of **clause 6.1**, then it shall notify the Company in writing to that effect within 30 (thirty) days of the date on which it is advised in writing (“the Finance Date”) by the Company that capital is required from it.
- 6.1.2 If the Company should receive a notice contemplated in **clause 6.1.1**, or if the Subscriber should fail to give a notice as contemplated in **clause 6.1.1** and should fail to comply with its obligation to advance capital to the Company in terms of this **clause 6**, within 90 (ninety) days from the Finance Date, and if CHZ is prepared to provide the amount of the finance which the Subscriber was required to advance to the Company, then CHZ shall notify the Company in writing to that effect within 10 (ten) Business Days of receipt of the notice referred to in **clause 6.1.1**, or of failure by the Subscriber to advance capital as required in terms of this **clause 6.1**.
- 6.2 If the Subscriber is called upon to advance an amount to the Company in terms of **clause 6.1** above, and if the Subscriber has declined or, as the case may be, failed to comply with such request in accordance with the provisions of **clauses 6.1.1** and **6.1.2**, then, if it shall have exercised the right to advance to the Company the amount which the Subscriber has declined to advance, CHZ shall have the right, to call upon the Subscriber to sell such number of shares at par as shall, after transfer thereof into the name of CHZ, result in CHZ holding such percentage of the issued voting capital of the Company as shall be equal to the percentage which the aggregate of loan capital and share capital contributed by CHZ to the Company constitutes of the total capital contributed by all shareholders by way of share capital and loan capital.

7 DIRECTORS

- 7.1 The board of Directors shall be comprised of a maximum of 8 (eight) Directors.
- 7.2 The Parties agree that:
- 7.2.1 the Subscriber shall be entitled to appoint 1 (one) Director, of the Company, who shall be acceptable to the majority of the board of directors of the Company whose acceptance shall not be unreasonably withheld; and
- 7.2.2 CHZ shall be entitled to appoint 4 (four) Directors of the Company.

- 7.3 The Subscriber and CHZ shall have the right, from time to time, by notice in writing to the Company, to remove a Director nominated by it in terms of **clause 7.1** as a Director and to nominate, in accordance with **clause 7.2** another person in the place of the Director so removed.

8 MANAGEMENT OF THE COMPANY

For as long as any amounts are owed to the Company by the Subscriber on the Loan Account, the management of the Company shall continue to be undertaken by Greenstone Management Services (“Greenstone”) in terms of the existing management agreement between Greenstone and the Company on at least identical terms and conditions. The Parties undertake to vote in favour of all resolutions necessary to give effect to this **clause 8**. Should the management agreement be terminated, for whatever reason, before the Loan Account has been settled, the balance of the Loan Account shall be payable by the Subscriber to the Company on demand.

9 CONFIDENTIALITY

- 9.1 All communications between the Parties and all information and other materials supplied to or received by a Party from any of the other Parties which relates in any way to this Agreement and to the Company shall be kept confidential by the Parties unless or until the relevant Party can reasonably demonstrate that:

9.1.1 any such communication, information or material is, or part of it is, in the public domain through no fault of its own; or

9.1.2 any such communication, information or material has been lawfully obtained from any third party; or

9.1.3 the information is already lawfully known to the relevant Party at the time that Party receives such information; or

9.1.4 the relevant Party is obliged by law to disclose such information,

whereupon this obligation in respect of that information shall cease.

- 9.2 The Parties shall use their best endeavours to procure the observance of these restrictions and shall take all reasonable steps to minimise the risk of disclosure of confidential information by ensuring that only they themselves and such of their employees, agents or consultants whose duties will require them to possess any of such information shall have access to such information, and will be instructed to treat the same as confidential.

- 9.3 The obligation contained in this **clause 9** shall endure, even after the termination of this Agreement, without limit in point of time, except and until such confidential information falls within any of the provisions of **clauses 9.1.1 to 9.1.4**, and shall be subject to the Company's confidentiality regime at the Signature Date.

10 SUPPORT

The Parties undertake at all times to do all such things, perform all such actions and take such steps (including in particular the exercise of their voting rights in the Company) and to procure the doing of all such things, the performance of all such actions and taking of all such steps as may be open to them and necessary for or incidental to the putting into effect the provisions of this Agreement.

11 DOMICILIUM CITANDI ET EXECUTANDI

- 11.1 Each Party chooses the address set out opposite its name below as its *domicilium citandi et executandi* at which all notices, legal processes and other communications must be delivered for the purposes of this Agreement:

11.1.1 the Subscriber

Blanket Mine, P.O.Box 4
Gwanda,
Zimbabwe

Fax: 263 84 2 23259
Email: CMangezi@blanketmine.com
[For attention: Mr. Caxton Mangezi]

11.1.2 the Company

6th Floor Red Bridge NE

Eastgate
3rd Street and R. Mugabe Road
Harare
Zimbabwe

Fax: 263 284 23193
Email: PDell@caledoniazim.com
[For attention: Mr. Caxton Mangezi]

11.1.3 CHZ

6th Floor Red Bridge NE

Eastgate
3rd Street and R Mugabe Road
Harare
Zimbabwe

Fax: +27 11 447 2554
Email: SCurtis@caledoniamining.com
[For attention: Mr. Steve Curtis]

- 11.2 Any notice or communication required or permitted to be given in terms of this Agreement shall be valid and effective only if in writing, and delivered by hand or sent or transmitted by registered post, telefax or by email.
- 11.3 Each Party may by written notice to the other Parties change its chosen address and/or its chosen telefax number and/or its email address to another physical address, telefax number or email, provided that the change shall become effective on the fourteenth day after the receipt of the notice by the addressee.
- 11.4 Any notice to a Party:
- 11.4.1 sent by prepaid registered post to it at its chosen address;
 - 11.4.2 delivered by hand to a responsible person during ordinary business hours at its chosen address;
 - 11.4.3 transmitted during ordinary office hours by facsimile to its chosen telefax number; or
 - 11.4.4 transmitted during ordinary office hours by email to its chosen email address,

unless the contrary is proved, shall be deemed to have been received, in the case of **clause 11.4.1**, on the 7th (seventh) Business Day after posting and, in the case of **clauses 11.4.2, 11.4.3 and 11.4.4**, on the day of delivery or transmission as the case may be.

12 BREACH AND TERMINATION

- 12.1 Should a Party ("the Defaulting Party") commit a breach of any provision of this Agreement and fail to remedy such breach within 14 (fourteen) days from the date of written notice from any other Party to this Agreement ("the Aggrieved Party") calling upon it to do so, the Aggrieved Party shall have the right, without prejudice to any other rights available in law, either:
- 12.1.1 if the breach complained of can be fully remedied by the payment of money, to take whatever action may be necessary to obtain payment of the amounts required by the Aggrieved Party to remedy such breach; or

- 12.1.2 if the breach complained of cannot be fully remedied by the payment of money, or, alternatively, if it can be so remedied and payment of any amounts claimed by the Aggrieved Party in terms of **clause 12.1.1** is not made to the Aggrieved Party within 7 (seven) days of the date of determination through arbitration or legal process of the amount legally payable, to take whatever action may be necessary to enforce its rights under this Agreement or to terminate this Agreement,

and in either event to claim such damages as it may have suffered as a result of such breach of contract.

- 12.2 The Defaulting Party shall be liable for all costs and expenses (calculated on an attorney and own client scale) incurred as a result of or in connection with the default.
- 12.3 Without limiting the generality of this **clause 12**, if at any time it is or becomes unlawful for the Company to perform or comply with any or all of its obligations under this Agreement or any of its obligations under this Agreement are not or cease to be legal, valid, binding and enforceable, the Company shall be entitled, without prejudice to any other rights or remedies which it may have under this Agreement or otherwise, by written notice to the Subscriber, to claim immediate payment of the balance of the Subscription Price and all Interest accrued in terms thereof regardless of whether or not such amounts are then otherwise due and payable.
- 12.4 Should the Company terminate this Agreement in the circumstances contemplated in this **clause 12**, the Company shall have the right, without prejudice to any other rights available to it, exercisable by written notice given to the Subscriber to purchase from the Subscriber all of the Subscription Shares at a value determined by the Auditors less any amounts owed by the Subscriber to the Company in terms of **clause 5.1**.

13 ARBITRATION

- 13.1 Any dispute arising out of this Agreement or the interpretation thereof, both while in force and after its termination, shall be submitted to and determined by arbitration in accordance with the provisions of the First Schedule to the Arbitration Act, 6 of 1996, (for the purpose of this **clause 13**, ("the Act"). Such arbitration shall be held in Harare unless otherwise agreed and shall be held in a summary manner with a view to it being completed as soon as possible.
- 13.2 There shall be one arbitrator, who shall be, if the question in issue is:

- 13.2.1 primarily an accounting matter, an independent chartered accountant of not less than 10 (ten) years' standing;
 - 13.2.2 primarily a legal matter, a practising Senior Counsel or commercial attorney of not less than 10 (ten) years' standing; and
 - 13.2.3 any other matter, a suitably qualified independent person.
- 13.3 The appointment of the arbitrator shall be agreed upon between the Parties, but failing agreement between them within a period of 14 (fourteen) days after the arbitration has been demanded by a Party by notice in writing to the others, a Party shall be entitled to request the Commercial Arbitration Centre in Harare to make the appointment.
- 13.4 The arbitrator shall have the powers conferred upon an arbitrator under the Act.
- 13.5 A Party shall have the right to appeal against the decision of the arbitrator in accordance with the Act. The decision resulting from such appeal shall be final and binding on the Parties, and may be made an order of any court of competent jurisdiction. The Parties hereby submit to the jurisdiction of the High Court of Zimbabwe sitting at Harare should a Party wish to make the arbitrator's decision an order of Court.
- 13.6 The fact that any dispute has been referred to or is the subject of arbitration in terms of this **clause 13**, as well as any information submitted or furnished to the arbitrators or in any other manner forming part of the record of any arbitration proceedings, shall be kept confidential by the parties to such arbitration proceedings, and the parties to such proceedings shall use their reasonable endeavours to procure that all their employees, agents or advisers who are involved in or who obtain knowledge of any confidential information disclosed during such proceedings, shall be made aware of, and shall undertake in writing to be bound by, and to comply with, the provisions of this **clause 13**.

14 GOVERNING LAW AND JURISDICTION

- 14.1 The interpretation of this Agreement shall be governed by the law of the Zimbabwe in all respects.
- 14.2 Any Party shall be entitled to institute all or any proceedings against any the other Parties in connection with this Agreement in the High Court of Zimbabwe sitting at Harare.

15 INTERPRETATION

15.1 In this Agreement, unless the context requires otherwise :

15.1.1 words importing any one gender shall include the other 2 (two) genders;

15.1.2 the singular shall include the plural and *vice versa*; and

15.1.3 a reference to natural persons shall include created entities (corporate or unincorporated) and *vice versa*.

15.2 In this Agreement, the headings have been inserted for convenience only and shall not be used for nor assist or affect its interpretation.

15.3 If anything in a definition is a substantive provision conferring rights or imposing obligations on anyone, effect shall be given to it as if it were a substantive provision in the body of this Agreement.

16 GENERAL

16.1 This Agreement contains the entire agreement between the Parties as to the subject matter hereof.

16.2 No Party shall have any claim or right of action arising from any undertaking, representation or warranty not included in this Agreement.

16.3 No failure by a Party to enforce any provision of this Agreement shall constitute a waiver of such provision or affect in any way that Party's right to require performance of any such provision at any time in the future, nor shall the waiver of any subsequent breach nullify the effectiveness of the provision itself.

16.4 No agreement to vary, add to, or cancel this Agreement shall be of any force or effect unless reduced to writing and signed on behalf of all of the Parties to this Agreement.

16.5 No Party may cede any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other Parties to this Agreement.

16.6 This Agreement may be signed in counterparts, in which event the originals together will constitute the entire agreement between the Parties.

17 COSTS

Each Party shall bear its own costs to be incurred in connection with the drafting and negotiation of this Agreement.

18 WARRANTY

The Company and CHZ warrant that the shareholder of the Company does not at the Signature Date have any liability for the unlawful conduct of the business and affairs of the Company.

SIGNED at

on 2012

For: **BLANKET EMPLOYEE TRUST SERVICES (PRIVATE)
LIMITED**

Signatory:
Capacity:
Authority:

SIGNED at

on 2012

For: **BLANKET MINE (1983) (PRIVATE) LIMITED**

Signatory:
Capacity:
Authority:

SIGNED at

on 2012

For: **CALEDONIA HOLDINGS ZIMBABWE (PRIVATE)
LIMITED**

Signatory:
Capacity:
Authority:

SUBSCRIPTION AGREEMENT

between

GWANDA COMMUNITY SHARE OWNERSHIP TRUST

(a trust registered in Zimbabwe under registration number [●])
("the Subscriber")

and

BLANKET MINE (1983) (PRIVATE) LIMITED

(a company incorporated in Zimbabwe under registration number 172/69)
("the Company")

and

CALEDONIA HOLDINGS ZIMBABWE (PRIVATE) LIMITED

(a company incorporated in Zimbabwe under registration number 5/45)
("CHZ")

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1 DEFINITIONS

In this Agreement, unless the context indicates otherwise, the words and expressions set out below shall have the meaning assigned to them and cognate expressions shall have a corresponding meaning, namely:

1.1	Agreement	means this subscription agreement;
1.2	Auditors	means the Company's auditors as at the Signature Date or failing that, at the election of the board of directors of the Company, Deloitte, KPMG or Ernst & Young;
1.3	BETS	means Blanket Employee Trust Services (Private) Limited, a company registered in Zimbabwe under registration number [●], and which is a wholly owned subsidiary company of the Blanket Employee Trust ;;
1.4	Business Day	means any day that is not a Saturday, Sunday or public holiday in Zimbabwe;
1.5	Closing Date	means the 5 th (fifth) Business Day after the fulfilment of the suspensive conditions in clause 3 ;
1.6	Directors	means the directors of the Company from time to time appointed in accordance with clause 7 ;
1.7	Indigenisation	means the process and objectives contemplated in the Indigenisation Act and the Regulations;
1.8	Indigenisation Act	means the Indigenisation and Economic Empowerment Act [<i>Chapter 14.33</i>];
1.9	MOU	means the memorandum of understanding concluded by Caledonia Mining Corporation, CHZ, the Company, and the Minister of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe on 20 February 2012;

1.10	Parties	means CHZ, the Company, and the Subscriber and "Party" means any one of them, as the context may indicate;
1.11	Regulations	means the Indigenisation and Economic Empowerment (General) Regulations, 2010;
1.12	NIEEF	means the National Indigenisation Economic Empowerment Fund established in terms of section 12 of the Indigenisation Act;
1.13	Signature Date	means the date of signature of this Agreement by the Party last in time to do so;
1.14	Subscriber's Bank Account	means the bank account nominated by the Subscriber for the payment of the amount referred to in clause 5 , the details of which are as follows: Bank: [•] Branch: [•] Branch Code: [•] Account Number: [•];
1.15	Subscription Shares	means 4,280,000 (four million two hundred and eighty thousand) B" class shares representing 10% (ten percent) of the issued share capital of the Company, which shall confer the right to receive the dividend described in clause 4.3 below; and
1.16	Zimco	means Zimco (Private) Limited, a company to be incorporated in Zimbabwe.

2 BACKGROUND

2.1 CHZ and the Company have agreed to the Indigenisation of the Company in accordance with the provisions of the MOU.

2.2 In terms of the MOU, the Company is required to issue the Subscription Shares to the Subscriber.

2.3 The Parties wish to record the terms on which the Subscriber will subscribe for the Subscription Shares.

3 CONDITIONS PRECEDENT

3.1 The implementation of this Agreement is, save for the provisions of **clauses 1, 3.2 and 7 to 16**, inclusive, which will be of immediate force and effect, subject to:

3.1.1 the following agreements being concluded and becoming unconditional according to their terms, save for the condition that this Agreement is concluded and becomes unconditional:

3.1.1.1 an agreement between the Company and BETS in terms of which BETS will subscribe for 4,280,000 (four million two hundred and eighty thousand) "A" class shares representing 10% (ten percent) of the issued share capital of the Company;

3.1.1.2 an agreement between the Company and Zimco in terms of which Zimco will subscribe for 6,420,000 (six million four hundred and twenty thousand) "A" class shares representing 15% (fifteen percent) of the issued share capital of the Company; and

3.1.1.3 an agreement between the Company and NIEEF in terms of which NIEEF will subscribe for 6,848,000 (six million eight hundred and forty eight thousand) "A" class shares representing 16% (sixteen percent) of the issued share capital of the Company;

3.1.2 receipt by CHZ and the Company of written confirmation from the Ministry of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe that the implementation of this Agreement and the agreements in **clause 3.1.1** constitutes compliance by CHZ and the Company with the requirements of the Indigenisation Act and the Regulations;

3.1.3 receipt by CHZ and the Company of the approvals, to the extent certified in writing by the Auditors to be required by law, by the Reserve Bank of Zimbabwe of the transactions contemplated in the MOU and any related transactions and/or corporate re-organisation required to give effect to the Indigenisation by CHZ of the Company; and

- 3.1.4 receipt by CHZ and the Company of written confirmation of the unconditional withdrawal by the Zimbabwe Ministry of Mines and Mining Development to the Company of the letter sent by it to the Company dated 13 December 2011 requiring the Company to reach agreement with the Zimbabwean Mining Development Corporation regarding the Indigenisation of the Company.
- 3.2 The Parties shall use all commercially reasonable endeavours to procure the fulfilment of the conditions precedent stipulated in **clause 3.1**.
- 3.3 The conditions in **clause 3.1** above are stipulated for the benefit of CHZ and CHZ may waive any one or all of those conditions by way of written notice to the Subscriber.
- 3.4 In the event of the conditions stipulated in **clause 3.1** not being fulfilled on or before 30 September 2012, or on or before such later date as CHZ and the Company agree upon in writing, this Agreement shall lapse and shall be of no further force or effect and no Party shall have any claim against the other Parties arising from the provisions of this Agreement or the termination thereof.

4 SUBSCRIPTION

- 4.1 The Subscriber hereby subscribes for the Subscription Shares.
- 4.2 The Company hereby accepts the subscription for the Subscription Shares as set out in **clause 4.1**, and undertakes to allot and issue the Subscription Shares to the Subscriber on the Closing Date at a nominal value of US\$ 1 (one US Dollar).
- 4.3 The Subscription Shares shall confer on the Subscriber the right to receive a dividend in the amount of US\$1,000,000 (one million US Dollars), which shall be payable by the Company to the Subscriber within 12 (twelve) months of the Closing Date.

5 DONATION

The Company hereby donates, and undertakes on the Closing Date to pay to the Subscriber, an amount of US\$1,000,000 (one million US Dollars) in cash, by way of electronic transfer by the Company to the Subscriber's Bank Account.

6 FUNDING

- 6.1 If the Directors should at any time resolve to call on the shareholders of the Company to advance capital to the Company, either by way of share capital or loans, the Subscriber shall advance such capital *pro rata* to its shareholding in the Company at the date on which the Directors determine that the capital is required.

- 6.1.1 If the Subscriber is unable or unwilling to provide the capital required in terms of **clause 6.1**, then it shall notify the Company in writing to that effect within 30 (thirty) days of the date on which it is advised in writing (“the Finance Date”) by the Company that capital is required from it.
- 6.1.2 If the Company should receive a notice contemplated in **clause 6.1.1**, or if the Subscriber should fail to give a notice as contemplated in **clause 6.1.1** and should fail to comply with its obligation to advance capital to the Company in terms of this **clause 6.1** within 90 (ninety) days from the Finance Date, and if CHZ is prepared to provide the amount of the finance which the Subscriber was required to advance to the Company, then CHZ shall notify the Company in writing to that effect within 10 (ten) Business Days of receipt of the notice referred to in **clause 6.1.1**, or of failure by the Subscriber to advance capital as required in terms of this **clause 6.1**.
- 6.2 If the Subscriber is called upon to advance an amount to the Company in terms of **clause 6.1** above, and if the Subscriber has declined or, as the case may be, failed to comply with such request in accordance with the provisions of **clauses 6.1.1** and **6.1.2**, then, if it shall have exercised the right to advance to the Company the amount which the Subscriber has declined to advance, CHZ shall have the right, to call upon the Subscriber to sell CHZ such number of shares at par as shall, after transfer thereof into the name of CHZ, result in CHZ such percentage of the issued voting capital of the Company as shall be equal to the percentage which the aggregate of loan capital and share capital contributed by CHZ to the Company constitutes of the total capital contributed by all shareholders by way of share capital and loan capital.

7 DIRECTORS

- 7.1 The board of Directors shall be comprised of a maximum of 8 (eight) Directors.
- 7.2 The Parties agree that:
 - 7.2.1 the Subscriber shall be entitled to appoint 1 (one) Director who shall be acceptable to the majority of the Board of Directors of the Company whose acceptance shall not be unreasonably withheld;; and

7.2.2 CHZ shall be entitled to appoint 4 (four) Directors.

7.3 The Subscriber and CHZ shall have the right, from time to time, by notice in writing to the Company, to remove a Director nominated by it in terms of **clause 7.1** as a Director and to nominate, in accordance with **clause 7.2** another person in the place of the Director so removed.

8 CONFIDENTIALITY

8.1 All communications between the Parties and all information and other materials supplied to or received by a Party from any of the other Parties which relates in any way to this Agreement and to the Company shall be kept confidential by the Parties unless or until the relevant Party can reasonably demonstrate that:

8.1.1 any such communication, information or material is, or part of it is, in the public domain through no fault of its own; or

8.1.2 any such communication, information or material has been lawfully obtained from any third party; or

8.1.3 the information is already lawfully known to the relevant Party at the time that Party receives such information; or

8.1.4 the relevant Party is obliged by law to disclose such information,

whereupon this obligation in respect of that information shall cease.

8.2 The Parties shall use their best endeavours to procure the observance of these restrictions and shall take all reasonable steps to minimise the risk of disclosure of confidential information by ensuring that only they themselves and such of their employees, agents or consultants whose duties will require them to possess any of such information shall have access to such information, and will be instructed to treat the same as confidential.

8.3 The obligation contained in this **clause 8** shall endure, even after the termination of this Agreement, without limit in point of time, except and until such confidential information falls within any of the provisions of **clauses 8.1.1** to **8.1.4**, and shall be subject to the Company's confidentiality regime at the Signature Date.

9 SUPPORT

The Parties undertake at all times to do all such things, perform all such actions and take such steps (including in particular the exercise of their voting rights in the Company) and to procure the doing of all such things, the performance of all such actions and taking of all such steps as may be open to them and necessary for or incidental to the putting into effect the provisions of this Agreement.

10 DOMICILIUM CITANDI ET EXECUTANDI

10.1 Each Party chooses the address set out opposite its name below as its *domicilium citandi et executandi* at which all notices, legal processes and other communications must be delivered for the purposes of this Agreement:

10.1.1 the Subscriber

[•]

Fax: [•]

Email:[•]

[For attention: [•]]

10.1.2 the Company

6th Floor Red Bridge NE

Eastgate

3rd Street and R. Mugabe Road

Harare

Zimbabwe

Fax: 263 284 23193

Email: CMangezi@blanketmine.com

[For attention: Mr. Caxton Mangezi]

10.1.3 CHZ

6th Floor Red Bridge NE

Eastgate

3rd Street and R Mugabe Road

Harare

Zimbabwe

Fax: +27 11 447 2554

Email: scurtis@caledoniamining.com

[For attention: Mr. Steve Curtis]

10.2 Any notice or communication required or permitted to be given in terms of this Agreement shall be valid and effective only if in writing, and delivered by hand or sent or transmitted by registered post, telefax or by email.

10.3 Each Party may by written notice to the other Parties change its chosen address and/or its chosen telefax number and/or its email address to another physical address, telefax number or email, provided that the change shall become effective on the fourteenth day after the receipt of the notice by the addressee.

10.4 Any notice to a Party:

10.4.1 sent by prepaid registered post to it at its chosen address;

10.4.2 delivered by hand to a responsible person during ordinary business hours at its chosen address;

10.4.3 transmitted during ordinary office hours by facsimile to its chosen telefax number; or

10.4.4 transmitted during ordinary office hours by email to its chosen email address,

unless the contrary is proved, shall be deemed to have been received, in the case of **clause 10.4.1**, on the 7th (seventh) Business Day after posting and, in the case of **clauses 10.4.2, 10.4.3 and 10.4.4**, on the day of delivery or transmission as the case may be.

11 BREACH AND TERMINATION

11.1 Should a Party (“the Defaulting Party”) commit a breach of any provision of this Agreement and fail to remedy such breach within 14 (fourteen) days from the date of written notice from any other Party to this Agreement (“the Aggrieved Party”) calling upon it to do so, the Aggrieved Party shall have the right, without prejudice to any other rights available in law, either:

11.1.1 if the breach complained of can be fully remedied by the payment of money, to take whatever action may be necessary to obtain payment of the amounts required by the Aggrieved Party to remedy such breach; or

11.1.2 if the breach complained of cannot be fully remedied by the payment of money, or, alternatively, if it can be so remedied and payment of any amounts claimed by the Aggrieved Party in terms of **clause 11.1.1** is not made to the Aggrieved Party within 7 (seven) days of the date of determination through arbitration or legal process of the amount legally payable, to take whatever action may be necessary to enforce its rights under this Agreement or to terminate this Agreement,

and in either event to claim such damages as it may have suffered as a result of such breach of contract.

- 11.2 The Defaulting Party shall be liable for all costs and expenses (calculated on an attorney and own client scale) incurred as a result of or in connection with the default.
- 11.3 Should the Subscriber institute and/or cause to be instituted, any legal action of any nature whatsoever against the Company, the Company shall have the right, exercisable by written notice given to the Subscriber at any time after the institution of any such legal action, to terminate this Agreement and purchase from the Subscriber all of the Subscription Shares at a value determined by the Auditors.

12 ARBITRATION

- 12.1 Any dispute arising out of this Agreement or the interpretation thereof, both while in force and after its termination, shall be submitted to and determined by arbitration in accordance with the provisions of the First Schedule to the Arbitration Act, 6 of 1996, (for the purpose of this **clause 12**, ("the Act"). Such arbitration shall be held in Harare unless otherwise agreed and shall be held in a summary manner with a view to it being completed as soon as possible.
- 12.2 There shall be one arbitrator, who shall be, if the question in issue is:
- 12.2.1 primarily an accounting matter, an independent chartered accountant of not less than 10 (ten) years' standing;
 - 12.2.2 primarily a legal matter, a practising Senior Counsel or commercial attorney of not less than 10 (ten) years' standing; and
 - 12.2.3 any other matter, a suitably qualified independent person.
- 12.3 The appointment of the arbitrator shall be agreed upon between the Parties, but failing agreement between them within a period of 14 (fourteen) days after the arbitration has been demanded by a Party by notice in writing to the others, a Party shall be entitled to request the High Court of Zimbabwe to make the appointment.
- 12.4 The arbitrator shall have the powers conferred upon an arbitrator under the Act.
- 12.5 A Party shall have the right to appeal against the decision of the arbitrator in accordance with the Act. The decision resulting from such appeal shall be final and binding on the Parties, and may be made an order of any court of competent jurisdiction. The Parties hereby submit to the jurisdiction of the High Court of Zimbabwe sitting at Harare should a Party wish to make the arbitrator's decision an order of Court.

- 12.6 The fact that any dispute has been referred to or is the subject of arbitration in terms of this **clause 12**, as well as any information submitted or furnished to the arbitrators or in any other manner forming part of the record of any arbitration proceedings, shall be kept confidential by the parties to such arbitration proceedings, and the parties to such proceedings shall use their reasonable endeavours to procure that all their employees, agents or advisers who are involved in or who obtain knowledge of any confidential information disclosed during such proceedings, shall be made aware of, and shall undertake in writing to be bound by, and to comply with, the provisions of this **clause 12**.

13 GOVERNING LAW AND JURISDICTION

- 13.1 The interpretation of this Agreement shall be governed by the law of the Zimbabwe in all respects.
- 13.2 Any Party shall be entitled to institute all or any proceedings against any the other Parties in connection with this Agreement in the High Court of Zimbabwe sitting at Harare.

14 INTERPRETATION

- 14.1 In this Agreement, unless the context requires otherwise:
- 14.1.1 words importing any one gender shall include the other 2 (two) genders;
 - 14.1.2 the singular shall include the plural and *vice versa*; and
 - 14.1.3 a reference to natural persons shall include created entities (corporate or unincorporated) and *vice versa*.
- 14.2 In this Agreement, the headings have been inserted for convenience only and shall not be used for nor assist or affect its interpretation.
- 14.3 If anything in a definition is a substantive provision conferring rights or imposing obligations on anyone, effect shall be given to it as if it were a substantive provision in the body of this Agreement.

15 GENERAL

- 15.1 This Agreement contains the entire agreement between the Parties as to the subject matter hereof.
- 15.2 No Party shall have any claim or right of action arising from any undertaking, representation or warranty not included in this Agreement.
- 15.3 No failure by a Party to enforce any provision of this Agreement shall constitute a waiver of such provision or affect in any way that Party's right to require performance of any such provision at any time in the future, nor shall the waiver of any subsequent breach nullify the effectiveness of the provision itself.
- 15.4 No agreement to vary, add to, or cancel this Agreement shall be of any force or effect unless reduced to writing and signed on behalf of all of the Parties to this Agreement.
- 15.5 No Party may cede any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other Parties to this Agreement.
- 15.6 This Agreement may be signed in counterparts, in which event the originals together will constitute the entire agreement between the Parties.

16 COSTS

Each Party shall bear its own costs to be incurred in connection with the drafting and negotiation of this Agreement.

SIGNED at

on 2012

For: **GWANDA COMMUNITY SHARE OWNERSHIP TRUST**

Signatory:
Capacity:
Authority:

SIGNED at

on 2012

For: **BLANKET MINE (1983) (PRIVATE) LIMITED**

Signatory:
Capacity:
Authority:

SIGNED at

on 2012

For: **CALEDONIA HOLDINGS ZIMBABWE (PRIVATE) LIMITED**

Signatory:
Capacity:
Authority:



KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg

Consent of Independent Auditor

The Board of Directors
Caledonia Mining Corporation Plc

We consent to the use of our report, dated March 30, 2016 with respect to the consolidated statement of financial position of Caledonia Mining Corporation Plc as of December 31, 2015, 2014 and January 1, 2014, and the related consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2015 incorporated in the Form 20-F.

KPMG Inc

(Signed) Nick van Niekerk
Director

March 30, 2016

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board:
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Molebe,
M Oddy, CAT Smit

Other Directors: LP Fourie, N Fubu,
AH Jaffer (Chairman of the Board), FA Karreem,
ME Magondo, AMS Mokgabudi, GM Pickering,
JN Pierce

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.