



Caledonia Mining
Corporation

Expanding, Low-Cost, Zimbabwean Gold Producer
February 2016





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Caledonia Mining Overview

Blanket Gold Mine, Zimbabwe

- Fully indigenised
- 2015 production 42,806oz
- Low-cost: 2014 cash-cost \$652/oz; AISC \$969/oz
- \$47m, internally-funded investment 2016-2021 to increase production to 80koz

Caledonia Group

- Robust cash position: C\$22.4m at September 30, 2015

Dividend Paying

- 1.125 US cents per share per quarter
- 7.3% yield at share price of 61 US cents

Low-cost and growing production underpins increasing profit and cash generation



Zimbabwe Investor Concerns

Political Stability

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

Indigenisation

- 51% of all businesses must be owned by Zimbabweans
- Caledonia implemented indigenisation in 2012
- IZ shareholders include community (10%) and workers (10%)

Inflation

- Hyper-inflation up to 2009 until Zim dollar abolished
- Functional currency is US\$
- Mild deflation

Infrastructure

- Adequate, reliable power
- Functioning roads, airports – efficient supply from Johannesburg
- Effective “soft” infrastructure: education, labour, administration

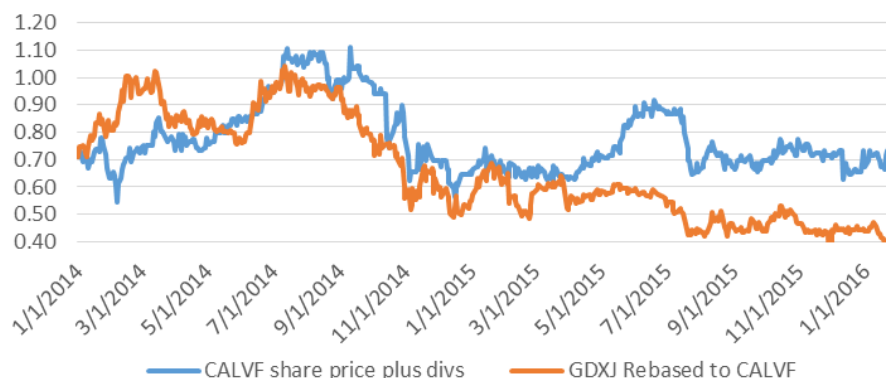
Exchange Controls

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



Capital Structure, Financials

Caledonia Mining Total Shareholder Return
(1 Jan 2014 to 22 Jan 2016)



Summary Profit and Loss (C\$m except per share data)

	Year 2014	H1 2015
Revenues	59.1	31.0
EBITDA	16.2	6.4
Profit after Tax	6.6	2.6
EPS - basic	9.3	3.4
EPS - adjusted	12.1	5.2

Capital Structure

Shares in issue (m)	52.1
Options (m)	0.98
Cash (30 Sept 2015)	C\$22.4m
Overdraft (30 Sept 2015)	C\$2.8m
Net Assets (30 Sept 2015)	C\$67.4m

Listing and Trading

Share price	C\$0.85
Market capitalisation (C\$m)	C\$44.3m
52 week low/high (C\$)	0.66 -1.06

Shareholders

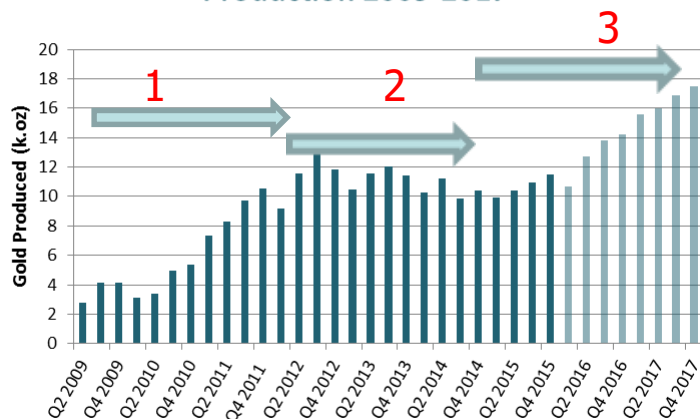
	%
Management	1.0
Allan Gray (South African Institution)	13.5
USA (mainly retail)	42.4
Canada (mainly retail)	32.2
Other	11.0



Gold Production

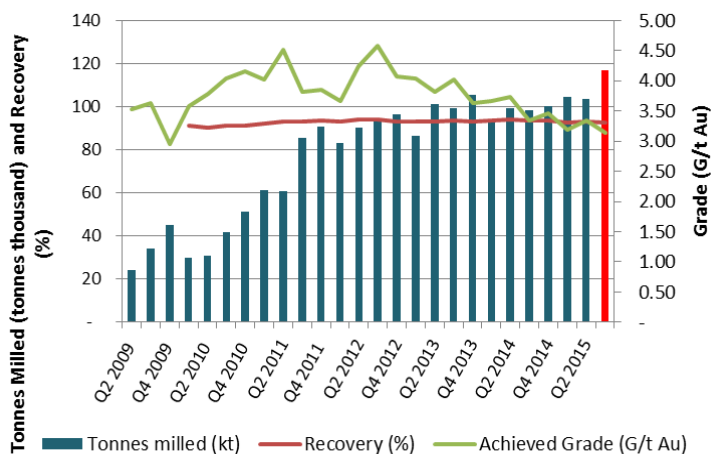
Revised Investment Plan Addresses Falling Production

Quarterly Historic and Projected Gold Production 2009-2017



1. 2010-2012: production increases following completion of shaft expansion programme in 2010
2. 2012-2014 production falls due to lower grade and underground logistical constraints
3. Revised Plan announced in November 2014
 - Improved logistics allow increased production volumes
 - Access to higher grade, ores on deeper levels
 - Benefits of the Revised Plan now being seen – further production increases in 2016 onwards

Tonnes Milled, Grade and Recovery



Increased tonnes milled in Q3 2015 is the first sign of the benefits of the Revised Investment plan

- 10% increase in tonnes mined following completion of the Tramming Loop in June 2015



The Revised Investment Plan

Improved Logistics; Accelerate Access to Deeper Resources

Increase Underground Material Handling

- Tramming Loop increases tramming capacity from 400tpd to 1,000tpd
- Modest cost, completed ahead of schedule in June 2015
- Completed loop allows 10% increase in mine production in Q3 2015

Deepen No. 6 Winze 630m to 870m

- Rapid access to Blanket zone below 750m
- Production starts Q1 2016; ramp-up to 500tpd by mid-2017
- Resume sinking from 870m after completion of Central Shaft

New Central Shaft Surface to 1,080m

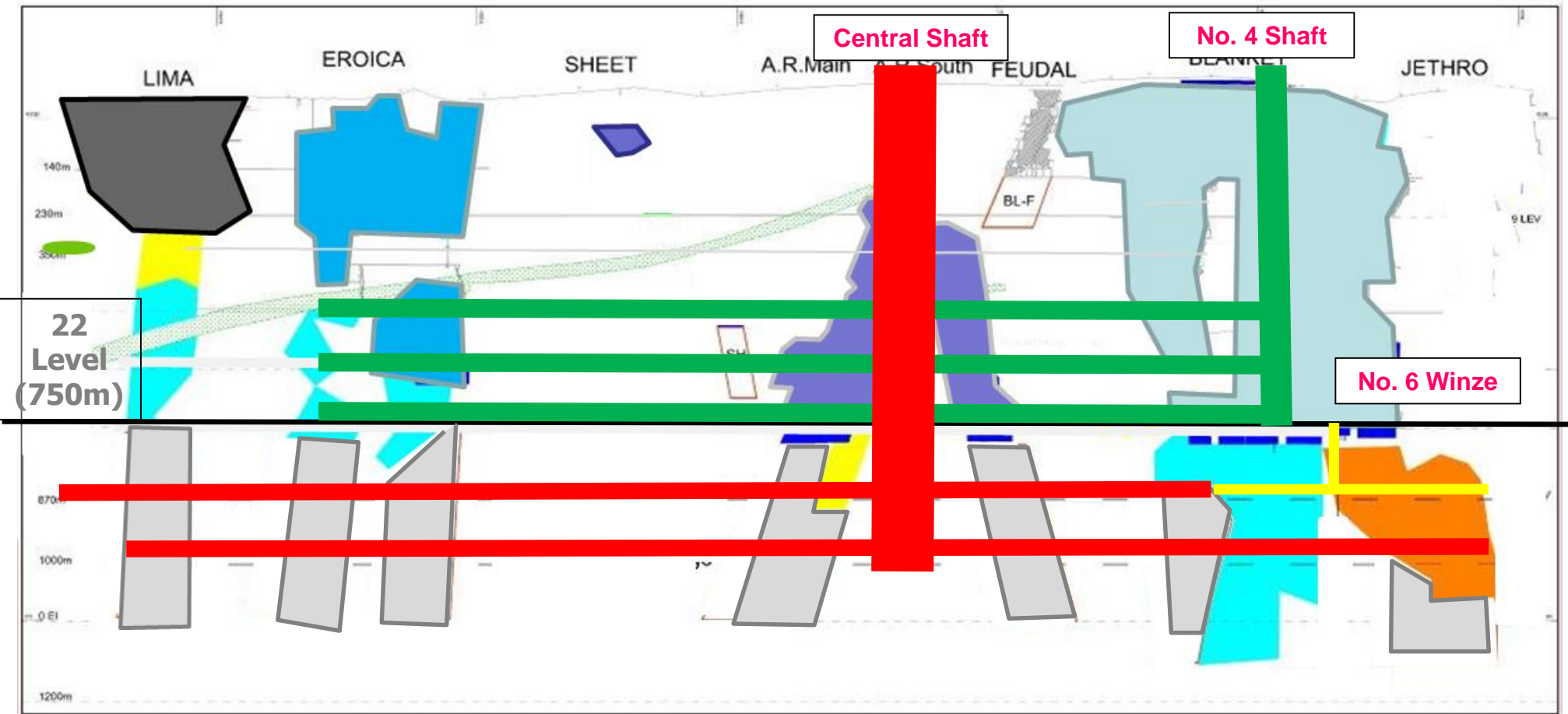
- Capital cost \$23m
- Commenced Aug 2015; complete and equipped in June 2018
- 6m diameter; 4-compartment; 3,000tpd; men, material, equipment
- Access horizontal development: 2 directions on 2 levels sub-750m
- Improves efficiency and de-risks current single-shaft status

Major impact on production, costs and flexibility



Revised Investment Plan

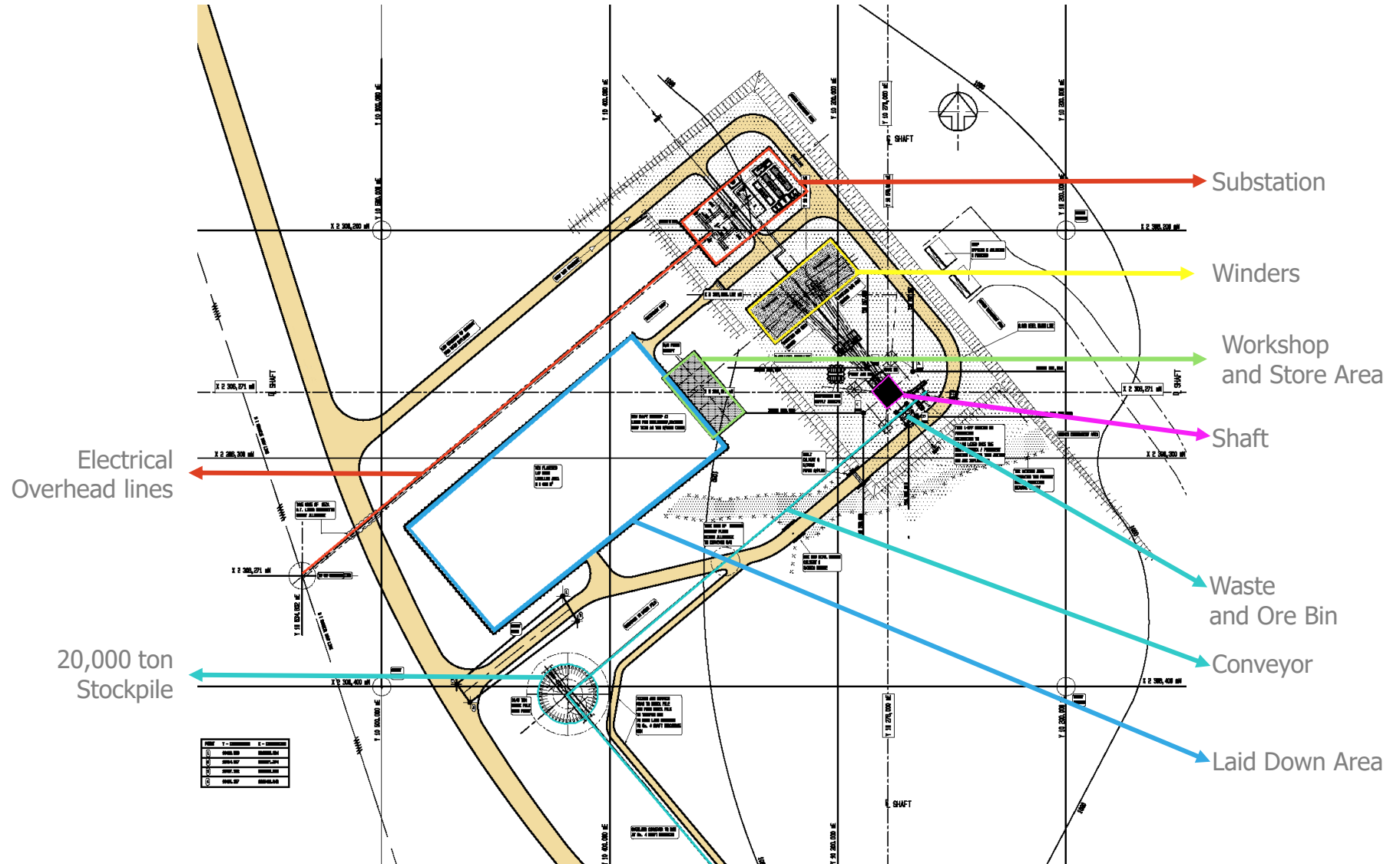
Improved Logistics; Accelerate Access to Deeper Resources



Plan illustrative and not to scale



Central Shaft Site Layout





Earthworks – Cut and Fill Commenced January 2015





First Blast 17th September 2015





Scotch Derrick: In Operation Commenced end July 2015





Shaft Construction

Shaft Barrel with Shutter Rings in place at 24m depth

20th October 2015





Site Infrastructure under Construction Commenced mid October 2015





Winder Construction in progress

Commenced mid October 2015





Progress to date

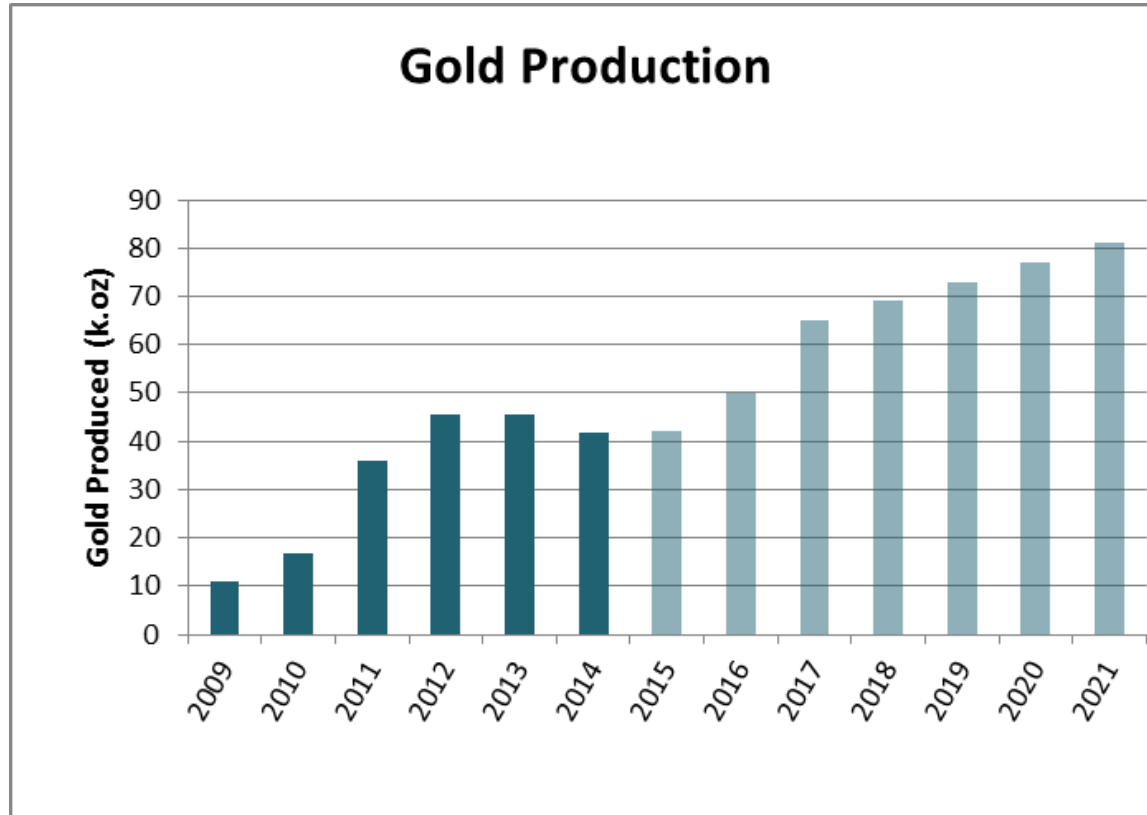




Revised Investment Plan

Projected Production

- Projected production in terms of the revised Life of Mine Plan is set out below



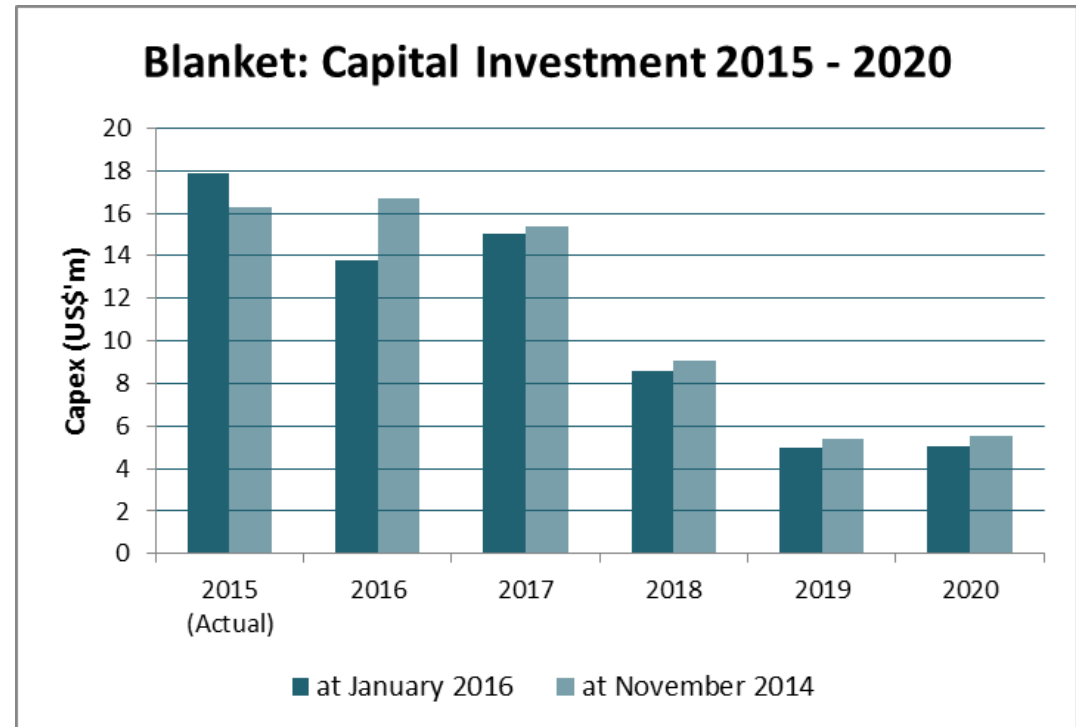
- Revised Life of Mine Plan has been independently reviewed and confirmed by Minxcon, Johannesburg.
- Projections exclude any production from the satellite exploration properties



Revised Investment Plan

Capital Expenditure and Funding

- Total project spend (2015-2021) reduced from \$68m to \$65m
- Higher capex in 2015 compared to plan due to the front-loading of capital purchases: specific items were available at attractive prices
 - results in \$5m cumulative reduction in projected capex from 2016 to 2020
- All further capex is expected to be funded by Blanket's internal cash generation following \$5m recapitalisation by Caledonia
- Caledonia intends to maintain its own dividend





Revised Investment Plan

Low-Risk Growth

Not a “Stretch” plan

- Implementation parameters based on achieved rates at other Blanket projects
- Allowance built in for slippage
- Highly experienced management team with experience of similar projects

Fully Funded

- 97% of the capex is generated by cash flows from mining existing higher-confidence resources
- Caledonia retains the financial capacity to provide support if required

Low-cost, high return

- Highly-skilled, in-house labour reduces costs and increases control
- Availability of high-quality, low-cost, refurbished equipment from South Africa
- Favourable rock dynamics: no need for shaft lining

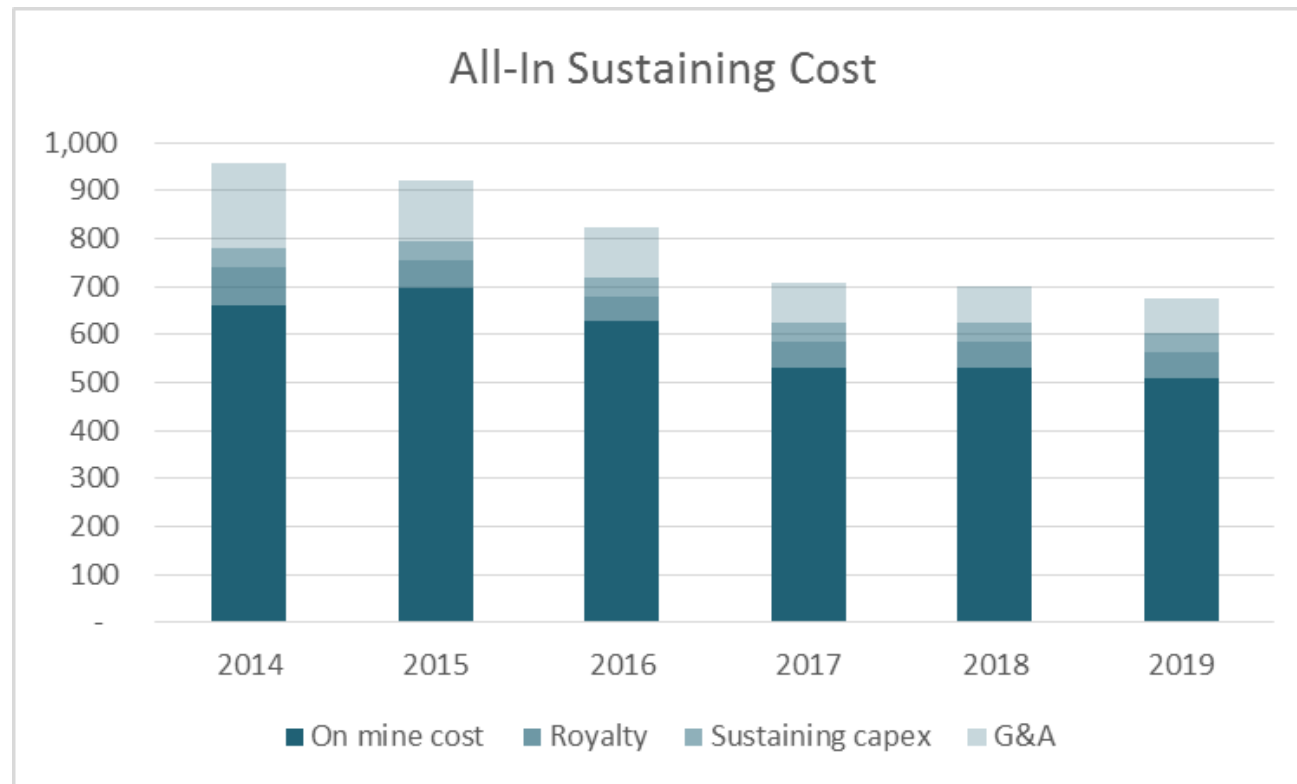
Mature environment

- Access to existing on-site experience and skills
- Management has long-standing experience of the geology and operating environment
- Established and highly efficient supply network



Revised Investment Plan

Reduced Costs



- Increased production results in falling costs per ounce:
 - Blanket's fixed costs (approx. 65% of total) and Corporate G&A spread over higher production
- Projected 2017 AISC below \$750/oz



Other Corporate Matters

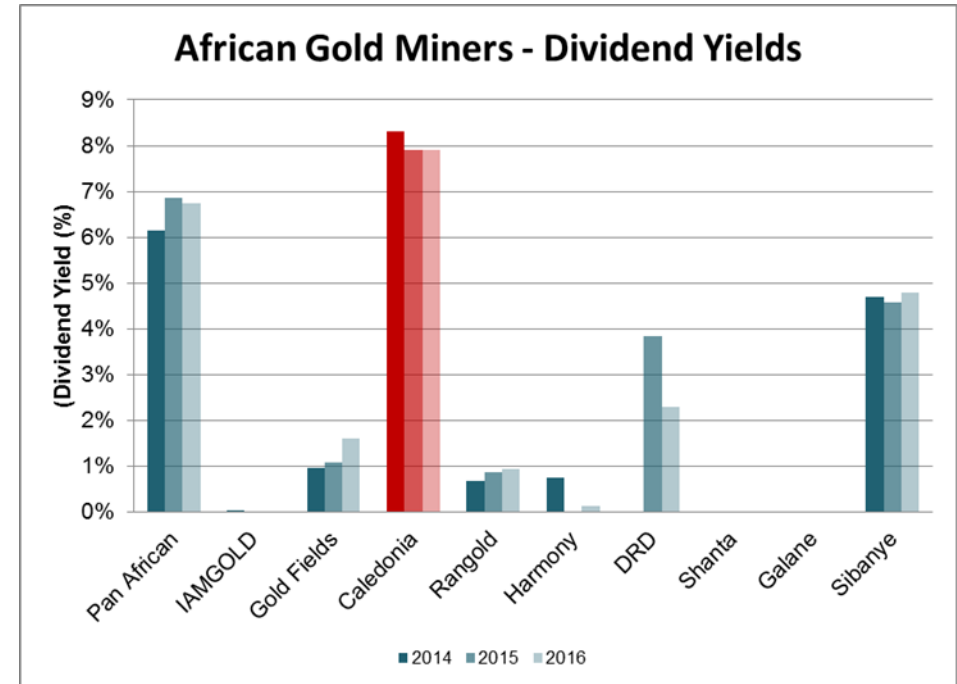
- Adoption of US\$ reporting from 2015 results (to be released late March 2016):
 - 40% devaluation of Canadian dollar against US\$ distorts C\$-denominated financial reporting
- Proposed re-domicile from Canada to Jersey, Channel Islands
 - Simplifies group structure
 - Reduces travel and compliance costs
 - Removes Canadian withholding tax on Caledonia's dividends for non-Canadians
 - Shareholder vote February 18, 2016



Dividend Policy

Committed to Shareholder Returns

- November 2013 Caledonia announced a new dividend policy:
 - 2014 dividend of 6 Canadian cents
 - payable quarterly @1.5 cents/quarter
- January 2016, following the decision to adopt US\$ reporting, the dividend was re-stated to 1.125 US cents/quarter
- Annual dividend cost U\$2.34m
 - 7x covered by cash resources at September 30, 2015
 - Caledonia's cash position will reduce due to continued investment in Blanket
- Caledonia's Board remains committed to the maintaining the dividend



Increased cash generation from 2017 onwards creates the opportunity for higher dividends and/or new, high return investments



Milestones to unlocking value proposition

Completion of tramming loop: mid-2015

Production commences at No 6 Winze: Q1 2016

Completion of vertical Central shaft early 2018

Commence production from Central Shaft: mid-2018



Concentrating on focused optimal extraction and lower costs



Contacts

Caledonia Mining

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

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Tim Blythe, Camilla Horsfall

AIM Broker/Nomad: WH Ireland

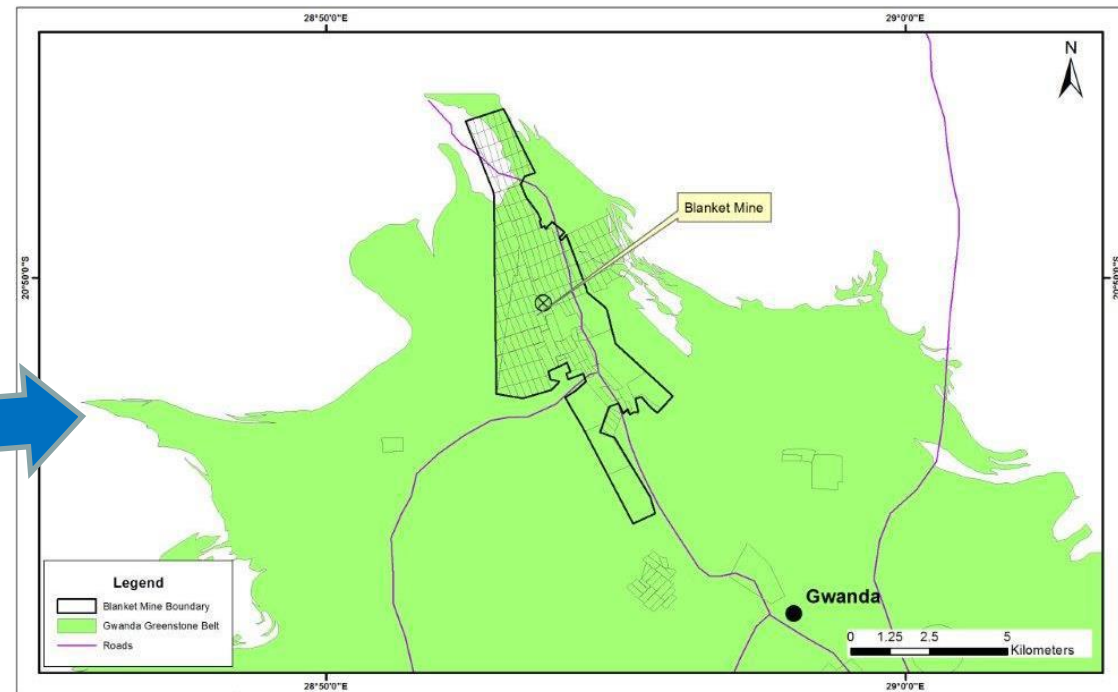
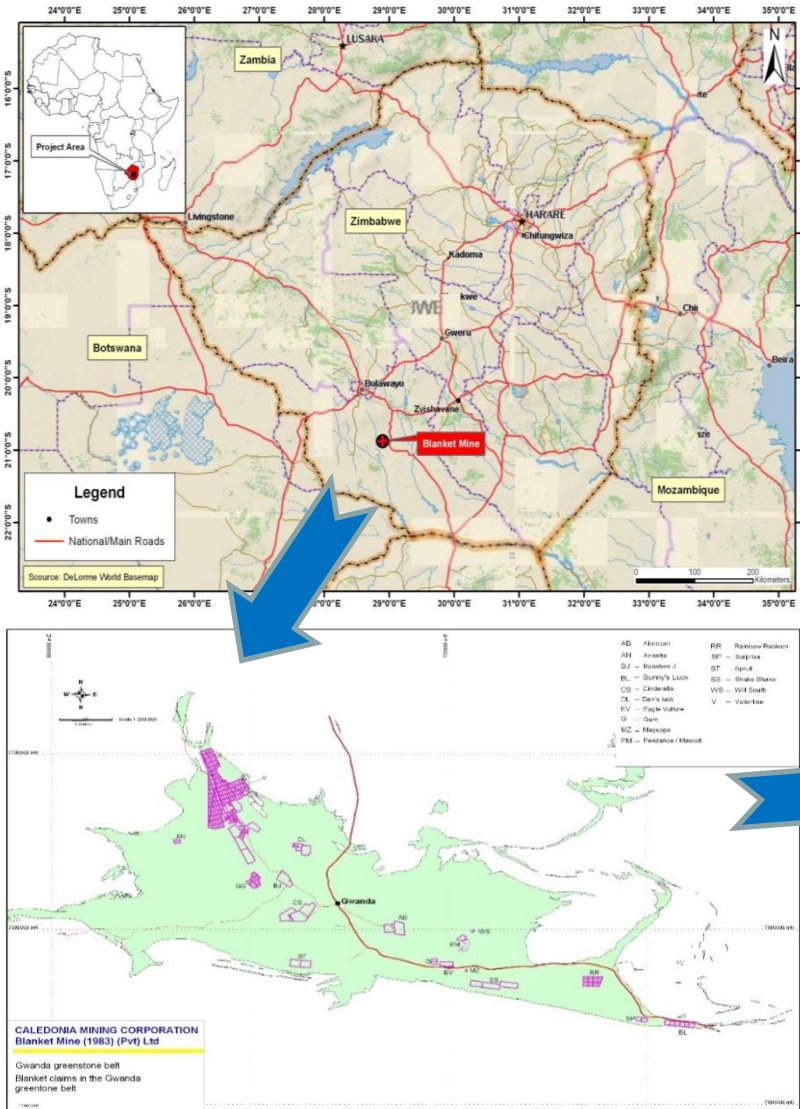
Research: Edison Investment Research

www.edisoninvestmentresearch.co.uk/research



Other Information: Location

- Key greenstone mining district
- All infrastructure in place
- Skills and labour freely available
- Close enough to Johannesburg for easy supply of SA-sourced supplies

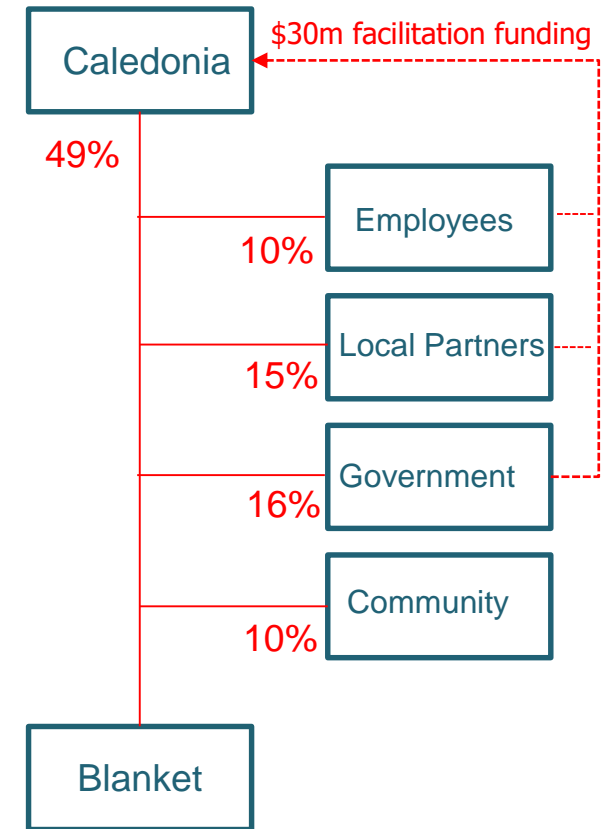




Blanket Gold Mine, Zimbabwe

The First Indigenised Zimbabwean Gold Miner

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





Other Information

Directors and Management

Management

Chief Executive	Steve Curtis
Chief Finance Officer	Mark Learmonth
Chief Operating Officer	Dana Roets
VP Exploration	Dr Trevor Pearton
Blanket Mine Manager	Caxton Mangezi

- Management based South Africa, except Mr Mangezi who lives at Blanket Mine
- Strong in-country support in Zimbabwe from Blanket's Indigenous Shareholders, including Mr. Nick Ncube, Blanket's chairman

Directors

Chairman	Leigh Wilson (USA)
CEO	Steve Curtis (S Africa)
CFO	Mark Learmonth (S Africa)
Independent Director	Johan Holtzhausen (S Africa)
Independent Director	Jim Johnstone (Canada)
Independent Director	David Henderson (Canada)
Independent Director	John Kelly (USA)

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