

Proposed Principles Relating to the Implementation of the Omnibus Incentivisation Compensation Plan

The Board has proposed to shareholders for approval at the Annual General Meeting to be held on May 14, 2015, a new Omnibus Incentive Compensation Plan ("OICP") for executive management. The Board's decision to develop the OICP was integral to an extensive restructuring of Caledonia's executive compensation policies that included new, standardized employment agreements structured in accordance with current best practice and international standards. The Board believes that incentivizing management over the long term is clearly in the interest of shareholders.

In the course of the development of the OICP the Non Executive Directors retained the services of an internationally recognized firm of executive compensation consultants to create the framework and the components of the Plan, and subsequently retained South African consultants to ensure the OICP's full compliance with that country's tax and Exchange Control regulations.

The performance objectives of the awards that the Board intends to grant under the OICP will be aligned strongly with long-term shareholder interests. The general principles which the board proposes to adopt when granting awards to executives include the following:

- Based on the current scale of Caledonia's operations and the current size of Caledonia's management team, and assuming that the management targets are achieved and the commercial environment in which Caledonia operates does not deteriorate, it is envisaged that the equity equivalent of awards under the OICP will total approximately 5% of Caledonia's issued share capital. "Equity equivalent" means the issue of new equity for example in the form of share options or shares, and the issue of non-dilutive units such as Share Appreciation Rights or Performance Share Units which provide the same economic characteristics as equity, but do not result in the issue of new equity;
- Vesting of awards would typically be deferred for 3 years from the date of grant; and
- Awards will reward management for specific and measurable performance objectives that are embodied in, and compatible with, objectives of the Revised Life of Mine Plan. These objectives include increased production, total cash generation and growing the resource base.

The amount of each of the awards and the instruments offered to management will be determined by your Board based upon the Company's overall financial and operating condition at the time they are considered as well as the Company's share price and market standards for executives with similar scope of responsibilities in comparable companies. The use of external consultants does not diminish the responsibility of the Non Executive Directors for implementing the proposed OICP.