

Caledonia Mining Corporation


Expanding, Low-Cost, Zimbabwean Gold Producer

September 2015


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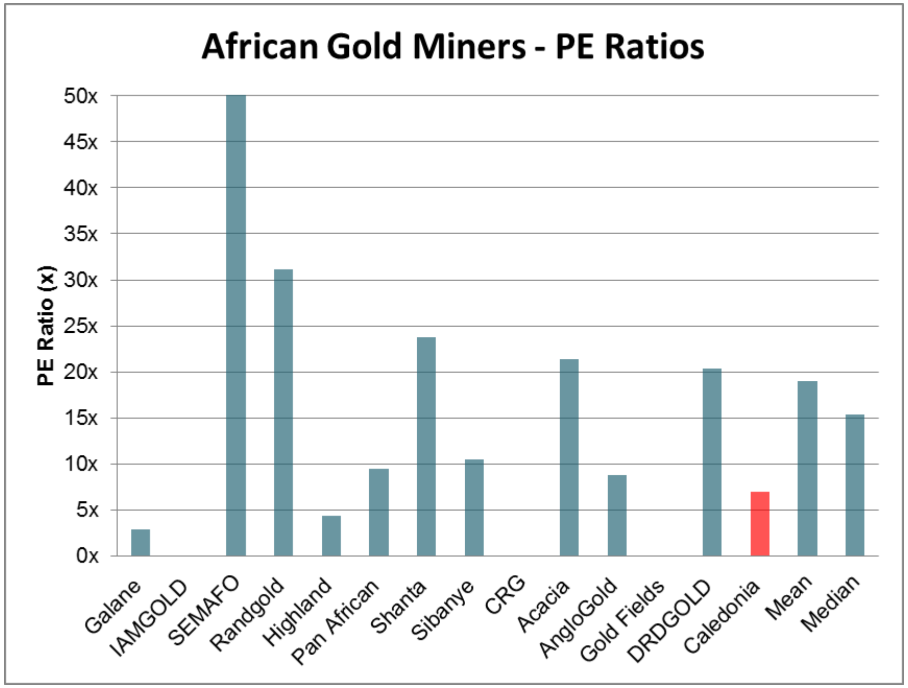
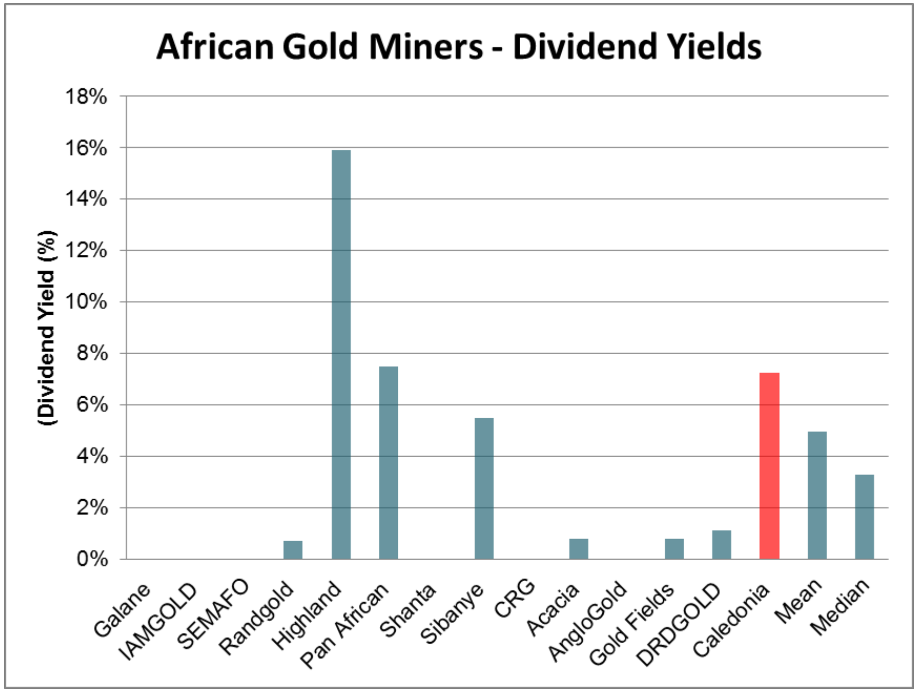
Caledonia Mining Overview

Blanket Gold Mine, Zimbabwe	• 49% owned - fully indigenised • 2014 production 41,771oz • Low-cost: 2014 cash-cost $652/oz; AISC $969/oz • $70m, internally-funded growth to 80koz by 2021
Caledonia Group	• Robust net cash position: C$23.7m at June 30, 2015 • Low PE Ratio; High dividend yield
Dividend Paying	• 1.5 cents Canadian per share per quarter • 7.7% yield at share price of 78 Canadian cents

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

Valuation Parameters
High Yield; Low PE Ratio

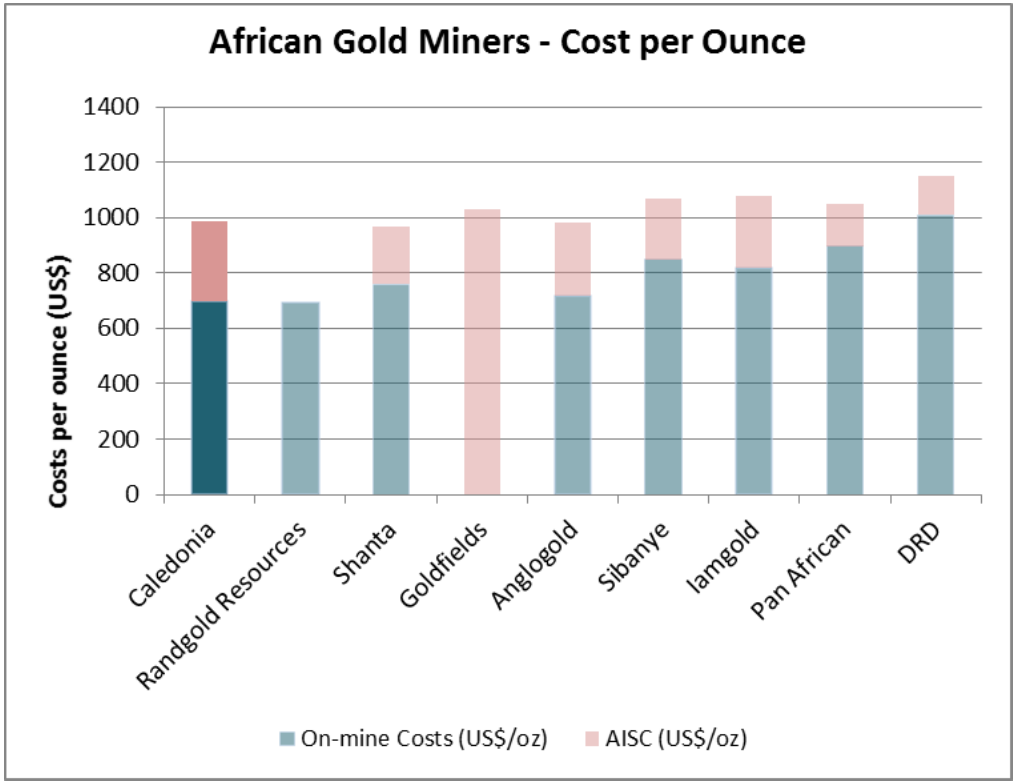




Sources: Company Information; S&P Capital IQ

- Low rating is due largely to negative perceptions about Zimbabwe
- Blanket is fully indigenised and has significant, fully-funded growth plans
- Investor concerns about Zimbabwe are over-done!

Blanket Mine
Competitive Operational Performance



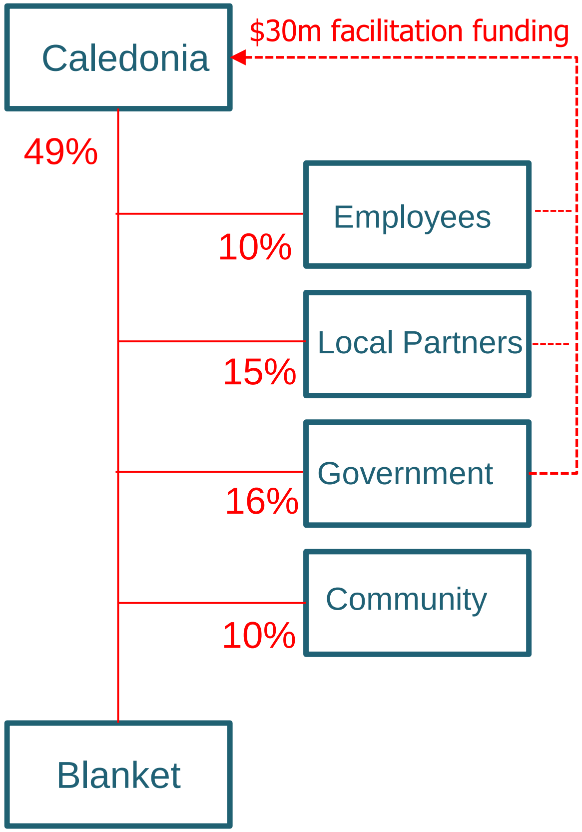
- Caledonia compares well to other African gold producers in terms of costs
- As Caledonia implements its growth strategy, Caledonia's operational and financial performance should improve significantly
  - 2018 target AISC: US$741/oz

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 destroyed the economy • Zim dollar abolished in 2009: functional currency is US$ • Mild deflation
Infrastructure	• Adequate, reliable power (ytd outage at Blanket: 82 hours) • 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)

Blanket Gold Mine, Zimbabwe
The First Indigenised Zimbabwean Gold Miner

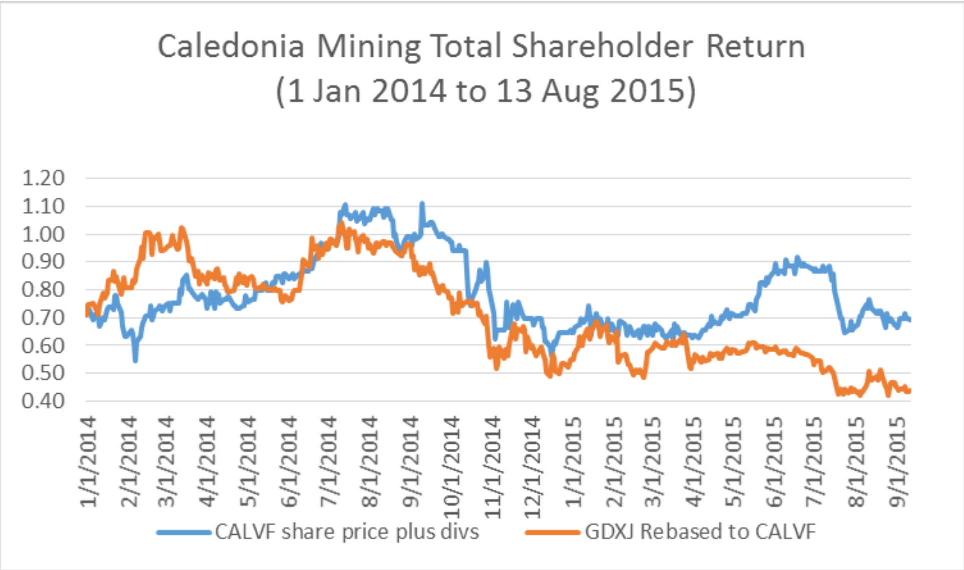
- Indigenisation completed and implemented in Q3 2012
  - 10% of Blanket donated to local community
  - 41% of Blanket sold to 3 parties for US$30.09 million
  - Zimbabweans given full credit for resources in the ground
- Caledonia continues to consolidate Blanket
- US$30.09M sale transaction is **vendor-financed** 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**



Zimbabwe
Improving Investment Climate

- Measures have been implemented by the Zimbabwe government to improve the operating environment for Gold producers
  - October 2014: royalty reduced from 7% to 5%, comparable with the royalty rate in other African countries
  - February 2015: discount on gold sales reduced from 1.5% to 1.25%
    - Significant working capital benefit from selling to Fidelity
- Income tax rate remains at 25%
- Signs that western governments are beginning to normalise relations with Zimbabwe
  - 2014: relaxation of sanctions, which target a few key individuals
  - October 2014: first British Trade Delegation to visit Zimbabwe in 20 years
  - February 2015: European Union announces Euro234m aid package to Zimbabwe
- Caledonia's recent contact with senior Ministers and officials in the Zimbabwe government confirm a strong focus on facilitating growth in the gold sector
- Improving domestic banking climate: more debt available at cheaper prices

Capital Structure, Financials



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)	2.7
Cash (30 June 2015)	C$23.7m
Net Assets (30 June 2015)	C$62.5m

Listing and Trading	
Share price	C$0.78
Market capitalisation (C$'m)	C$40.6m
52 week low/high (C$)	0.6-1.17

Shareholders	**%**
Management	0.9
Allan Gray (South African Institution)	13.5
USA (mainly retail)	42.4
Canada (mainly retail)	32.2
Other	11.0

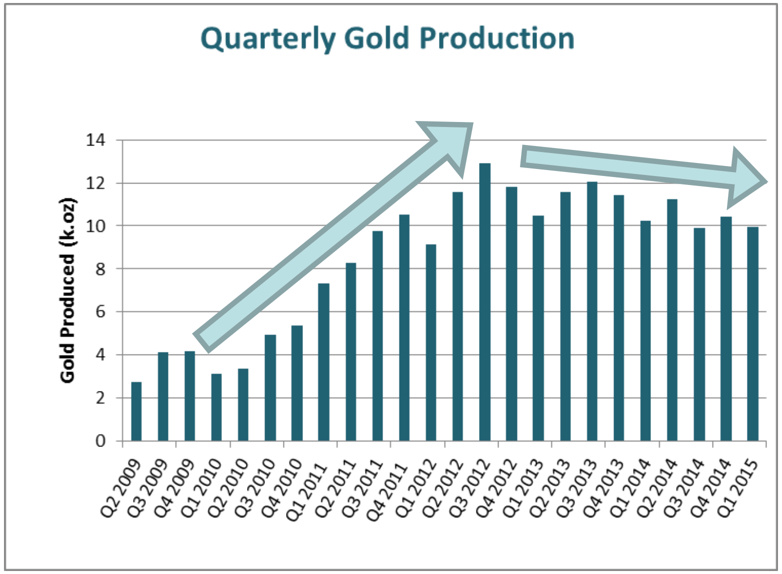
Resources

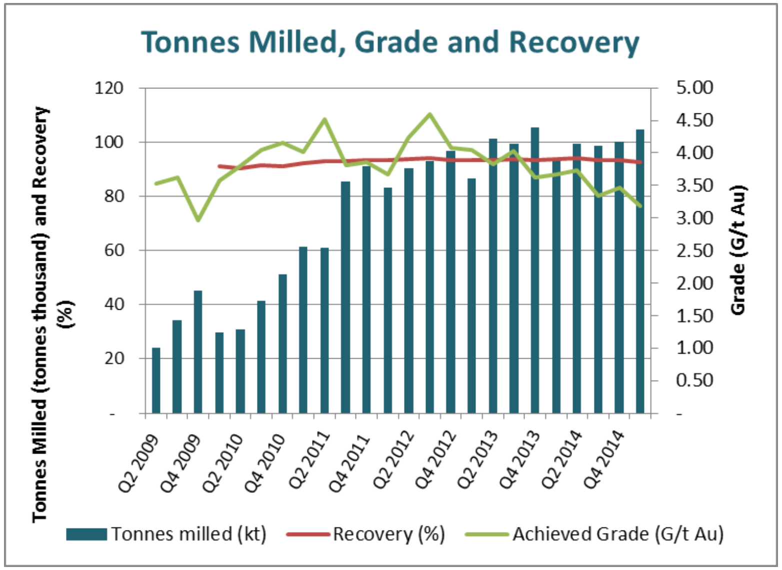
Mineral Resources at August 2014 (at $1,250 gold)			
	Tonnes (000's)	**Grade (g/t)**	**Gold (k.oz)**
Measured & Indicated Resources	4,051	3.82	498
Inferred Resources	3,345	5.11	-
Total Reserves and Resources	**7,397**		**-**

1. Tonnes are in situ
2. All figures are in metric tonnes
3. Mineral Resources include Mineral Reserves
4. Mineral Resources are stated at cut-off grade of 1.96g/t
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 2.86t/m3
8. Conversion from kg to oz: 1:32.15076

- Only material above pay-grade is added to inventory
  - historically a high resource to reserve conversion has been achieved
- Deep level exploration from underground drilling and exploration
  - Slower but more accurate drilling
  - Monthly drilling rate has doubled in 2015 due to increased focus on exploration and resource development
- May 2015: resource upgrade increases gold in indicated resource by 20%

Gold Production
Revised Investment Plan Addresses Falling Production





- Quarterly production approx. 10,000 ounces per quarter compared to over 12,000 ounces per quarter in mid-2012
  - Lower production due to lower grades which have fallen from a peak of 4.5g/t to 3.4g/t in Q4 2014.
- Constraints on underground logistics on 22-Level prevent build-up in tonnes to compensate for lower grades
- Revised Plan announced in November 2014 will address both issues
  - Improved logistics allow increased production volumes
  - Access to higher grade, ores on deeper levels

The Revised Investment Plan
Improved Logistics; Accelerate Access to Deeper Resources

Increase Underground Material Handling

- A new tramming Loop on 22 Level (750m below surface) increases tramming capacity (ore and waste) from 400tpd to 1,000tpd
- Modest capital cost ($0.8m approx) completed ahead of schedule in June 2015

Continue No. 6 Winze 630m to 870m

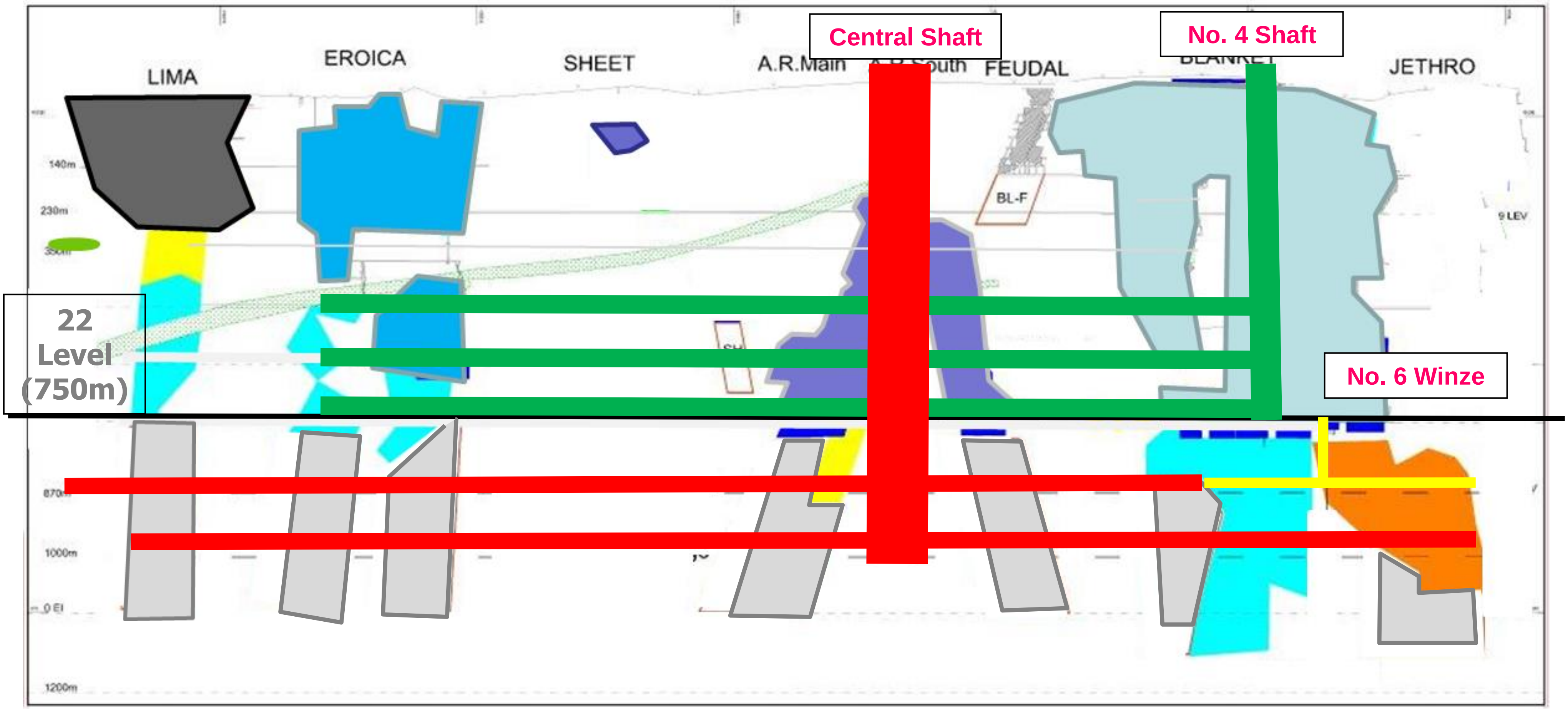
- Rapid access to Blanket zone below 750m
- Production starts Jan 2016; ramp-up to 500tpd by mid-2017
- Resume sinking from 870m after completion of Central Shaft

New Central Shaft Surface to 1,080m

- Capital cost $23m
- Commence 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

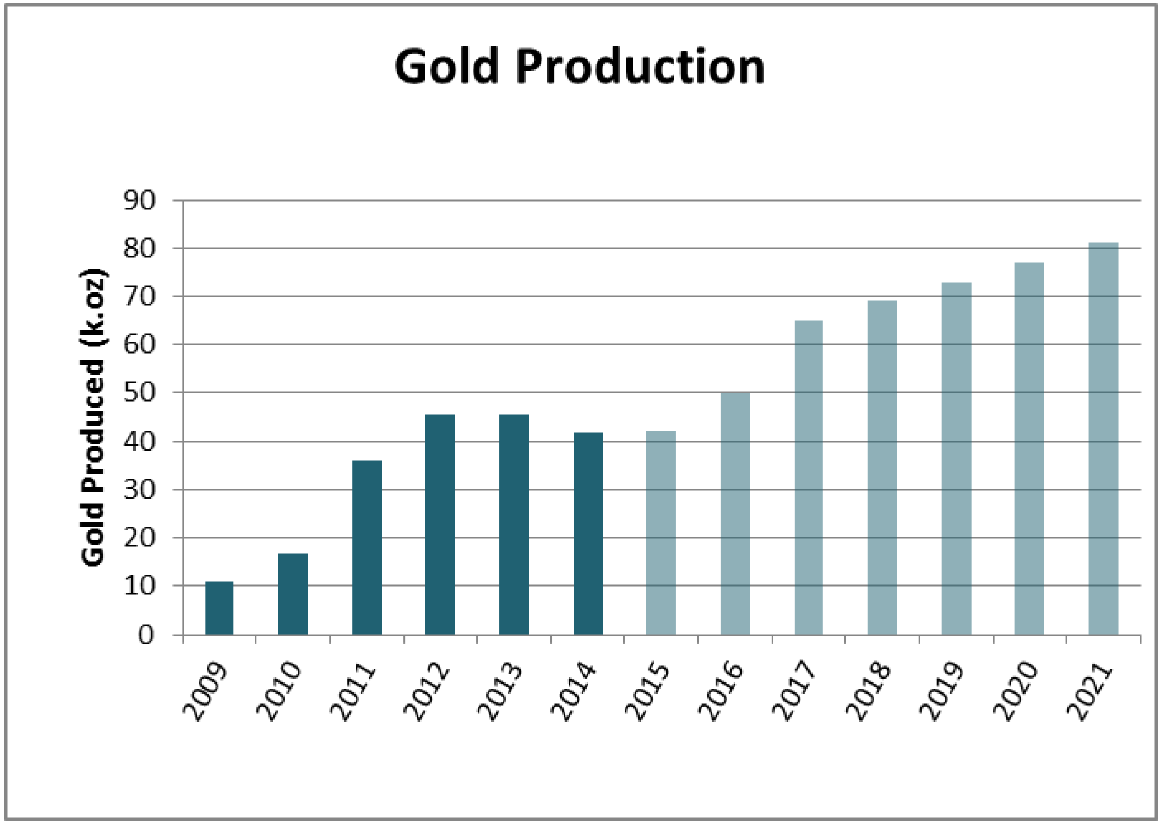
Revised Investment Plan
Improved Logistics; Accelerate Access to Deeper Resources



Plan illustrative and not to scale

Revised Investment Plan
Projected Production

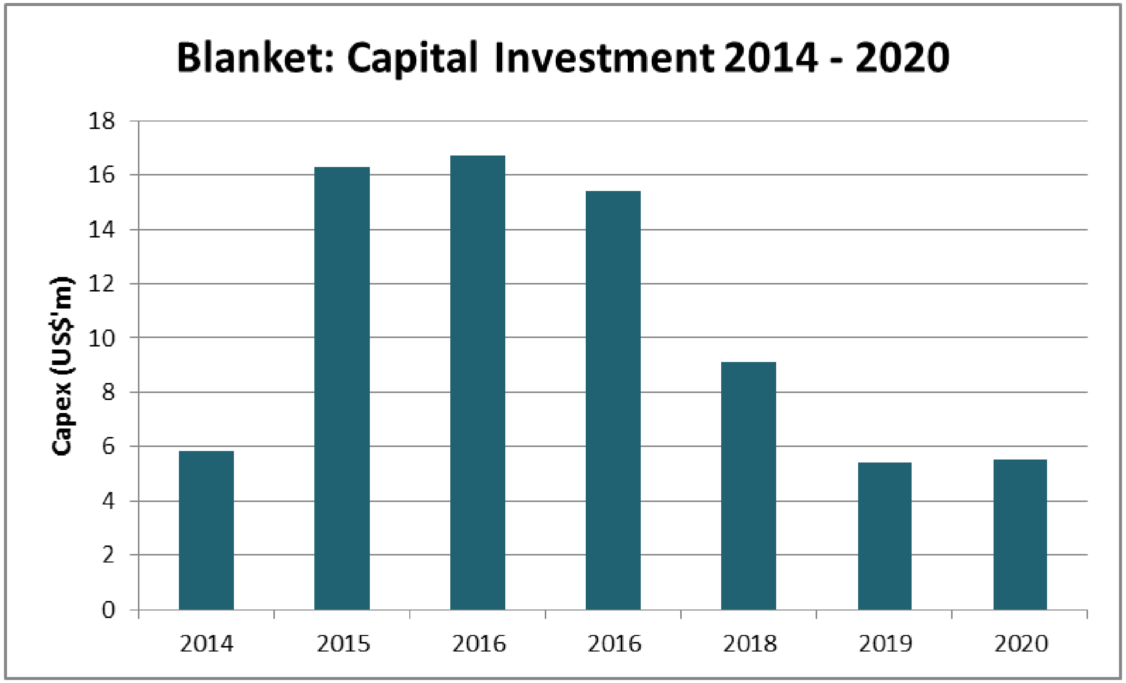
- Projected production in terms of the revised Life of Mine Plan is set out below



- 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

- US$70m of capital investment 2015 to 2021
- Local debt funding increased from $2.5m to $5m
- Blanket dividends suspended: cash redeployed into investment
- At $1,200/oz all capex funded by internal cash generation
- At $1,100 gold, Blanket will require additional funding of $5m, in addition to its local borrowing facilities
- Caledonia will provide funding support if required (e.g. materially lower gold price):
  - Net cash at June 201 - C$23.7m
- Caledonia intends to maintain its own dividend
  - Caledonia's cash will reduce in 2015, stabilise in 2016 and start to grow from 2017



Revised Investment Plan
Low-Risk Growth

Not a "Stretch" plan

- Implementation parameters (e.g. daily sinking rate) 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

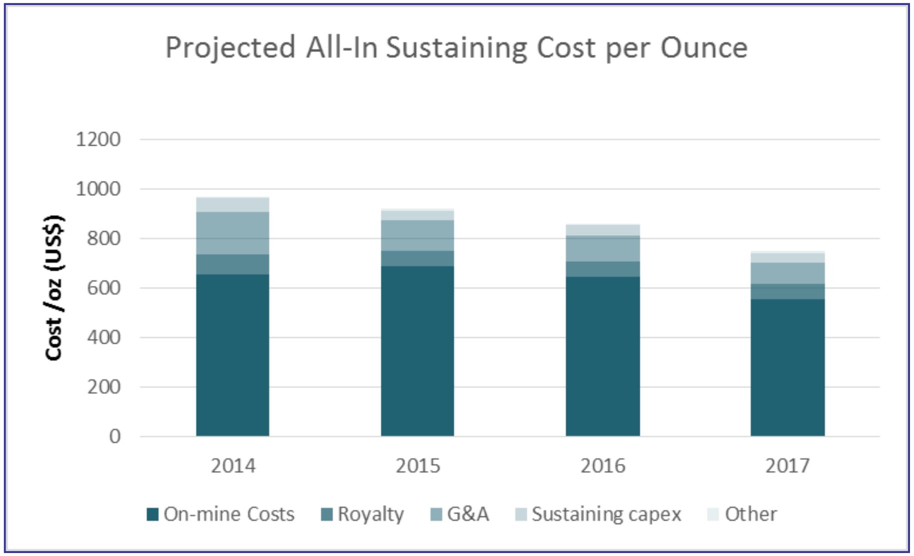
- Use of highly-skilled, in-house labour instead of contractors reduces costs and increases control
- Availability of high-quality, low-cost, refurbished equipment from South Africa
- Favourable rock dynamics: no need for shaft lining

Mature environment

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

Revised Investment Plan
Increasing Production and Falling Costs Boost Profit

- Strong growth in profit and cash flows
  - increasing production, falling average costs of production, reduced G&A
- Robust value proposition: opportunity for rapid share price appreciation:
  - Increasing profit
  - Increasing cash flows due to higher profit and cash flows from repayment of facilitation loans
  - Potential for rapid re-rating of Zimbabwe



Caledonia - Forecast Profit and Cash Flow 2015-2017

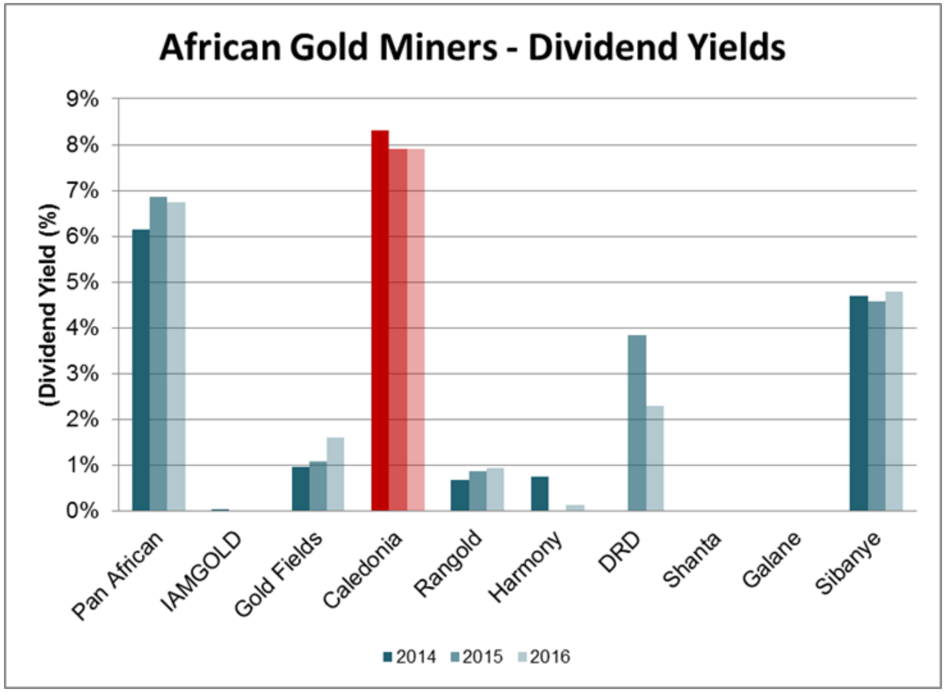
	2014 Act.	2015 F'cast	2016 F'cast	2017 F'cast	CAGR %
Production (k.oz)	41.7	42.0	49.5	64.0	15%
Gold price (US$)	1,245	1,164	1,224	1,368	
PBT (C$'m)	13.2	8.4	17.9	44.3	50%
EPS (Canadian cents)*	12.1	13.3	24.9	54.2	65%
Operating Cash flow (C$'m)	13.7	12.3	21.5	46.1	50%

** normalised*

Source: Edison Research, August, 2015

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
- Total 2015 dividend cost: C$3.1m
  - 8x covered by cash resources
- 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: Jan 2016

Completion of vertical Central shaft mid-2017

Commence production from Central Shaft: mid-2018

Concentrating on focused optimal extraction and lower costs

Core attributes of Caledonia

- In-house big project experience and Greenstone competence
- Fully funded development of existing resource
- Dividend underpinned by low cost structures
- Strong balance sheet with capacity
- Collaborative corporate culture
- Existing African mining expertise
- Fully indigenized structure

Undervalued, stable low cost producer

Contacts

Caledonia Mining

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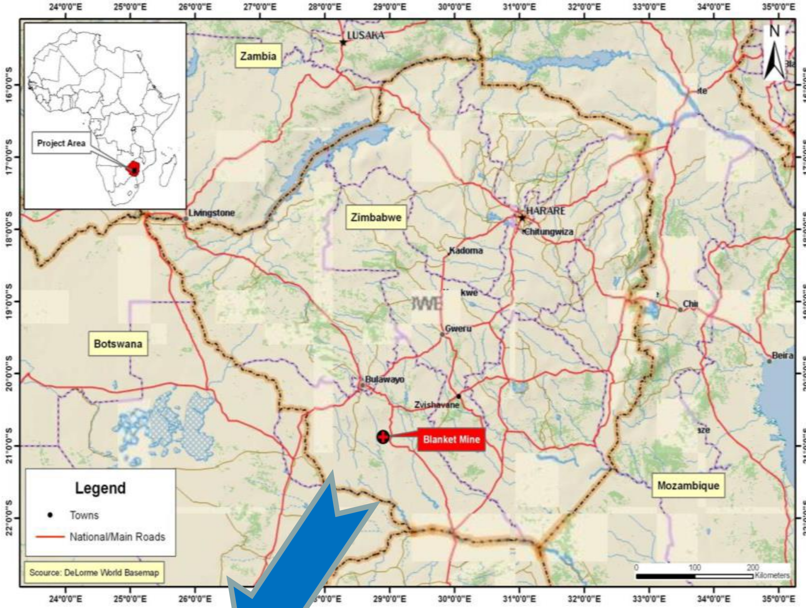
Tim Blythe, Halimah Hussain

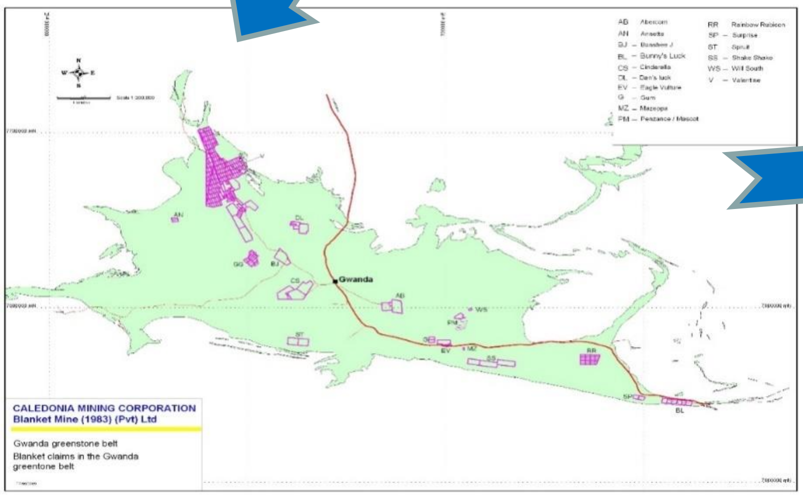
AIM Broker/Nomad: WH Ireland

Research: Edison Investment Research

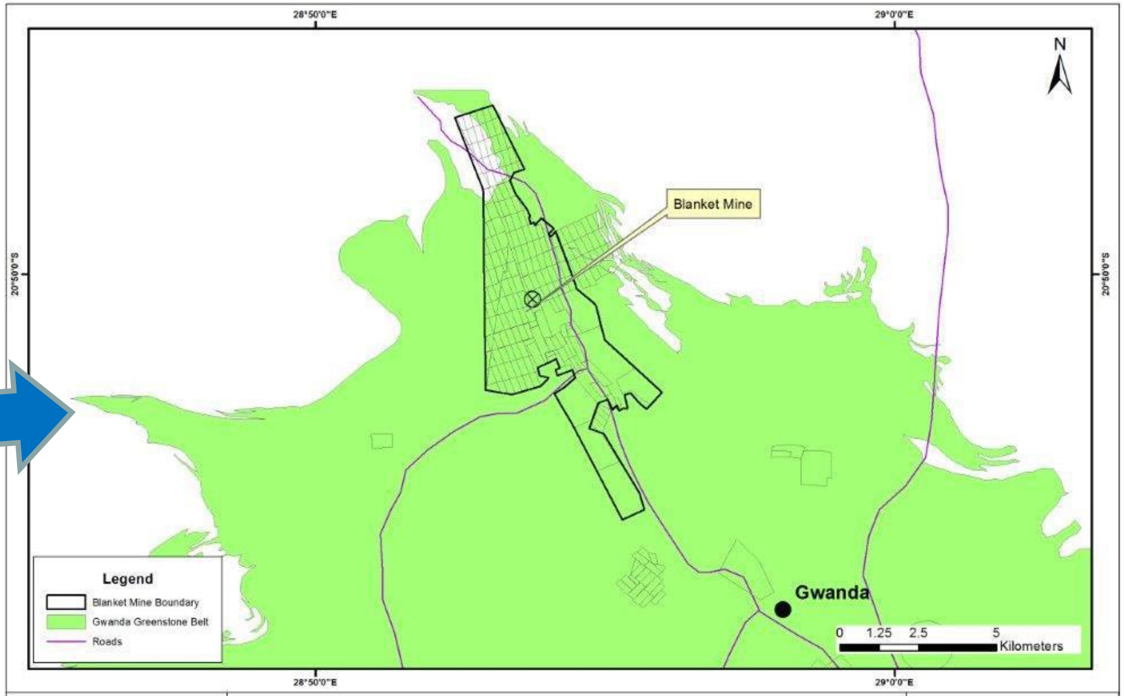
www.edisoninvestmentresearch.co.uk/research

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



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

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)
Non Executive Director	Richard Patricio (Canada)
Independent Director	John Kelly (USA)

- 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

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