



2015 Results Overview





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- Robust results in a challenging environment
 - Cashflow from operating activities down by \$6.8m from \$15.6m in 2014 to \$8.8m in 2015
 - \$4.5m due to the lower gold price: average realised gold price fell from \$1,245/oz to \$1,139/oz
 - \$2.1m due to higher operating costs: lower cost per tonne processed was offset by lower grades
 - EPS increased from 8.4 cents to 8.9 cents due to lower taxation and an accounting FX gain
 - Adjusted eps (excludes FX gain, non-cash tax and prior year adjustments) fell from 10.4 cents to 8.9 cents
- Significant progress on implementing the Revised Investment Plan
 - Completion of the Trammig Loop in June 2015:
 - Sustained increase in tonnes mined in the second half of 2015
 - Continued development without adversely affecting production
 - No 6 Winze completed: initial production commences at the end of Q1 2016 as planned
 - Good progress on the Central Shaft: production start-up scheduled for mid-2018
- 2016 will be a **Transformational Year** for Caledonia
 - Increased Production
 - 2016 target production: 50,000 ounces
 - Q4 2016 production rate of 58,000 ounces per annum
 - Falling cost per ounce due to economies of scale
 - Improved cash generation



Accounting Policies

- Change from Canadian dollar to US dollar reporting
 - Improves transparency of financial reporting: reflects the operations at Blanket mine for which revenues and costs are in US\$
 - Dividend re-based to US\$ with effect from January 2016: 4.5 US cents per annum compared to 6.0 Canadian cents per annum
- No impairments
 - At December 31, 2015 Caledonia's market capitalisation was \$29m compared to the carrying value of Blanket's PPE of \$50m
 - Management's financial modelling indicates a recoverable value arising from Blanket which exceeds the carrying value, therefore no impairment is required



Profit and Loss Overview

Summary P&L (US\$m)

	3 Months to 31 December		12 Months to 31 December	
	2014	2015	2014	2015
Revenues	11.1	11.8	53.5	49.0
Royalty	(0.6)	(0.6)	(3.5)	(2.5)
Production costs	(6.1)	(7.0)	(27.9)	(30.0)
Gross Profit	4.5	4.1	22.1	16.5
G & A	(2.5)	(2.4)	(7.4)	(7.6)
EBITDA	2.0	1.7	14.7	8.9
Depreciation	(0.7)	(0.7)	(3.5)	(3.3)
Other (incl. FX gain)	0.4	0.8	0.9	2.9
Operating Profit	1.7	1.8	12.1	8.5
Finance charges	(0.1)	(0.1)	(0.1)	(0.5)
Profit before tax	1.7	1.7	11.9	8.0
Tax	(2.0)	0.3	(6.0)	(2.4)
Net Profit	(0.4)	2.0	5.9	5.6
Net Profit attributable to:				
Caledonia shareholders	(0.3)	1.9	4.4	4.8
NCI	(0.1)	0.0	1.5	0.8
Attributable profit	(0.4)	2.0	5.9	5.6
EPS (cents)	(0.6)	3.6	8.4	8.9
Adjusted EPS (cents)*	2.1	0.9	10.4	8.2

- 2015 revenues down due to the weaker gold price. Little change in the ounces of gold sold year-on-year; Q4 2015 sales 1,200 ounces higher than Q4 2014
- Royalty rate remains at 5% of revenue: lower royalty charge reflects lower revenues
- Production costs (incl. production bonus) increase 8% due to lower grades: cost per tone milled falls by 4.5%
- G&A includes non-recurring expenses associated with historic South African tax issues, Zambian closure costs.
- Other income includes \$2.85m forex gain resulting from SA Rand devaluation
- Finance charge includes \$344,000 interest paid to SA tax authorities
- Lower taxation due to reversal of prior estimates and lower Zimbabwean income tax reduced due to high capex. 2015 tax charge includes \$2.6m of deferred tax
- Adjusted eps excludes the non-recurring Zambian and tax items and deferred tax.

* Adjusted EPS is a non-IFRS measure which is discussed in Section 10 of the MD&A



Revenues

Effect of Changes in Production, Sales and Gold Price

Production and Revenues				Revenue effect
	2014	2015	Movt. (%)	(\$'m)
Tonnes milled (K.tonnes)	391	440	13%	6.6
Average grade (g/t)	3.55	3.25	-8%	(4.9)
Average recovery (%)	93.4	92.7	-1%	(0.4)
Gold produced (oz)	41,771	42,804	2%	1.3
Net WIP movement (oz)	1,156	139		(1.3)
Gold Sold (oz)	42,927	42,943	0%	0.0
Av. realised gold price	1,244	1,140	-8%	(4.5)
Gold revenues (\$'m)	53.4	49.0	-8%	(4.4)

Numbers may not add, due to rounding

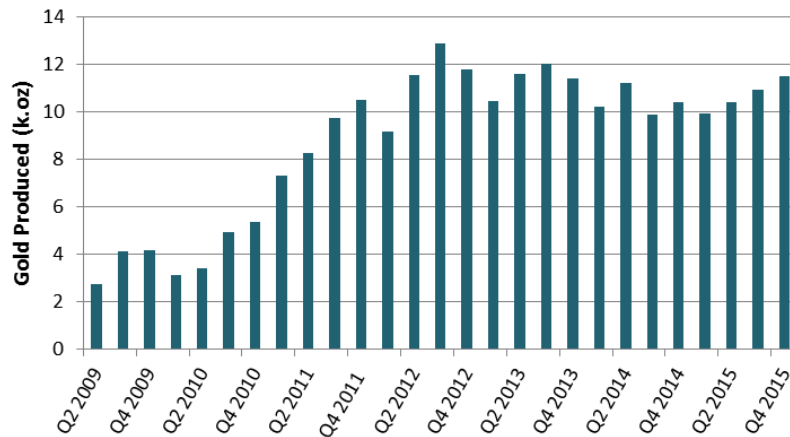
- 13% increase in tonnes milled outweighs lower grade and recovery resulting in 2% increase in production
- 8% fall in average realised gold price following price collapse in July 2015
- Overall 8% decline in revenues
- Increased tonnes milled following the completion of the Trammings Loop in June 2015 shows the benefit of the Revised Investment Plan: higher tonnes milled compensates for lower grades
- **Outlook: further increases in tonnes milled and a gradual improvement in grade and recovery will contribute to target 2016 production of approximately 50,000 ounces**



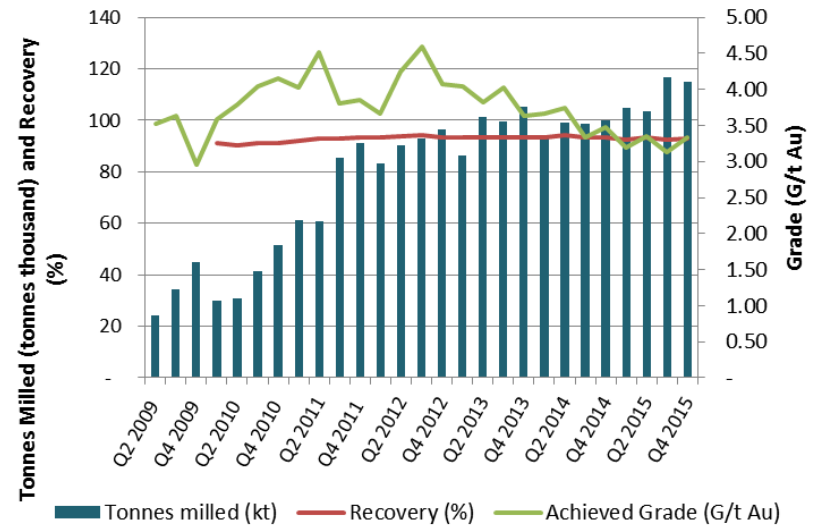
Gold Production

Completion of the Tramming Loop boosts mine production

Quarterly Gold Production 2009-2015



Tonnes Milled, Grade and Recovery



- A sustained increase in tonnes mined and milled following completion of the Tramming Loop in Q2 2015



Production Costs

Production Costs

Total Production costs	2014	2015	Movt
Production costs (\$'m)	27.9	30.0	8%
Cost per tonne milled (\$/t)	71.42	68.21	-4%
On-mine cost (US\$/oz)	652	701	7%
AISC (US\$/oz)	947	1,038	10%
Wages (\$'m)	10.0	11.1	11%
Man hours worked ('000)	3,201	3,532	10%
Man hours per tonne milled	8.19	8.03	-2%
Wage per man hour (US\$/hour)	3.13	3.15	1%
Consumables (US\$'m)	9.2	9.4	3%
Tonnes milled (k.t)	391	440	13%
Cost per tonne milled (US\$/t)	23.44	21.37	-9%
Electricity (US\$m)	6.8	7.4	9%
Cost per tonne milled (US\$/t)	17.44	16.90	-3%
Other (exploration, safety)	1.9	2.0	6%

- Production costs increase by 8%
 - Cost per tonne milled decreases by 4%
 - On-mine cost per ounce increases by 7%: lower grade outweighs the effect of the reduced cost per tonne
 - AISC per ounce increases by 10% due to increased on-mine cost and sustaining capital expenditure of \$55/ounce
- Labour cost per hour and per tonne milled are stable
 - 2016: agreed 1.5% wage increase the entire industry; Blanket pays a premium wage
 - 2015 wages includes \$1.3m production bonus payable to Blanket employees
- 9% reduction in consumable cost per tonne milled as fixed costs are spread over more production tonnes
- 3% reduction in electricity cost per tonne milled also reflects economies of scale offset by higher consumption for the new compressor

- **Outlook: the projected increase in tonnes milled and a modest recovery in grade should result in further reductions in the cost per tonne milled and a lower cost per ounce**

General and Administrative Costs

	2014	2015	Movt
	\$'000	\$'000	
Investor Relations	514	513	0%
Audit	356	240	-33%
Legal	722	452	-37%
Advisory fees	24	355	1379%
Listing fees	318	206	-35%
Directors' fees - Caledonia	298	191	-36%
Directors' fees - Blanket	38	60	58%
Employee costs	3,152	3,106	-1%
Emp'ee indigenisation	140	-	-100%
Travel	303	325	7%
Professional consulting	490	444	-9%
Donation to community	-	58	n/a
Zambia	896	716	-20%
Eersteling costs	120	111	-8%
Un-recoverable VAT	-	298	
Other	16	547	
Total	7,387	7,622	3%
Non-recurring	(896)	(1,014)	
Recurring G&A expense	6,491	6,608	2%

- 2% increase in the recurring G&A expense
- Advisory services includes tax advice on compliance, re-domicile to Jersey and US\$ reporting
- Employee cost reflects increased headcount (particularly in the technical team) and includes \$0.4m of bonuses in terms of the approved incentive scheme, which are settled in cash to avoid equity dilution.
- Travel costs include increased frequency of travel to Blanket by the technical and engineering team and directors' mine visit
- Professional consulting fees include technical consultants
- Zambia office closed with effect end of May 2015: no further expenses are anticipated. Includes staff termination costs
- Eersteling costs relate to mine rehabilitation and security
- Tax penalties and un-recoverable VAT arise from the remediation of historic South African tax matters – not expected to be recurring

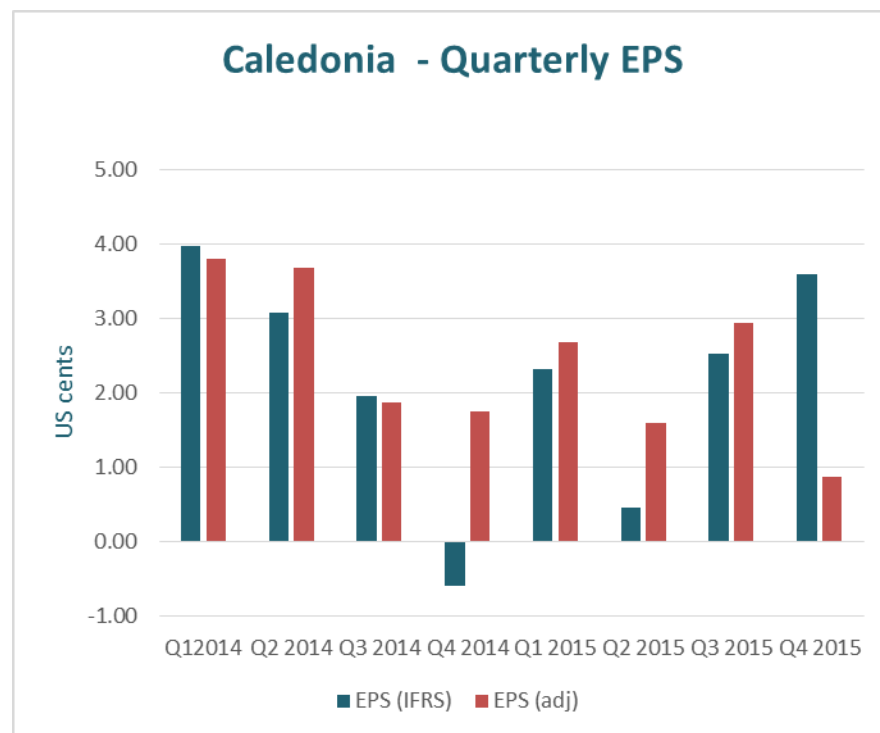
Taxation		
	2014	2015
	\$'000's	\$'000's
Income tax - current year	4,582	506
Income tax - adj to prior years	(194)	(1,636)
Withholding taxes	888	933
Deferred tax	706	2,567
Total taxation charge	5,982	2,370
Total tax paid	4,526	1,462
<i>Total effective tax rate</i>	<i>50%</i>	<i>30%</i>
<i>Income tax as % of IFRS PBT</i>	<i>37%</i>	<i>6%</i>

- 2015 Income tax charge reduced due to the increased capital investment at Blanket, which shields profit from tax
-Although this results in the higher (non-cash) deferred taxation charge, which is reversed in the calculation of adjusted eps
- Adjustments to prior year estimates
 - reversal (and recovery) of UK income tax on the facilitation loan interest
 - Lower than expected liability arising on the remediation of historic tax matters in South Africa
- Withholding tax on payments of management fees from Zimbabwe to South Africa and inter-group treasury movements
- Outlook: continued high investment at Blanket will shield profits from income tax in Zimbabwe in 2016



Earnings per Share

Adjusted Earnings per share (Non IFRS)		
	2014	2015
	\$'000	\$'000
Attrib earnings (IFRS)	4,387	4,679
Impairments	178	-
Foreign Exchange gain	(1,065)	(2,850)
Deferred tax	709	2,567
Discont. Zambia operations	896	716
SA tax penalties and interest	0	744
Adj. to prior year tax	300	(1,636)
Adjusted earnings	5,405	4,220
W. av shares in issue (m)	52.1	52.1
Adjusted eps (cents)	10.4	8.2



- IFRS EPS affected by FX movements, deferred tax, discontinued operations and non-recurring items (e.g. SA tax remediation)
- Q4 2015 IFRS earnings include the write-back of changes to prior taxation year estimates (approx. \$1.6m) and \$2.85m of unrealised FX gains. Reversing these items results in lower adjusted EPS



Cash Flow

Summary Cash Flow (\$'m)

	2014	2014	2014	2014	2015	2015	2015	2015
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cash flow from operations	6.2	3.3	4.7	1.3	1.8	2.1	1.6	3.4
Taxation paid	(0.5)	(1.7)	(1.3)	(1.0)	(0.4)	(0.2)	(0.2)	(0.7)
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.4)
Cash from operating activities	5.7	1.6	3.4	0.3	1.3	1.9	1.4	2.3
Net capital investment	(1.8)	(1.4)	(1.2)	(1.6)	(3.1)	(2.7)	(5.3)	(5.4)
Dividend paid	(0.8)	(0.9)	(1.2)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)
Change in cash	3.0	(0.8)	0.9	(2.0)	(2.4)	(1.5)	(4.5)	(3.8)
Cash b/fwd	21.9	24.9	24.1	25.1	23.1	20.6	19.2	14.6
Cash c/fwd	24.9	24.1	25.1	23.1	20.6	19.2	14.6	10.9

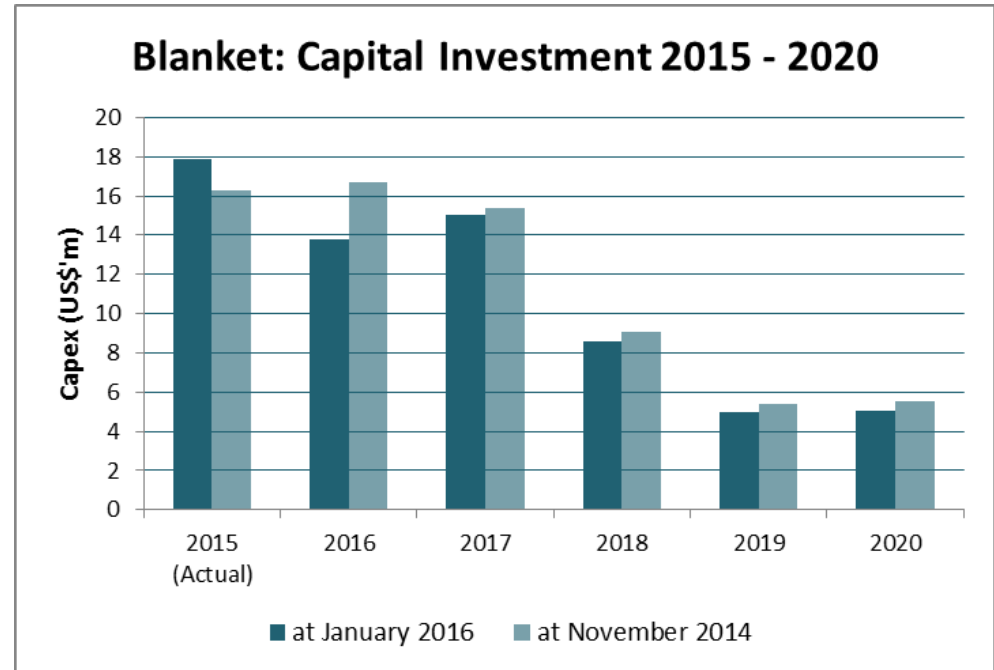
- Cash from operating activities remains strong in 2015, helped by improved working capital and lower tax payments
- Net capital investment increases during 2015 as the pace of development work on Central Shaft increases
 - 2015 capex was \$2m higher than planned due to the accelerated purchase of certain capital items, which will reduce projected spending in 2016 and 2017



Revised Investment Plan

Capital Expenditure and Funding

- 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



Net capital expenditure is shown on an accruals basis



Balance Sheet

Summary Balance Sheet (\$'m)

	31-Dec 2014	31-Dec 2015
Fixed Assets	34.7	49.3
Inventories	6.5	6.1
Prepayments	0.3	0.7
Trade receivables	1.8	3.8
Tax receivable	0.1	0.4
Cash and equivalents	23.1	12.6
Total Assets	<u>66.5</u>	<u>72.8</u>
Long term liabilities	11.2	14.1
Trade creditors	3.3	6.7
Bank overdraft	0.0	1.7
Income taxes payable	1.7	0.1
Total liabilities	<u>16.1</u>	<u>22.5</u>
Shareholder Equity	49.7	48.9
Non-Controlling Interest	0.7	1.5
Total equity and liabilities	<u>66.5</u>	<u>72.8</u>
Non-cash working capital	3.7	2.6

- Increase in PPE includes investment of \$17.8m
 - Rate of capital expenditure increased as planned to implement the Revised Plan
- Reduced working capital due to close management attention
- Blanket overdraft facility increases – headroom of \$3.7m at December 31, 2015
- Cash position remains strong: Caledonia retains a strong cash position to protect the dividend



Other matters

- Hedging
 - “Collar and Cap” hedge (\$1,050-\$1,079) reduces downside risk in case of a lower gold price
 - Maximum hedge cost \$435,000; full participation in gold price above \$1,079
 - Continued high rate of investment at Blanket and continuation of the Caledonia dividend means that Caledonia’s cash position will reduce further in 2016 until Blanket resumes dividend payments.
- Blanket Recapitalisation
 - \$5m will be injected into Blanket by way of a Rights Issue; vendor facilitation for the IZ portion will increase the facilitation loans, which will be repaid from future cash flows
 - RBZ approval of the re-capitalisation received in late March 2016: implementation in April 2016
 - Caledonia has already provided short term liquidity to Blanket via the intercompany trading account: Blanket will use the rights issue proceeds to repay the intercompany account therefore no effect on Caledonia’s cash position
 - Post recapitalisation, Blanket can self-fund all future capital investment at a gold price of approx. \$950/oz
- Re-domicile from Canada to Jersey, Channel Islands
 - Reduces travel and compliance costs; simplifies group structure
 - Removes Canadian withholding tax on Caledonia’s dividends for non-Canadians
 - Shareholder approval February 18, 2016 ; implementation expected March 21, 2016



Capital Investment Current Status

- Tramming Loop
 - Completed in June 2015, following which underground production increased to a new record
- No. 6 Winze (Blanket ore body, below 750m)
 - Shaft completed and equipped
 - “On-reef” development from mid-March: this project now contributes to production
 - Initial production is modest but will increase progressively in 2016 and 2017
 - Pre-development from No.6 Winze will allow rapid production start-up from the Central shaft when completed in mid-2018
- AR South Decline (AR South Below 750m)
 - On reef development commenced late March 2016
 - Provides further production flexibility
- Central Shaft
 - Pre-sink adversely affected by poor ground conditions and technical issues in late December, but now complete
 - Main sinking phase from 90 meters about to commence



Earthworks – Cut and Fill Commenced January 2015





First Blast

17th September 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

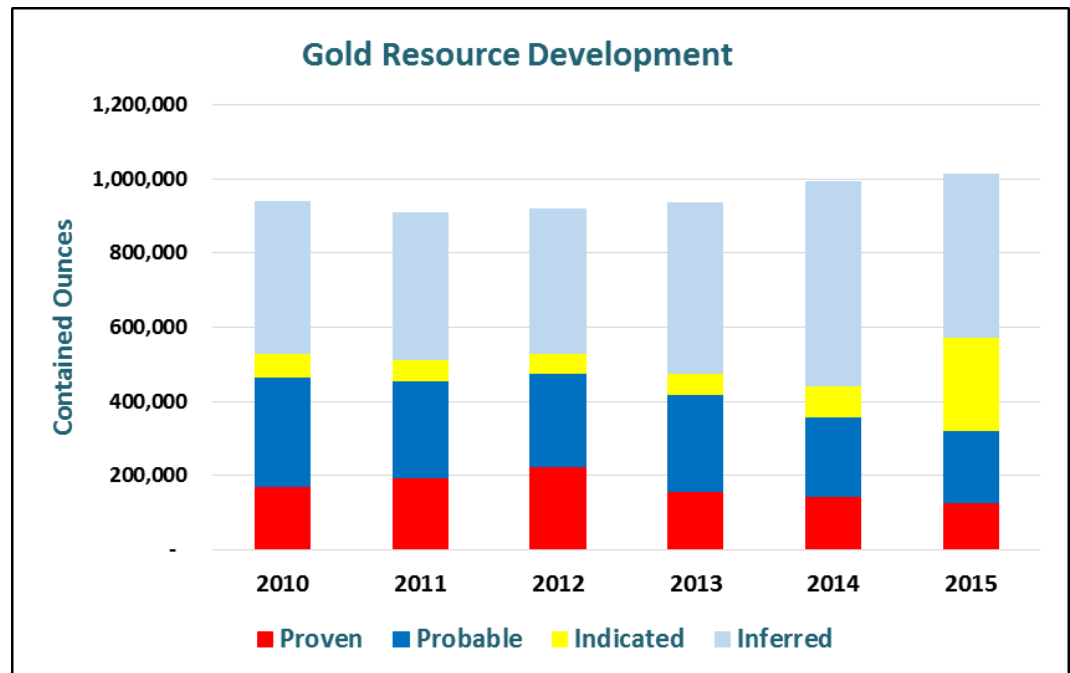




Exploration

Increased focus begins to show results

- Exploration at Blanket is slow due to the depth and the steeply-dipping ore bodies
- However, there has been an increased focus on exploration in 2015
- 2 resource upgrades in 2015
 - Additional inventory added which replaced mining depletion
 - Improved confidence levels: Measured and Indicated Resource as a percentage of the total resource base increased from 45% to 65%
- Investment in new drilling machines has increased the monthly exploration drilling rate from 700 meters to over 2,000 meters in January and February 2016
- Further resources upgrades are anticipated



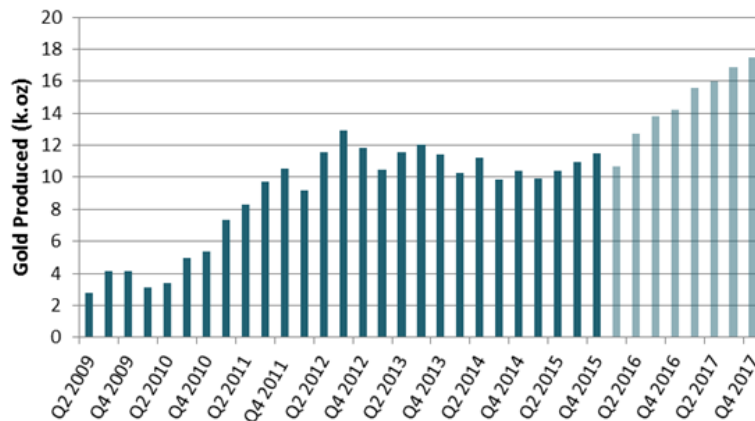


Outlook

2016: a Transformational Year

- Sustained increase in production following completion of the No.6 Winze
 - Target production:
 - 2016 - 50,000 ounces
 - 2017 - 65,000 ounces
- Falling cost per ounce as fixed costs (approx. 65% of on-mine costs) are spread over increased production ounces
- Increasing profit and cash flows from mid-2016

Quarterly Historic and Projected Gold Production 2009-2017



All-in Sustaining Cost/Ounce (2015- 2019)

