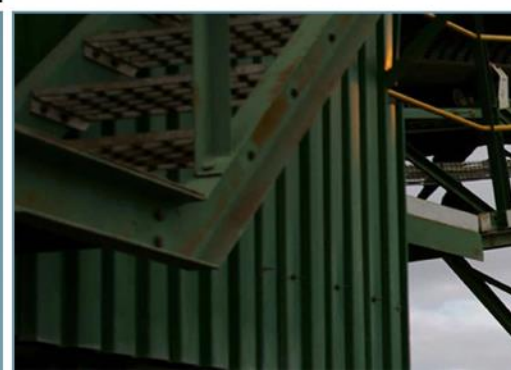
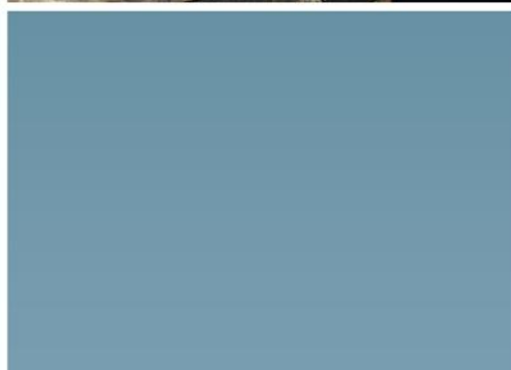




Expanding, Low-Cost, Zimbabwean Gold Producer  
April 2016





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# Caledonia Mining Overview

## Blanket Gold Mine, Zimbabwe

- 49% owned - fully indigenised
- 2015 production 42,806oz
- Moderate cash cost: cash-cost \$701/oz; AISC \$1,038/oz
- \$47m, internally-funded investment: increase production to 80k oz by 2021; reduce AISC to below \$750/oz

## Caledonia

- Robust cash position: \$12.6m at December 31, 2015

## Dividend Paying

- 1.125 US cents per share per quarter
- 5.6% yield at share price of 80 US cents

**Growing production underpins increasing profit and cash generation**



# Zimbabwe Investor Concerns

## Political Stability

- Political continuity: ZANU-PF in power since 1980
- 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 that same year
- Functional currency is US\$
- Mild deflation

## Infrastructure

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

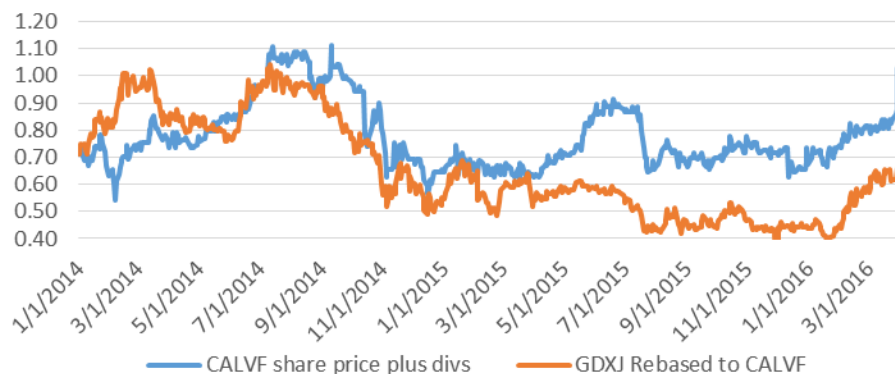
## Exchange Controls

- 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 31 March 2016)



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

	Year 2014	Year 2015
Revenues	53.3	49.0
EBITDA	14.7	8.9
Profit after Tax	5.9	5.6
EPS – basic (cents)	8.4	8.9
EPS - adjusted (cents)	10.4	8.2

## Capital Structure

Shares in issue (m)	52.1
Options (m)	1.0
Cash (31 Dec 2015)	\$12.6m
Overdraft (31 Dec 2015)	\$1.7m
Net Assets (31 Dec 2015)	\$50.4m

## Listing and Trading

Share price (6 April 2016)	\$0.87
Market capitalisation (\$'m)	\$45.3m
52 week low/high (\$)	0.50 - 0.89

## Shareholders

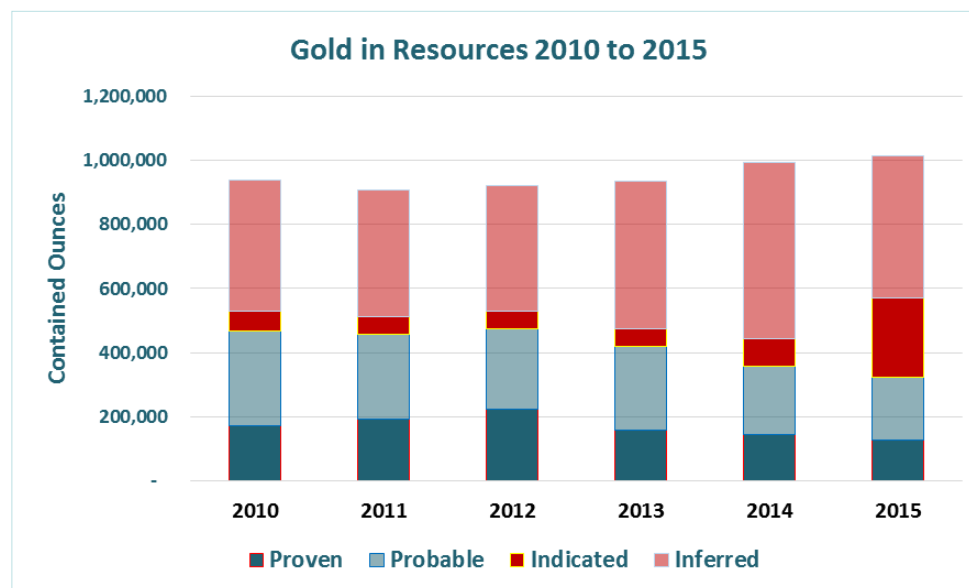
	%
Management	1.1
Allan Gray (South African Institution)	13.5
UK registered	11.2
USA registered (mainly retail)	40.8
Canada registered (mainly retail)	33.3
Other	0.1

## Mineral Resources at December 31, 2015 (\$1,200 gold)

	Tonnes (000' s)	Grade (g/t)	Gold (k.oz)
Measured & Indicated Resources	4,747	4.18	638
Inferred Resources	2,591	5.03	419
<b>Total</b>	<b>7,338</b>		<b>1,057</b>

- 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
  - Slower but more accurate drilling
  - Monthly drilling rate has tripled in 2016 due to increased focus on exploration and resource development

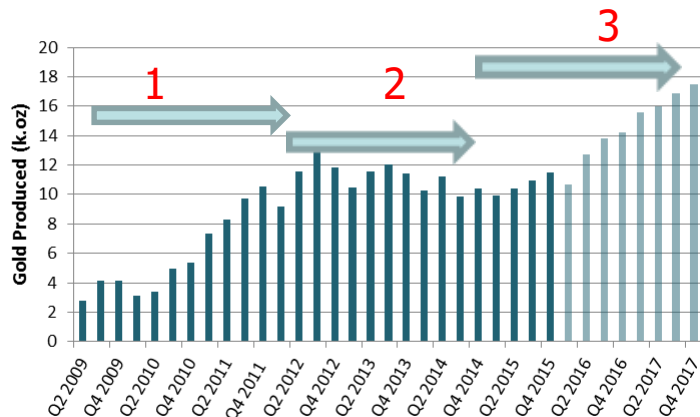
1. Tonnes are in situ
2. All figures are in metric tonnes
3. Mineral Resources include Mineral Reserves
4. Mineral Resources are stated at cut-off grade of 2.11g/t
5. No geological losses were applied to the tonnage
6. Tonnage and grade have been rounded and this may result in minor adding discrepancies
7. The tonnages are stated at a relative density of 2.86t/m<sup>3</sup>
8. Conversion from kg to oz: 1:32.15076





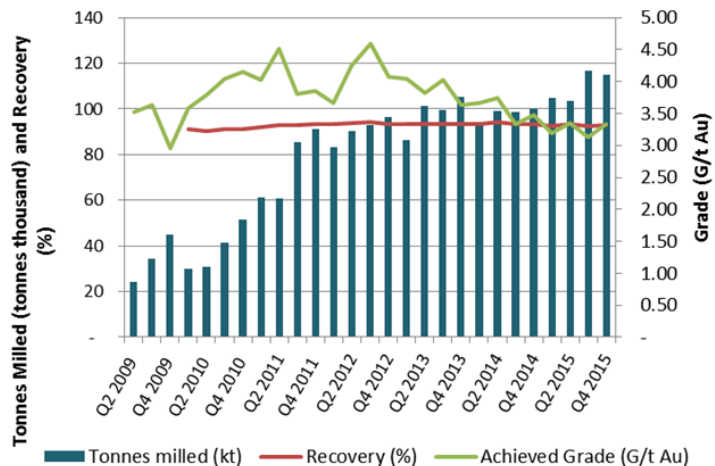
# Gold Production Revised Investment Plan

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 second half of 2015 is the first sign of the benefits of the Revised Investment plan

- 10% increase in tonnes mined following completion of the Trammig 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 H2 2015

### No. 6 Winze 630m to 870m

- Rapid access to Blanket zone below 750m
- Production started 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

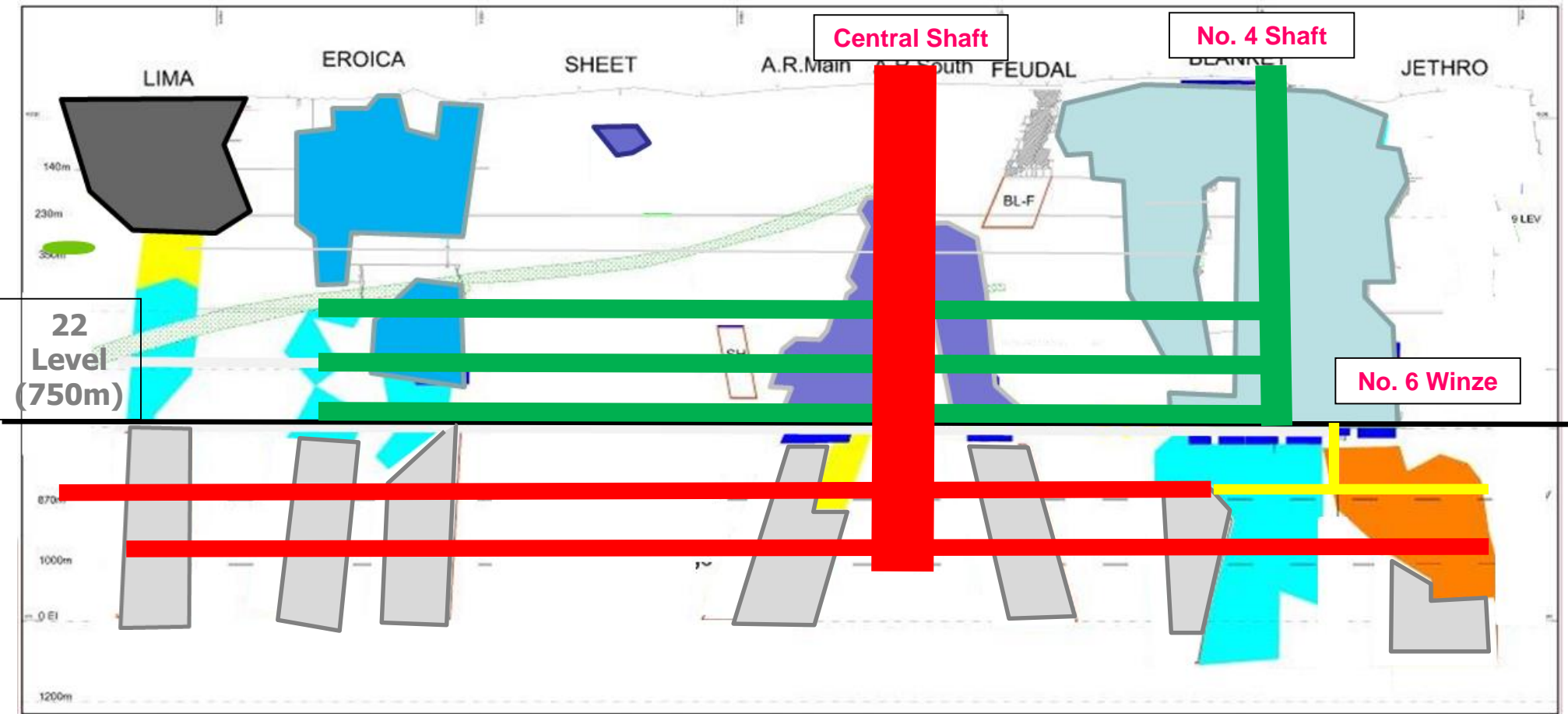
- Capital cost \$23m
- Commenced Aug 2015; complete and equipped by June 2018
- 6m diameter; 4-compartment; 3,000tpd; men, material, equipment
- Access horizontal development: 2 directions on 2 levels sub-750m
- Improves efficiency and de-risks current single-shaft status

**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 view – November 2014







# Shaft Construction

## Shaft Collar Construction

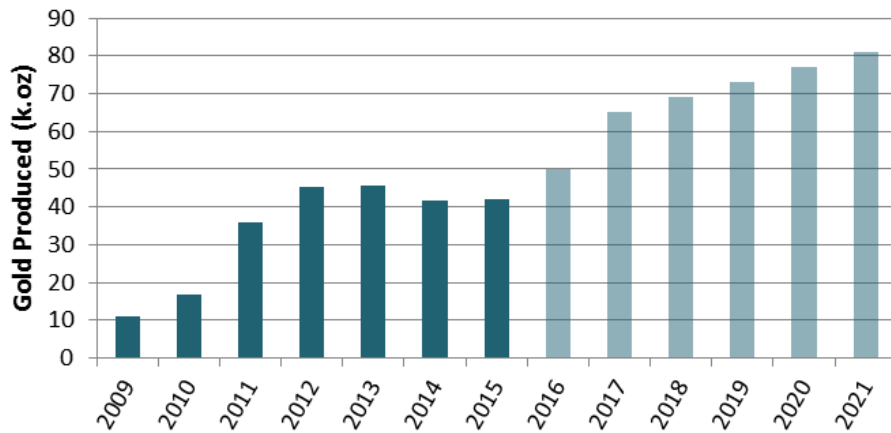




# Revised Investment Plan

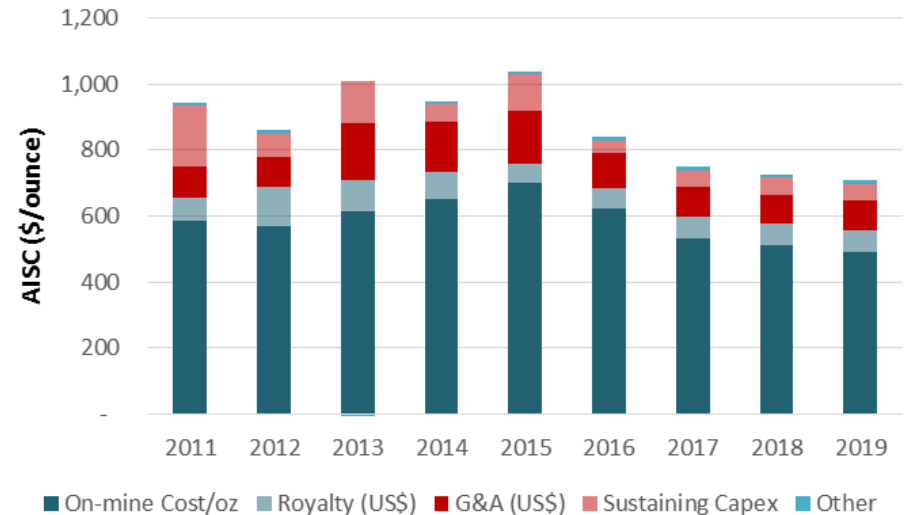
## Projected Production and AISC

### Historic and Projected Gold Production



- Revised Life of Mine Plan has been independently reviewed and confirmed by Minxcon, Johannesburg.
- Projected production excludes the satellite exploration properties

### Historic and Projected AISC



- Projected AISC falls as fixed costs are spread over more production ounces
- Improved operating efficiency resulting from the Central Shaft not included



# Revised Investment Plan

## Projected Earnings (Edison Research – April 2016)

	2015 Actual	2016 F'cast	2017 F'cast	2018 F'cast
Gold price	1,139	1,224	1,347	1,408
Production (k.oz)	42.8	50.0	65.0	67.0
On-mine cost/oz (\$/oz)	701	652	565	559
<b>EPS (cents)</b>	<b>8.1</b>	<b>23.5</b>	<b>46.7</b>	<b>45.2</b>

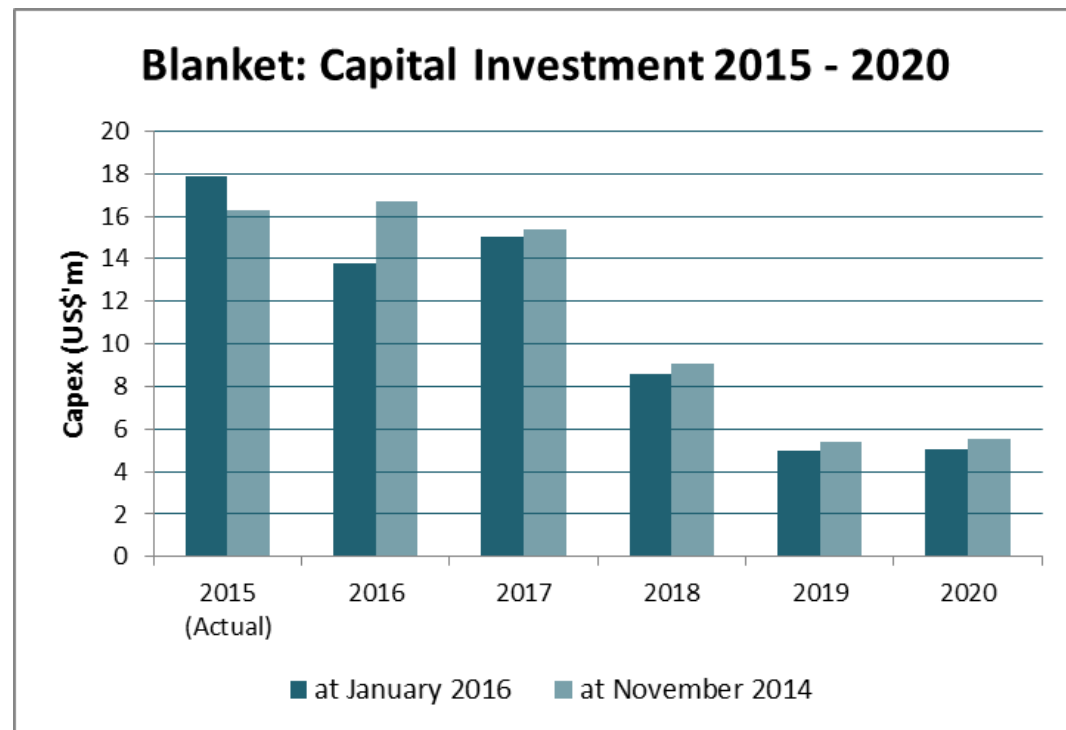
- Current PER (6 April share price 87 cents) – 3.7x



# Revised Investment Plan

## Capital Expenditure and Funding

- Total Planned Investment 2015-2021 has reduced from \$68m to \$65m with no changes to the scope of the investment programme
  - Reduction reflects lower cost of capital equipment
- 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 in 2016 by all Blanket's shareholders with facilitation funding provided by Caledonia
- Caledonia intends to maintain its own dividend



- Caledonia commenced annual dividend payment in 2013 at 5 Canadian cents per share
- Quarterly dividends adopted from January 2014
  - 1.5 Canadian cents per quarter
  - Re-stated to 1.125 US cent per quarter from January 2016 following adoption of US\$ financial reporting
  - Dividends paid at the end of January, April, July and November
  - Quarterly dividends do not reference specific financial performance in the financial quarter
- Caledonia cashflows comprise:
  - Monthly management fee from Blanket
  - Procurement margin
  - Dividends and repayment of loans from Blanket's Indigenous Zimbabwean shareholders
- Blanket dividends(and repayment of facilitation loans) suspended from January 2015: cash could be used to fund the Revised Investment Plan
  - Caledonia dividends in 2015 and early 2016 therefore funded from Treasury
  - Annual dividend cost of \$2.3m is 5.5 times covered by existing cash resources
- Blanket dividends (and repayment of facilitation loans) are expected to resume in H2 2016 as production increases, unit production costs fall and the rate of capital investment moderates
- Resumption of Blanket dividends from H2 2016 will allow Caledonia to replenish its Treasury



# 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



## Other Corporate Matters

- Adoption of US\$ reporting from 2015 results (released late March 2016):
  - 40% devaluation of Canadian dollar against US\$ distorts C\$-denominated financial reporting
- 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
  - Re-domicile effective 21 March 2016
- 6-month “zero-cost, cap and collar” hedge on 15,000 ounces, February to July 2016
  - Price protection below \$1,050/ounce; full upside participation above \$1,079/oz
  - Maximum cost - \$435,000
  - Protects against lower gold price whilst capex remains high and Caledonia continues to pay dividends
  - From mid-2016 increased Blanket production and reduced costs will allow return to unhedged status



# Contacts

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## **Caledonia Mining**

**Website:** [www.caledoniamining.com](http://www.caledoniamining.com)

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

## **Mark Learmonth**

**Tel:** +44 1534 702 998

**Email:** [marklearmonth@caledoniamining.com](mailto:marklearmonth@caledoniamining.com)

## **PR (UK): BlytheWeigh**

Tim Blythe, Camilla Horsfell

## **AIM Broker/Nomad: WH Ireland**

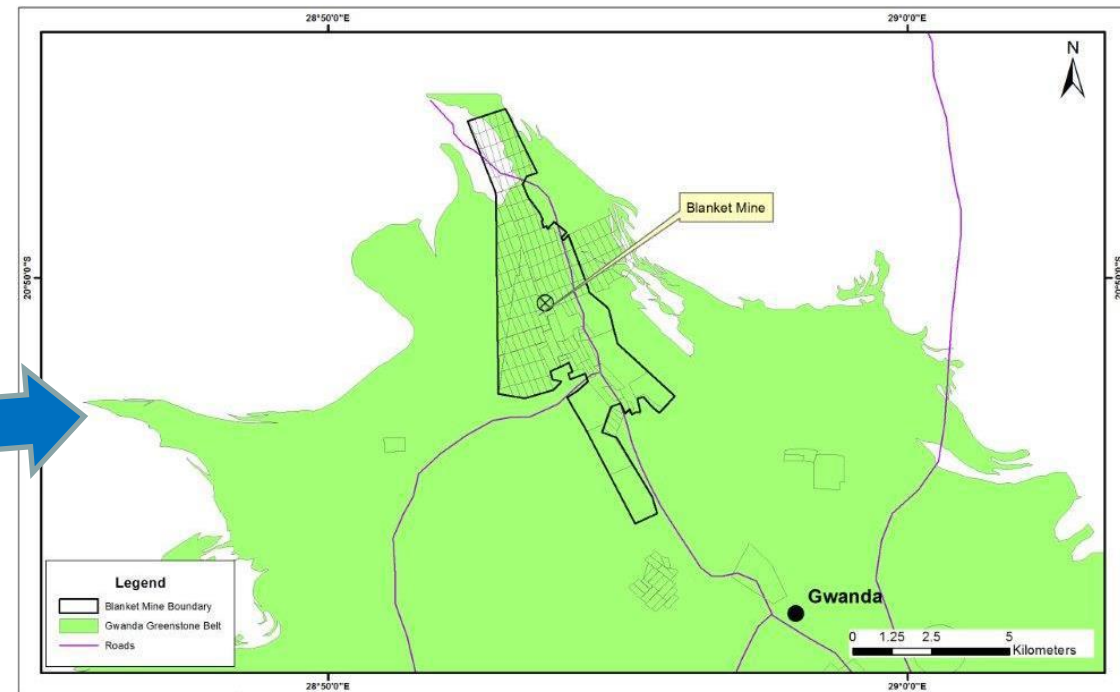
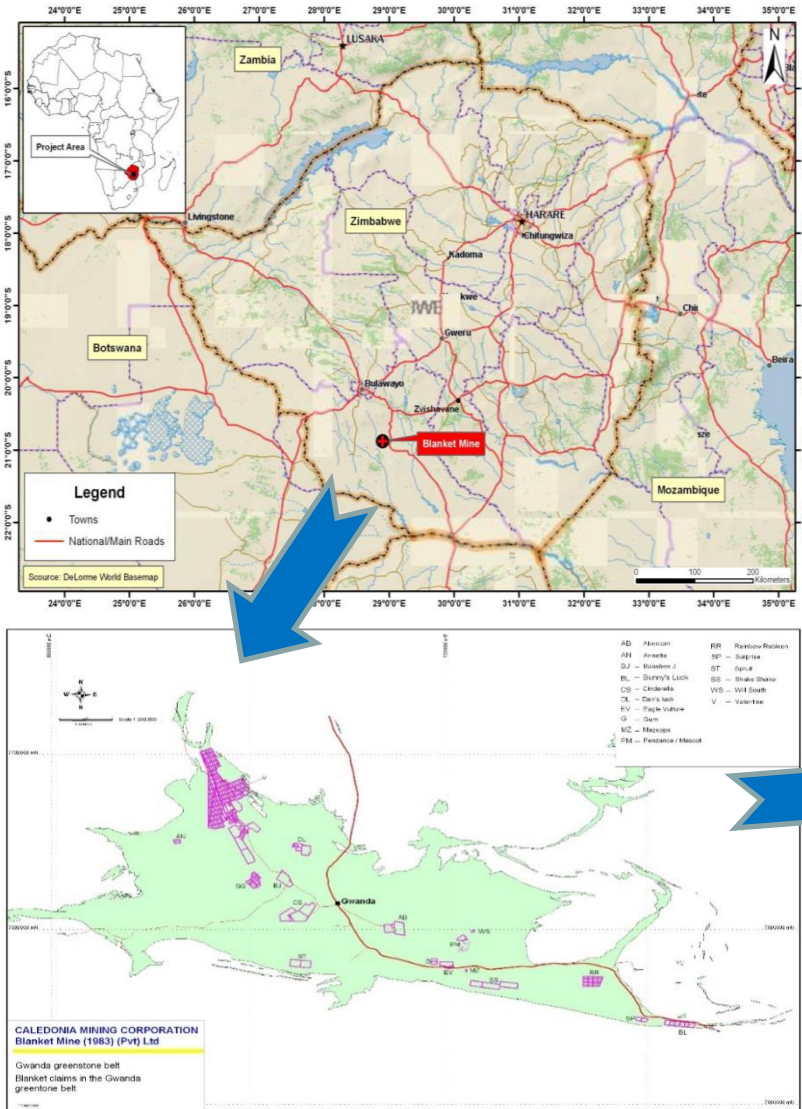
## **Research: Edison Investment Research**

[www.edisoninvestmentresearch.co.uk/research](http://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

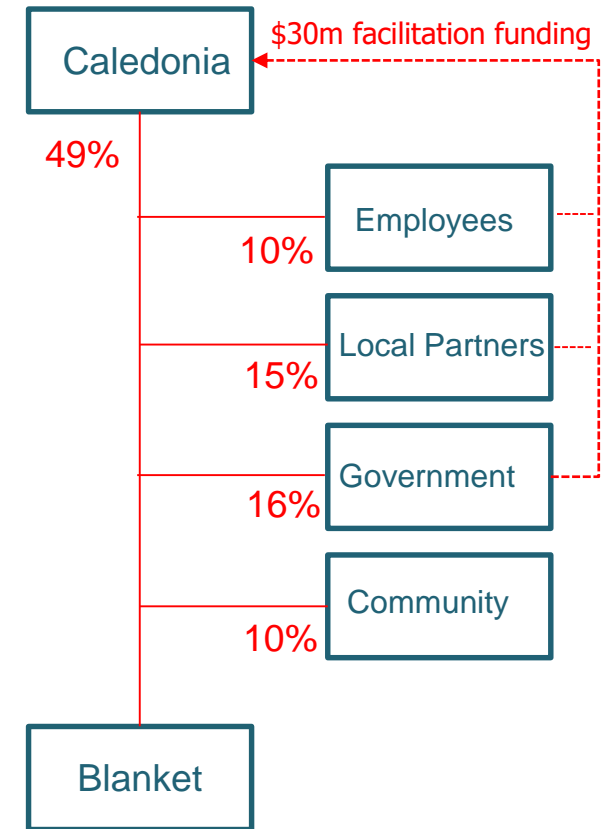




# Blanket Gold Mine, Zimbabwe

## 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
- \$5m recapitalisation of Blanket in April 2016 implemented on the same facilitated basis
- **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

### 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	John Kelly (USA)

- Management based in Jersey, South Africa and Zimbabwe
- 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