



Caledonia Mining
Corporation

Expanding, Low-Cost, Zimbabwean Gold Producer
December 2015





Disclaimer

This presentation does not constitute, or form part of, any offer to sell or issue or any solicitation of any offer to purchase or subscribe for, any shares in Caledonia Mining Corporation (“Caledonia”), nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, or act as an inducement to enter into any contract or agreement thereto.

Certain forward-looking statements may be contained in the presentation which include, without limitation, expectations regarding metal prices, estimates of production, operating expenditure, capital expenditure and projections regarding the completion of capital projects as well as the financial position of the Company. Although Caledonia believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be accurate. Accordingly, results could differ from those projected as a result of, among other factors, changes in economic and market conditions, changes in the regulatory environment and other business and operational risks.

Accordingly, neither Caledonia, nor any of its directors, officers, employees, advisers, associated persons or subsidiary undertakings shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying upon this presentation or any future communications in connection with this presentation and any such liabilities are expressly disclaimed.



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 investment 2015-2021 to increase production to 80k oz

Caledonia Group

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

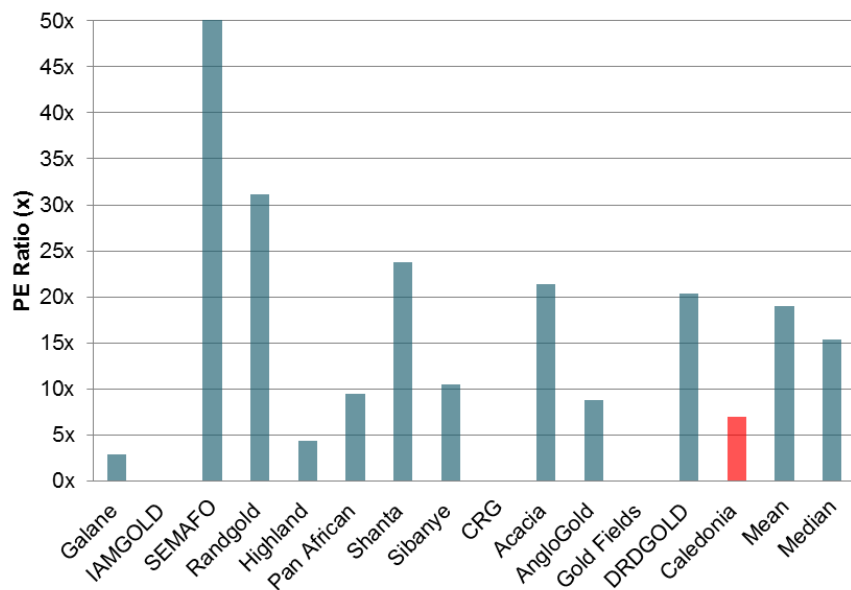
Low-cost and growing production underpins increasing profit and cash generation



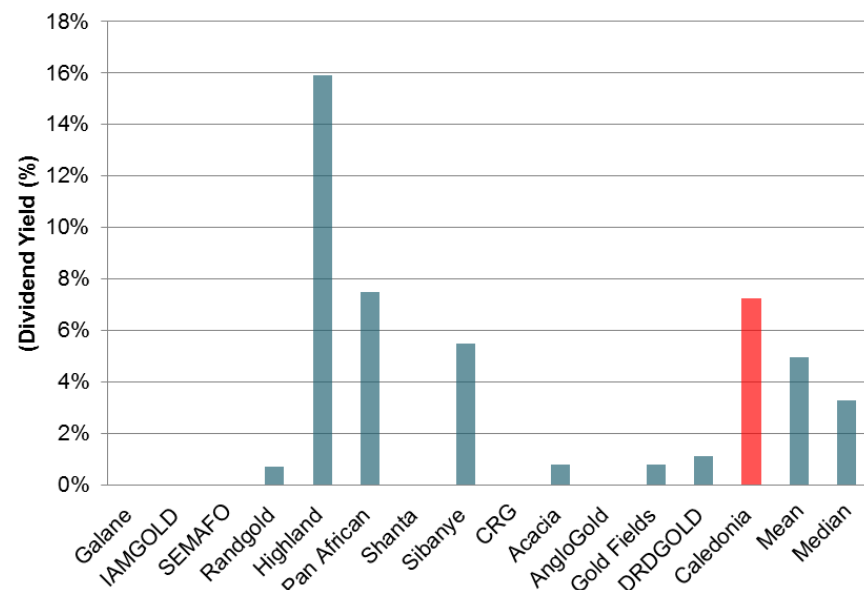
Valuation Parameters

High Yield; Low PE Ratio

African Gold Miners - PE Ratios



African Gold Miners - Dividend Yields



Sources: Company Information; S&P Capital IQ

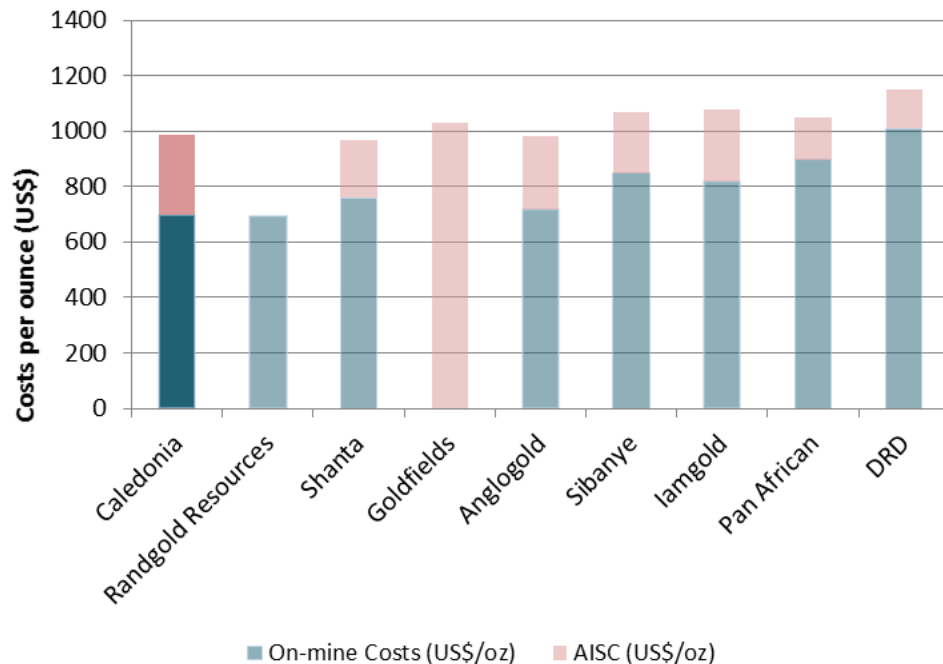
- Low rating is due largely to negative perceptions about Zimbabwe
- Blanket is fully indigenised and has significant, fully-funded growth plans
- Investor concerns about Zimbabwe are over-done!



Blanket Mine

Competitive Operational Performance

African Gold Miners - Cost per Ounce



- 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
 - 2016 target AISC: below US\$900/oz
 - 2018 target AISC: below US\$750/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: 111 hours)
- Functioning roads, airports – efficient supply from Johannesburg
- Effective “soft” infrastructure: education, labour, administration

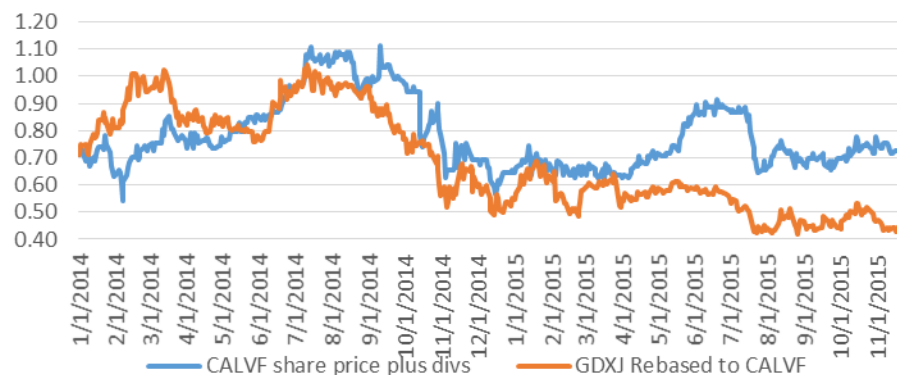
Exchange Controls

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



Capital Structure, Financials

Caledonia Mining Total Shareholder Return
(1 Jan 2014 to 20 Nov 2015)



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 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\$0.78
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

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

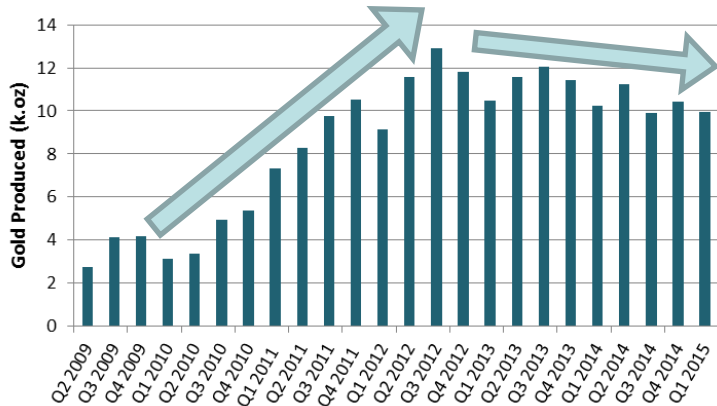
- Only material above pay-grade is added to inventory
 - historically a high resource to reserve conversion has been achieved
- Deep level exploration from underground drilling and exploration
 - Slower but more accurate drilling
 - Monthly drilling rate has doubled in 2015 due to increased focus on exploration and resource development
- May 2015: resource upgrade 491,000 tonnes moved from inferred to Indicated Resource
 - Increased gold in indicated resource by 20%



Gold Production

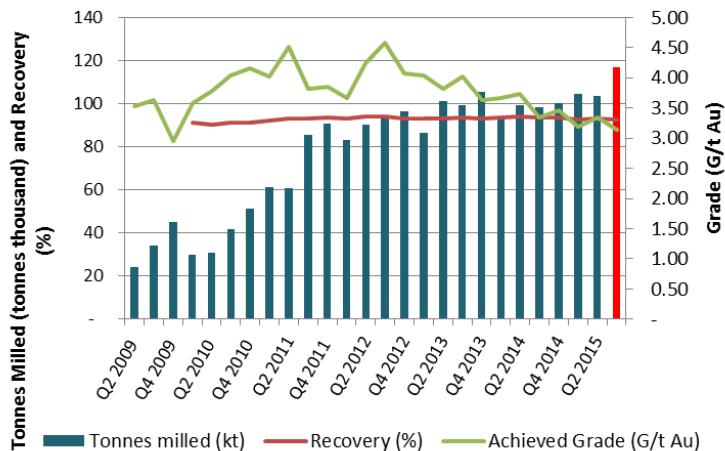
Revised Investment Plan Addresses Falling Production

Quarterly Gold 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
- 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 Trammings Loop in June 2015

Tonnes Milled, Grade and Recovery





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 cost (\$0.8m approx) completed ahead of schedule in June 2015
- Completed loop allows 10% increase in mine production in Q3 2015

Continue 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

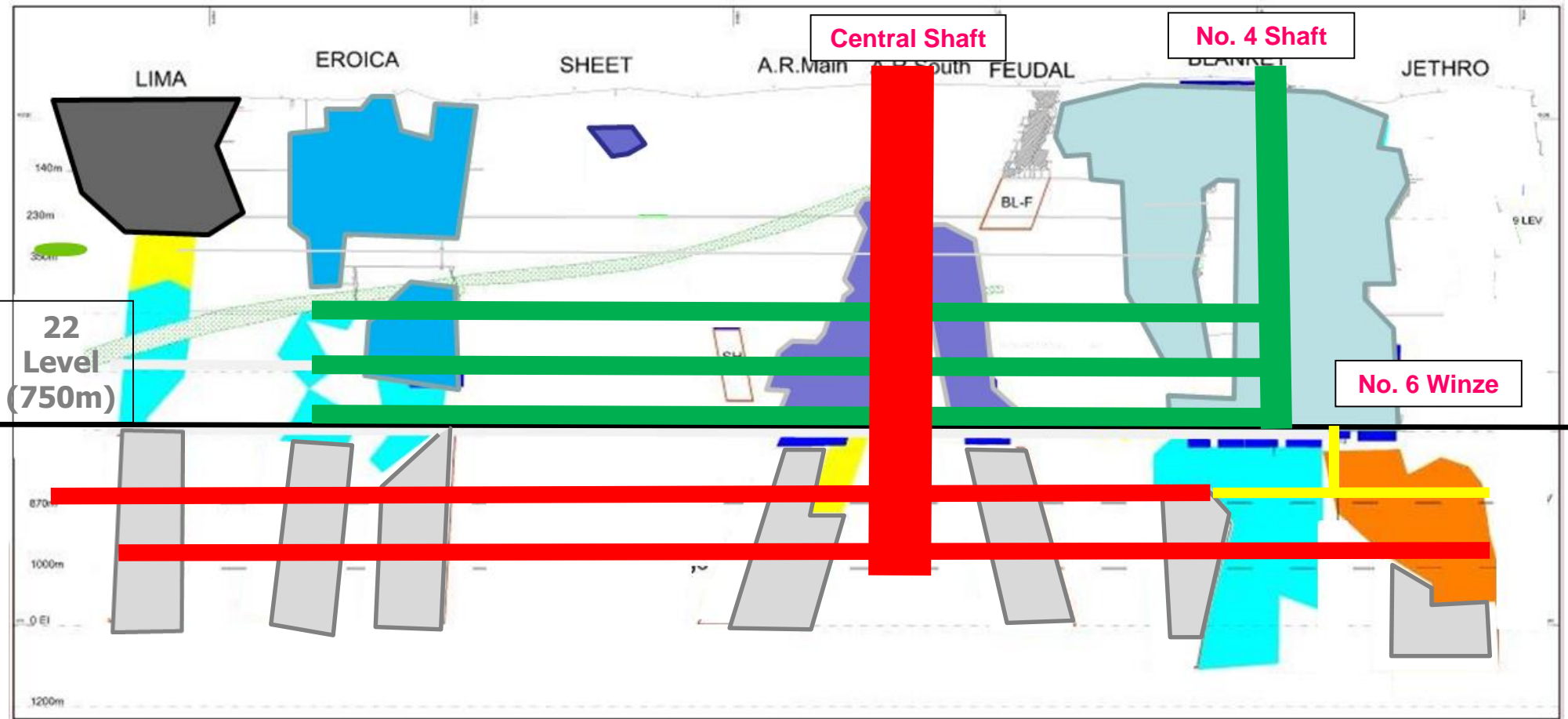
- Capital cost \$23m
- Commence Aug 2015; complete and equipped in June 2018
- 6m diameter; 4-compartment; 3,000tpd; men, material, equipment
- Access horizontal development: 2 directions on 2 levels sub-750m
- Improves efficiency and de-risks current single-shaft status

Major impact on production, costs and flexibility



Revised Investment Plan

Improved Logistics; Accelerate Access to Deeper Resources



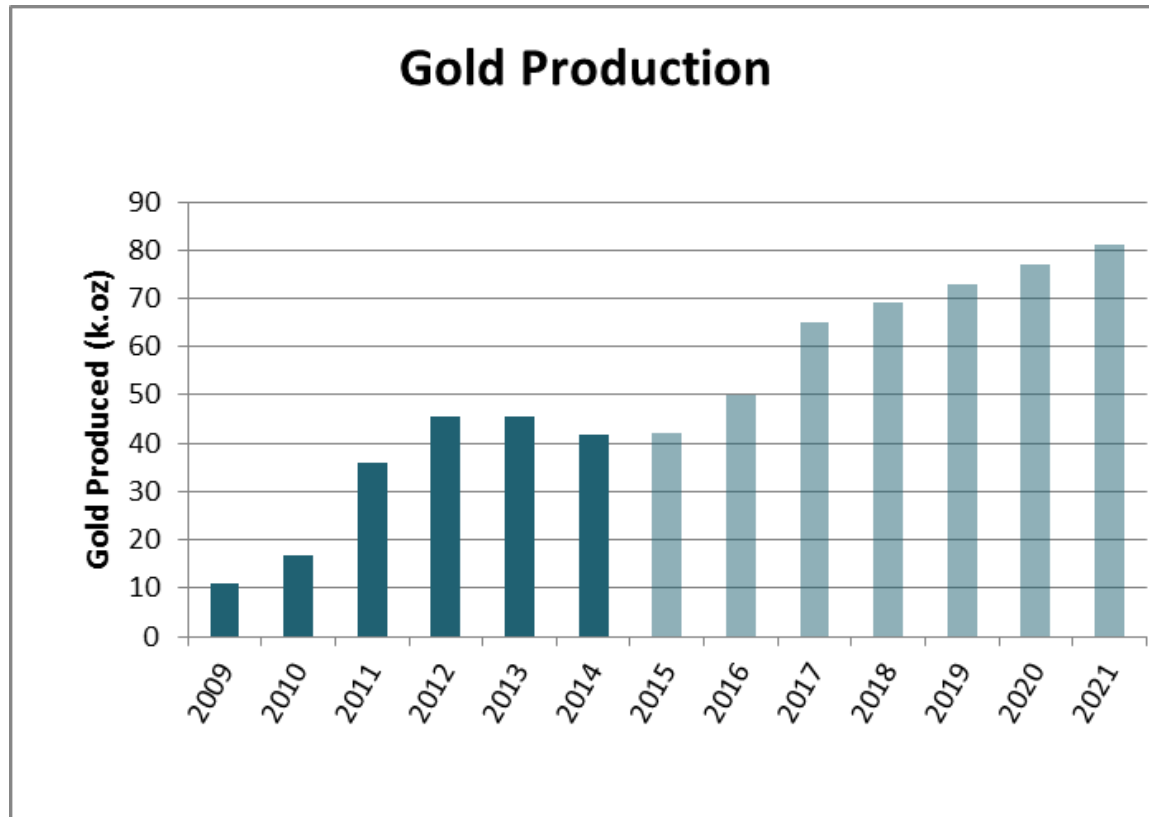
Plan illustrative and not to scale



Revised Investment Plan

Projected Production

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



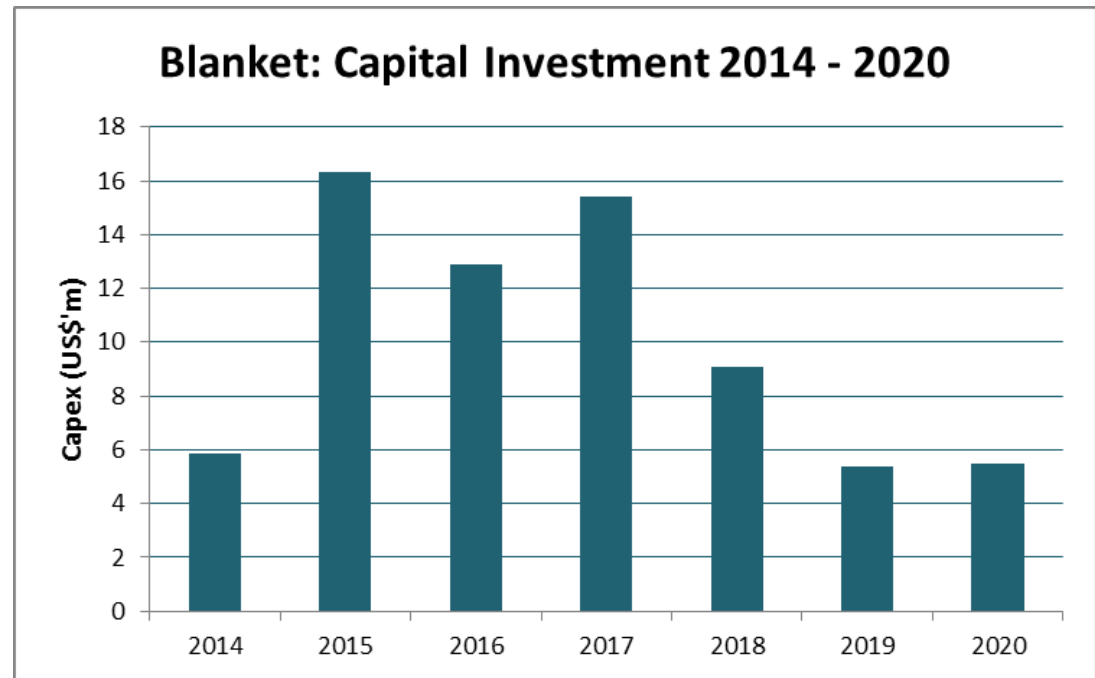
- Revised Life of Mine Plan has been independently reviewed and confirmed by Minxcon, Johannesburg.
- Projections exclude any production from the satellite exploration properties



Revised Investment Plan

Capital Expenditure and Funding

- US\$65m 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 the current lower gold price, Blanket requires additional funding of \$5m, in addition to its local borrowing facilities
- Caledonia will provide funding support from its treasury
 - Cash at Sept 30, 2015 - C\$22.4m
- 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

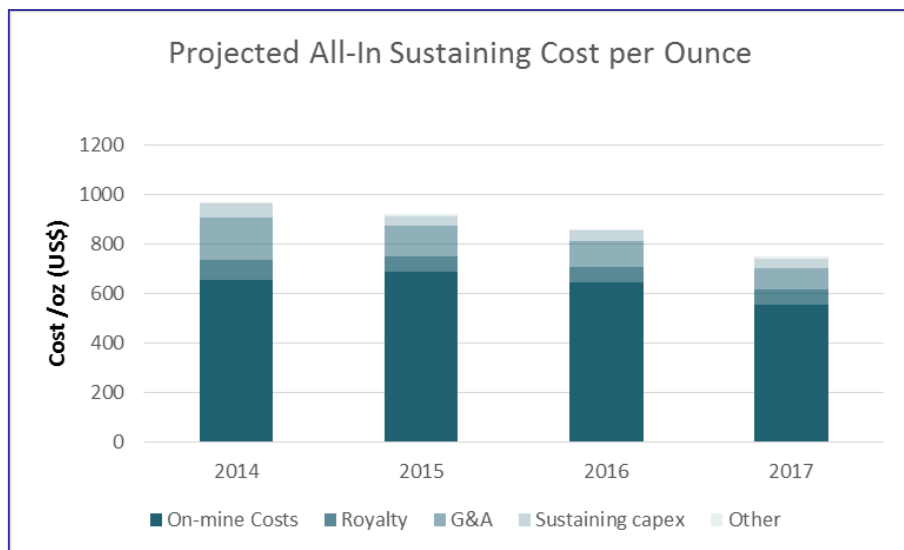
- Access to existing on-site experience and skills
- Management with long-standing experience of the geology and operating environment
- Established and highly efficient supply network



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	2015	2016	2017	CAGR
	Act.	F'cast	F'cast	F'cast	%
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

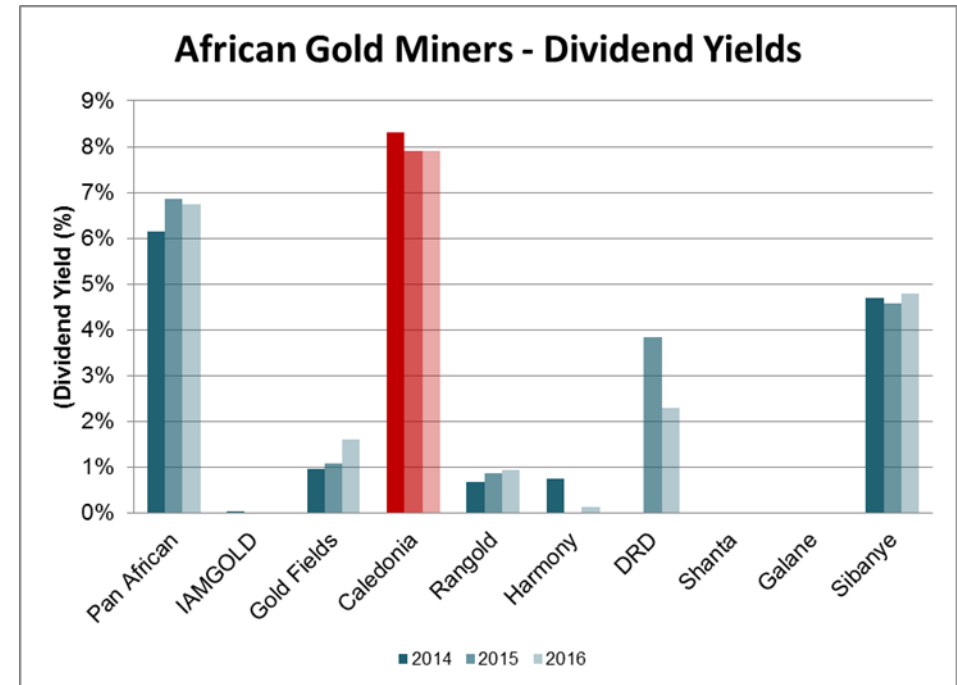
Source: Edison Research, August, 2015



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: 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

Website: www.caledoniamining.com

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

Mark Learmonth

Tel: +27 11 447 2499

Email: marklearmonth@caledoniamining.com

PR (UK): BlytheWeigh

Tim Blythe, Camilla Horsfell

AIM Broker/Nomad: WH Ireland

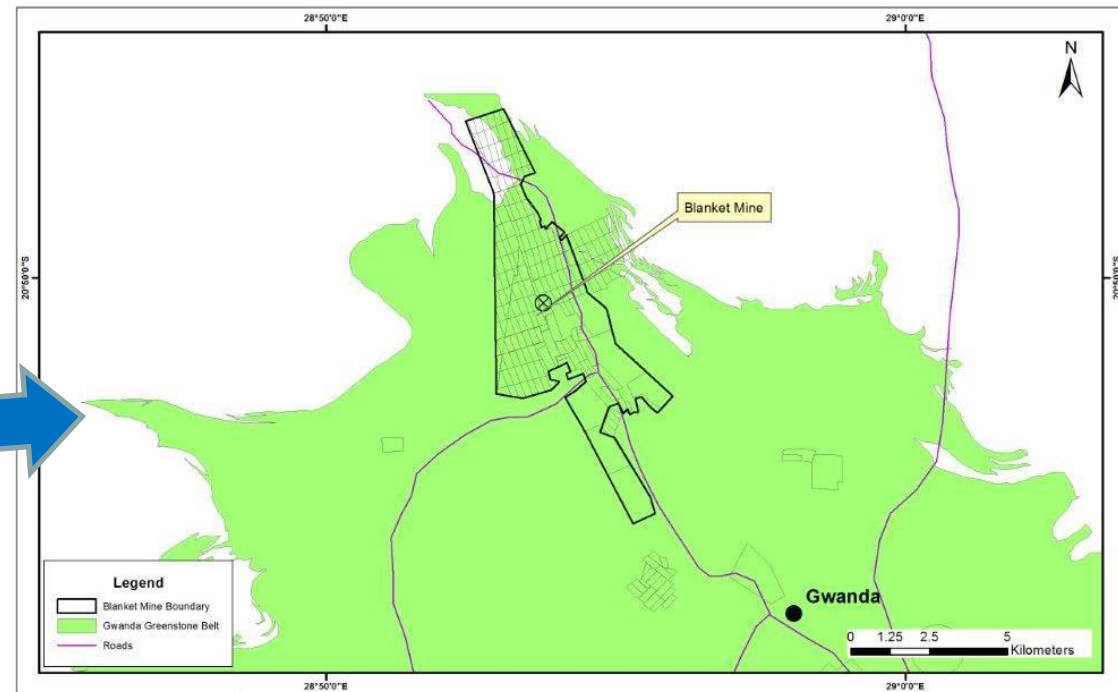
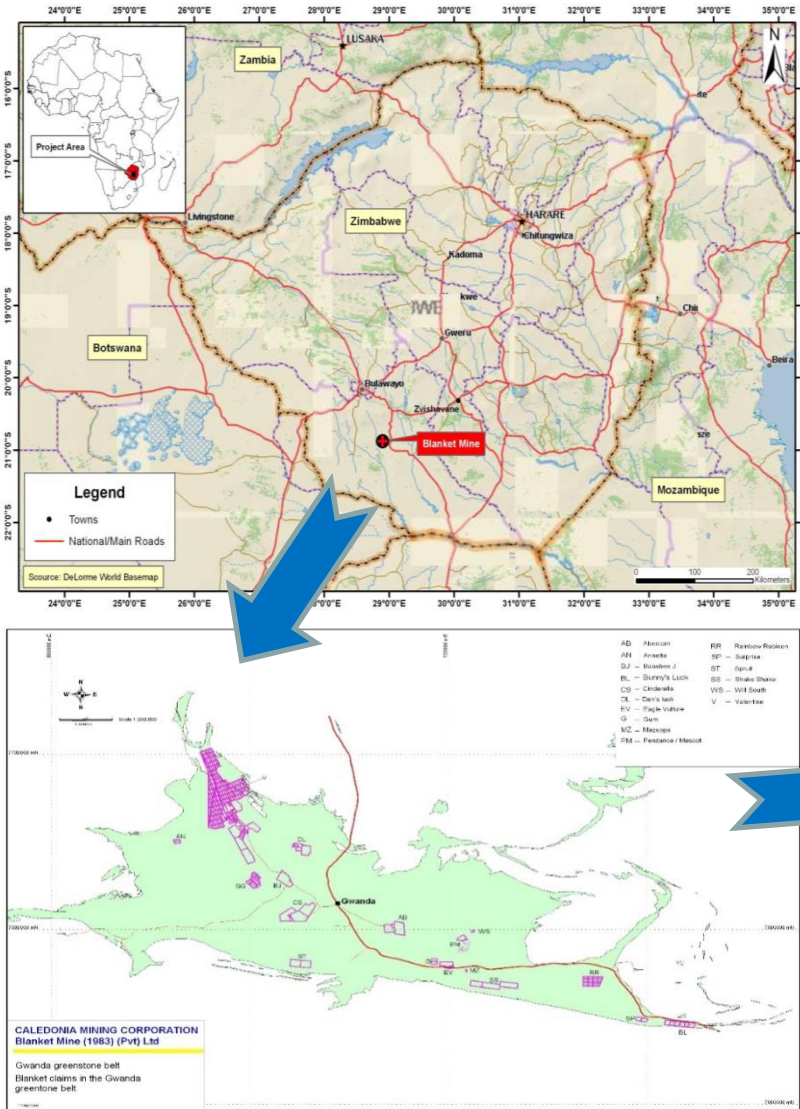
Research: Edison Investment Research

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

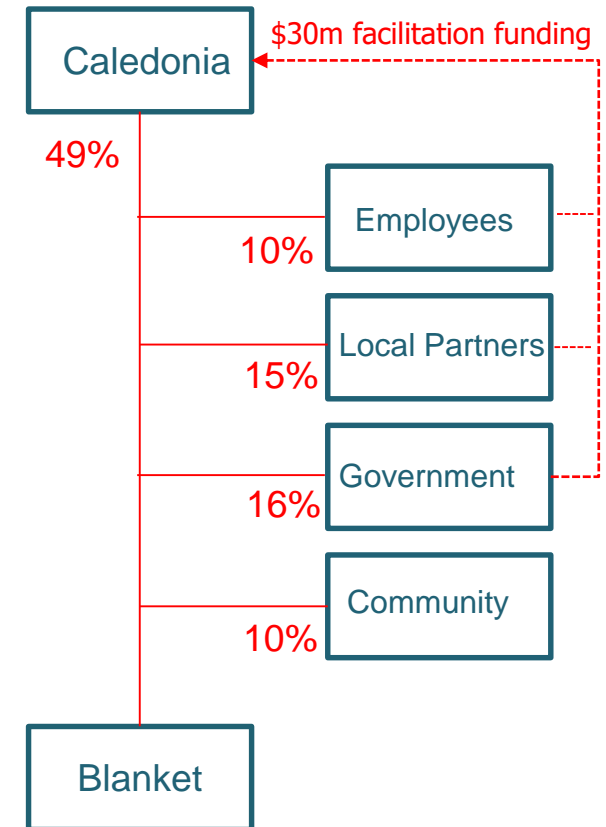




Blanket Gold Mine, Zimbabwe

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)
Non Executive Director	Richard Patricio (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