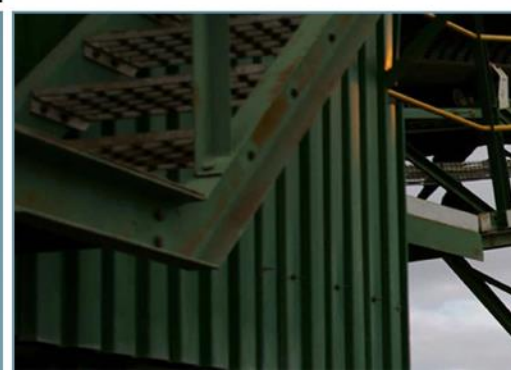




A Growing, Zimbabwean Gold Producer
December 2016





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Caledonia Mining Overview

Caledonia

- Growing Zimbabwean gold producer
- Management team combines financial acumen, mining expertise and strong local relationships
- Robust cash position: \$12.4m at 30th September 2016

Blanket Gold Mine, Zimbabwe

- 49% owned - fully indigenized
- 2015 production 42,806oz
- Low cash cost: cash-cost \$643/oz; AISC \$952/oz in 2016 YTD.
- \$46m, internally-funded investment: increase production to 80k oz by 2021; reduce AISC to below \$750/oz

Dividend Paying

- 1.375 US cents per share per quarter
- 5.5% yield (30th November 2016)



Zimbabwe

A track record of good operating performance

Political Environment

- Political continuity: ZANU-PF in power since 1980
- Government is pragmatic although constrained by a weakening economy
- Established, functional government administration

Indigenization

- 51% of all businesses must be owned by Zimbabweans
- Indigenization at Blanket was implemented in 2012 - shareholders include community (10%) and workers (10%)
- Blanket is fully compliant with indigenization legislation
- Management has established relationships in country

Economy

- Currently mild deflation
- Functional currency is US\$
- Liquidity challenges in the banking system

Infrastructure

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

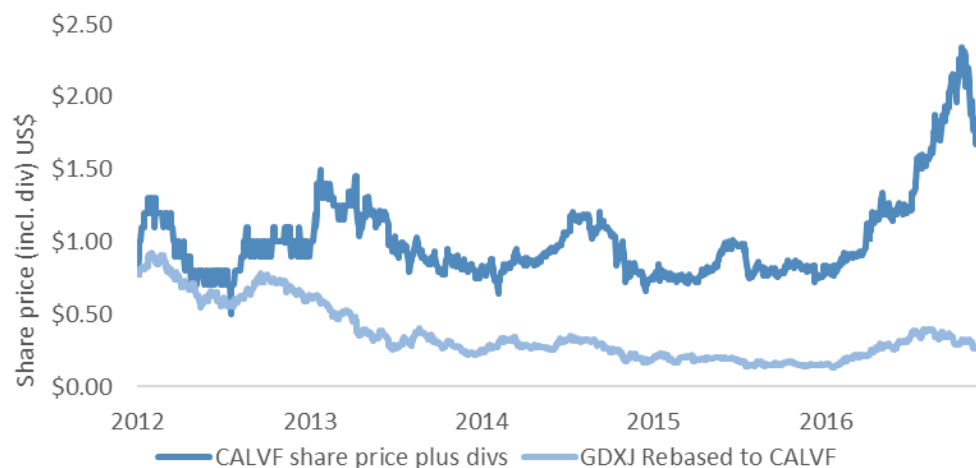
Exchange Controls

- Manageable exchange controls: remittances via dividends, management fee and South Africa procurement margin



Capital Structure & Financials

Relative Performance



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

**YTD
2015** **YTD
2016**

Revenues	37.2	46.7
EBITDA*	7.2	14.0
Profit after Tax	3.6	7.2
EPS – basic (cents)	5.2	9.6
EPS - adjusted (cents)	7.2	13.0

* EBITDA is before Other Income

Capital Structure

Shares in issue (m)	52.6
Options (m)	0.6
Cash (30 th Sept 2016)	\$12.4m
Net Assets (30 th Sept 2016)	\$55.6m

Listing and Trading

Share price (30 th November 2016)	\$1.00
Market capitalisation (US\$m)	\$52.6m
52 week low/high (US\$)	0.48-1.75

Shareholders

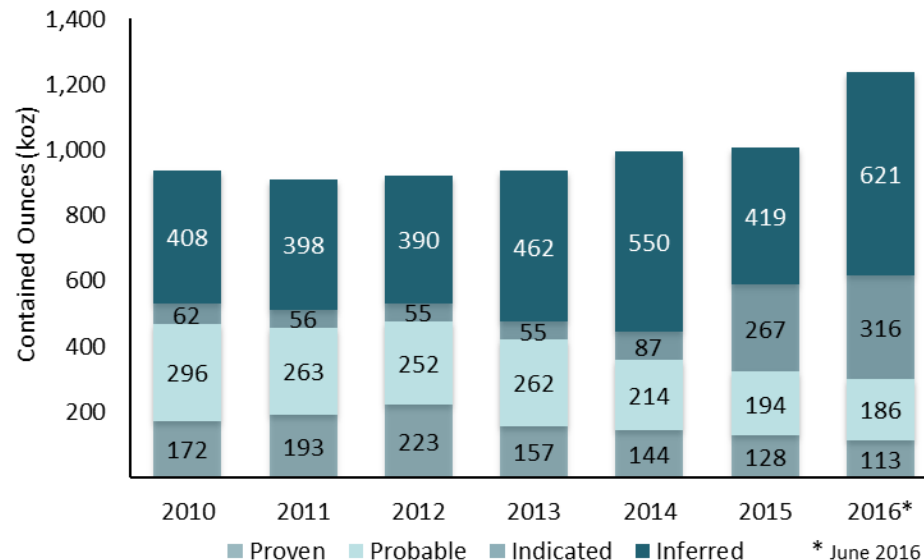
	%
Management and directors	1.6
Allan Gray (South African Institution)	13.5

Mineral Resources at June 30th 2016 (\$1,200 gold)

	Tonnes (000' s)	Grade (g/t)	Gold (k.oz)
Measured	1,177	4.01	152
Indicated	3,678	4.31	509
Total M&I Resources	4,855	4.23	661
Inferred Resources	3,863	5.01	623

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/m³
8. Conversion from kg to oz: 1:32.15076

Resource replacement 2010 - 2016

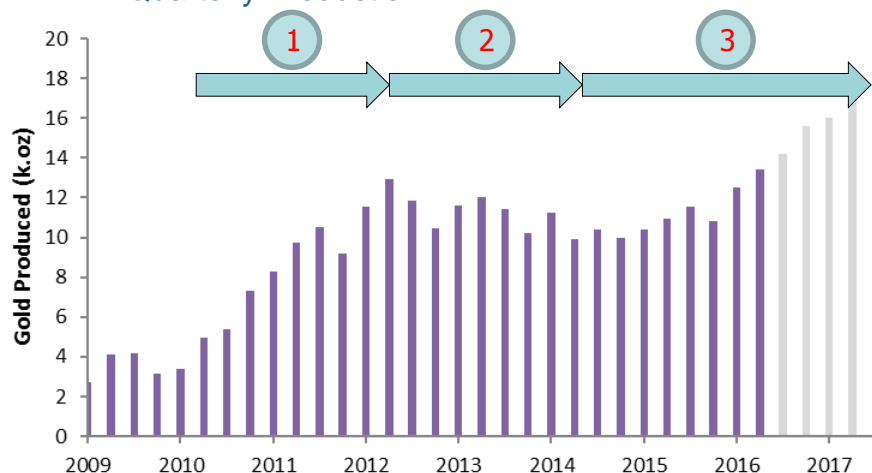


- Increased exploration spend begins to bear fruit:
 - June 2016: reclassification of 343,000 tonnes from Inferred to Indicated; an additional 1,276,000 tonnes of new inventory added to Inferred Resources
- Management is confident that the investment in infrastructure at depth will enable continued exploration drilling and resource delineation in the future
- Grade continues to improve with depth and is trending back towards the average resource grade, this trend is anticipated to lead to a recovery in mined grade as Blanket progresses deeper



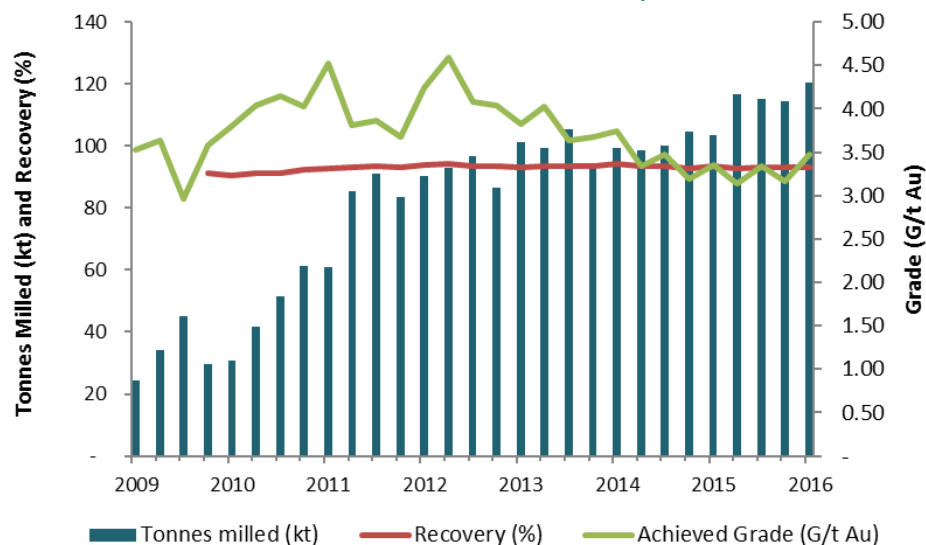
Historic and Projected Gold Production

Quarterly Production



- 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 underground logistics
 - Access to higher grade, ores on deeper levels

Tonnes Milled, Grade and Recovery



Benefits of the Revised Plan now being seen

- 10% increase in tonnes mined following completion of the Trammings Loop in June 2015
 - Record production in Q3 2016
- Guidance remains on track for approx. 50,000 oz. in 2016
- Further anticipated increases in production from 2017
 - increased tonnes mined
 - improving grade and recovery



Investment plan for 80k ounces

Improved Logistics; Accelerate Access to Deeper Resources

Increase Underground Flexibility

- Tramming Loop increases tramming capacity from 400tpd to 1,000tpd
- Completed loop allows sustained increase in mine production from H2 2015
- Development of declines at AR South and Blanket increase mining flexibility

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

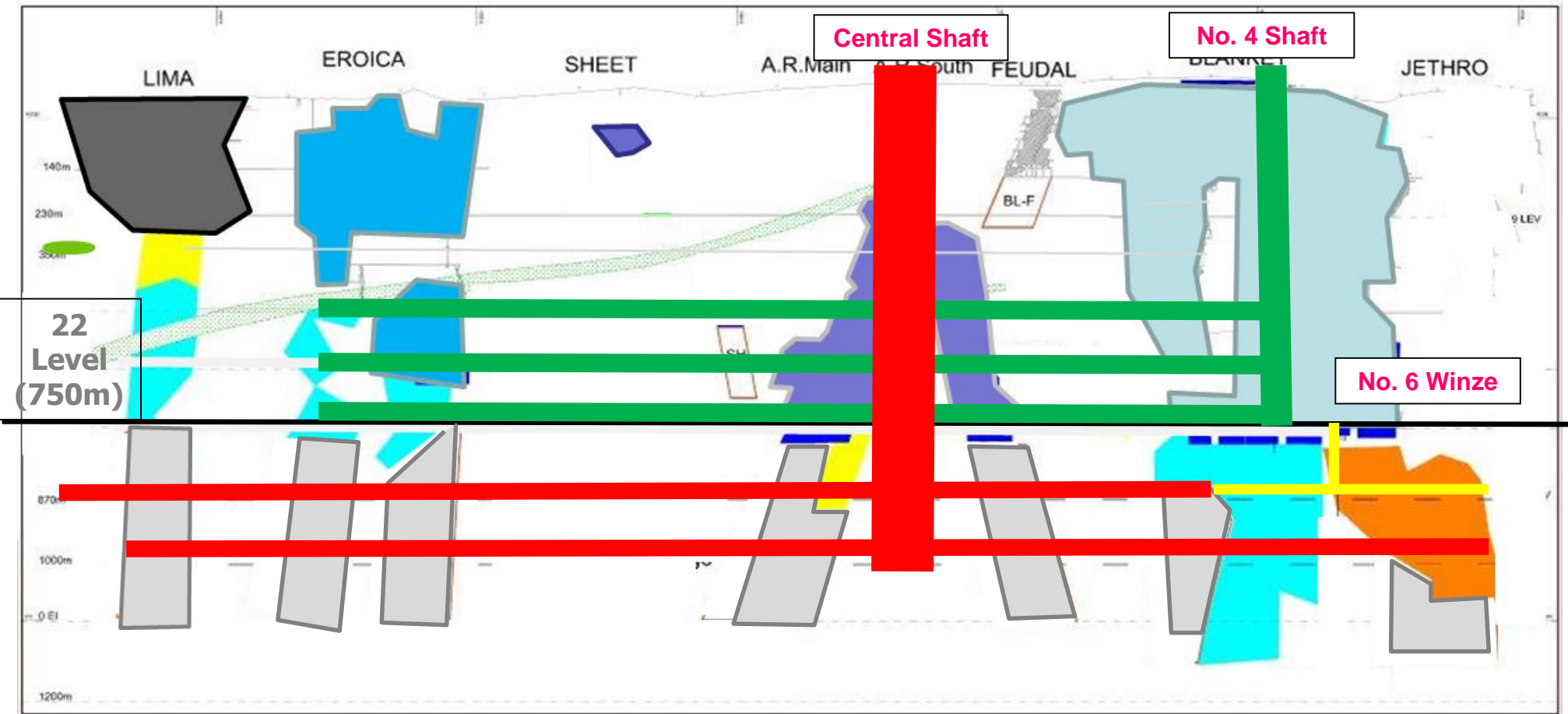
- Capital cost \$23m
- Commenced Aug 2015; complete by June 2018; current depth - 330m
- 6m diameter; 4-compartment; 3,000tpd; men, material, equipment
- Access horizontal development: 2 directions on 2 levels sub-750m
- Improves efficiency and de-risks current single-shaft status

Major impact on production, costs and flexibility



Investment Plan to Double Production

Improved Logistics; Accelerate Access to Deeper Resources



Plan illustrative and not to scale



Central Shaft

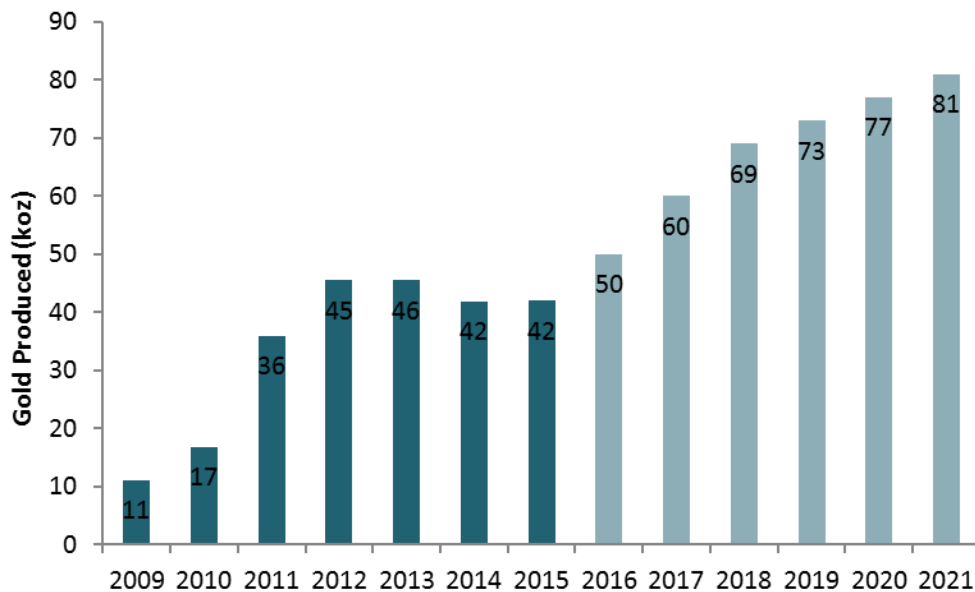
Progress to date





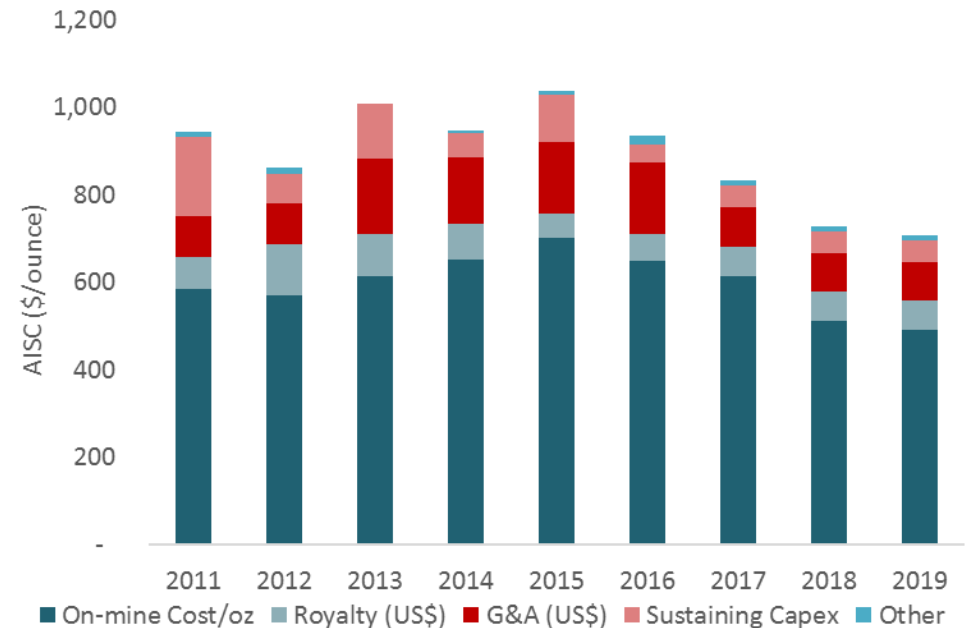
Blanket Expansion improves production and reduces operating costs

Historic & Projected Gold Production



- Life of Mine Plan has been independently reviewed and confirmed by Minxcon, Johannesburg.

Historic & Projected AISC

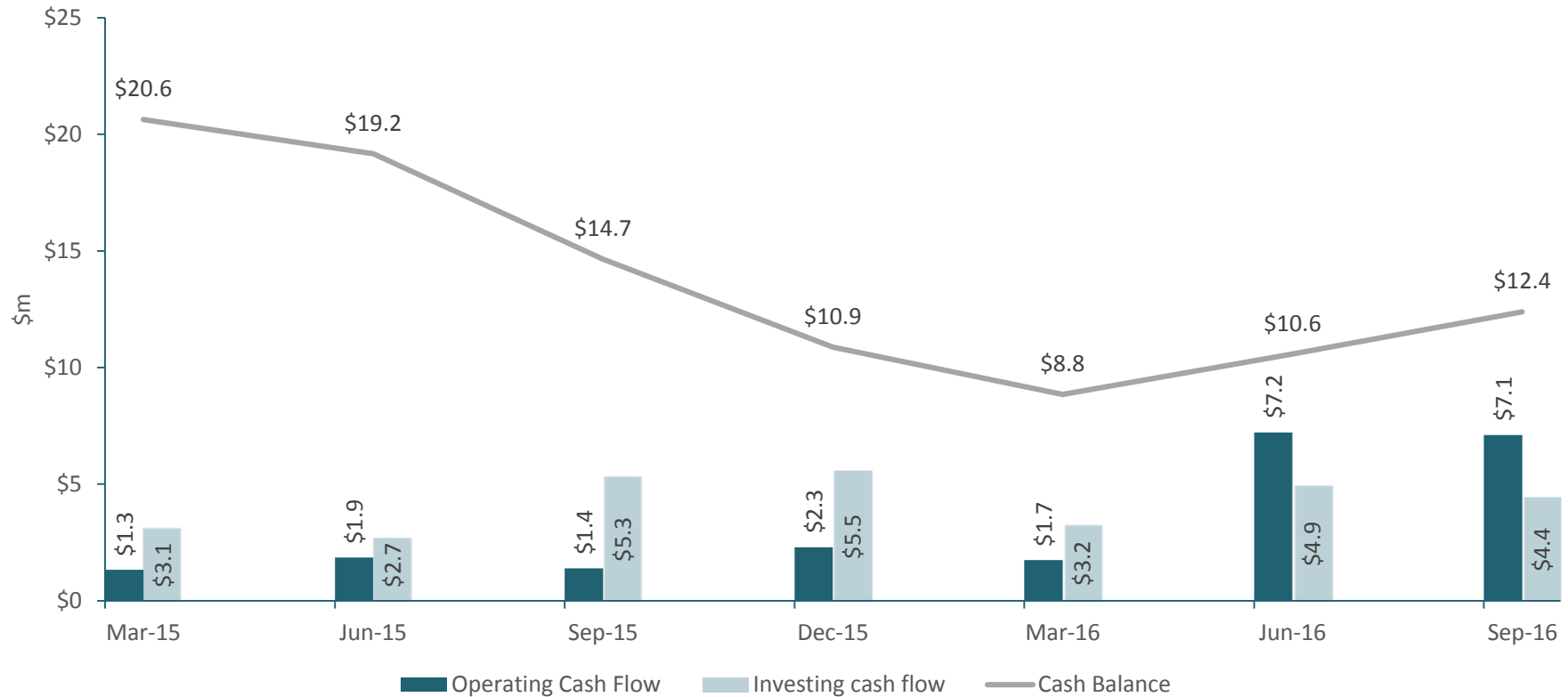


- Projected AISC falls as fixed costs are spread over more production ounces
- Improved operating efficiency resulting from the Central Shaft not included



Operations remain strongly cash generative

Operating and investing cash flow and cash balance: 2015 - 2016



- Caledonia's operations remain strongly cash generative with cash from operations sufficient to support both the investment program and the dividend and grow the group's cash balance in 2016
- Investing cash flow is likely to decline from 2018 onwards as the Blanket investment plan nears completion



Blanket Expansion improves production and reduces operating costs

- Blanket is anticipated to produce 80koz by 2021 at an AISC of between \$700/oz - \$800/oz
- At \$1,200/oz this production will deliver an operating cash margin of between \$400/oz - \$500/oz
- Blanket will generate significant attributable cash flows for Caledonia in addition to the repayment of indigenisation facilitation loans which currently stand at \$30m

Projected Earnings (Edison Research – November 2016)

	2015 Actual	2016 F'cast	2017 F'cast	2018 F'cast
Gold price	1,139	1,224	1,275	1,220
Production (k.oz)	42.8	50.0	60.0	67.0
On-mine cost/oz (\$/oz)	701	652	615	513
EPS (cents)	8.1	18.1	34.2	45.2

Source: www.edisoninvestmentresearch.com

Edison investment research is paid for by Caledonia Mining and can not be considered independent

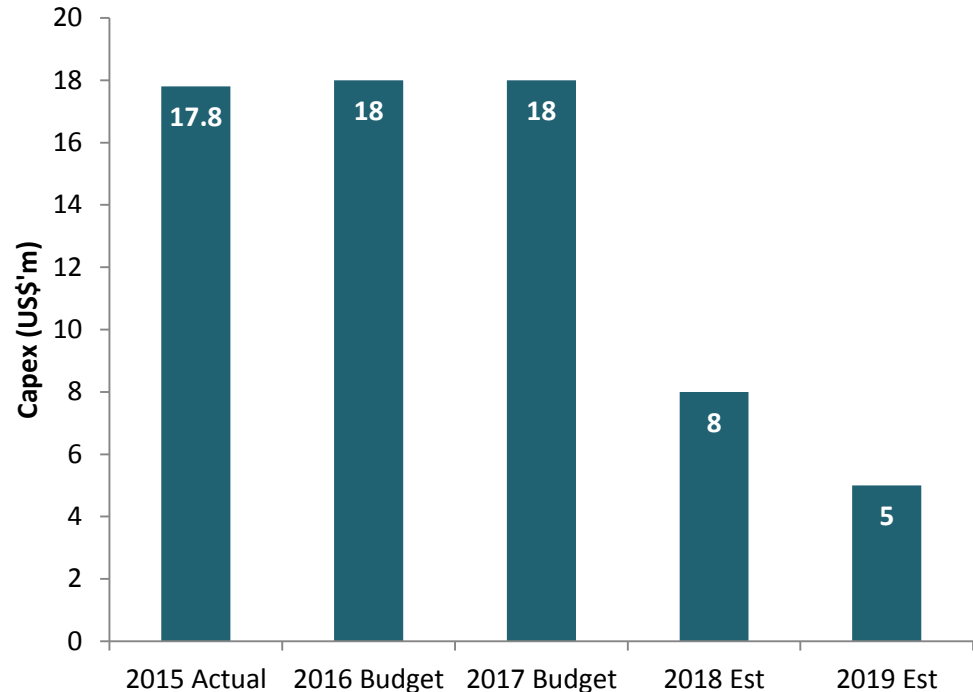
- Current annualised PE (28th November share price 115 cents) – 6.4x



Blanket Expansion Plan

Capex declines sharply after 2017

- 2017 Capex revised upwards to reflect increased investment in underground mine development and material handling infrastructure to further enhance operational flexibility
- Front-loading of capital purchases: specific items were available at attractive prices
 - results in \$5m cumulative reduction in projected project capex from 2016 to 2020
- All future capex is expected to be funded by Blanket's internal cash generation
- Caledonia intends to maintain its dividend and cash balances at current gold prices

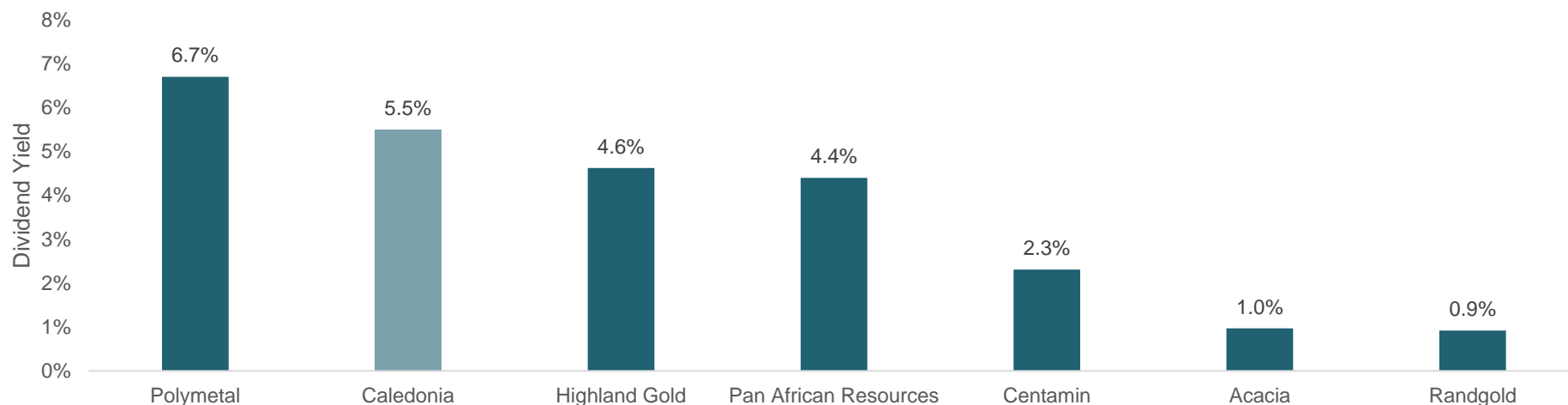




Dividend

A track record of sustainable and increasing dividends

Dividend Sector Comparison – 30th November 2016



Payout ratio	98%	33%	-188%	58%	35%	-83%	33%
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- Caledonia commenced annual dividend payment in 2013 at 5 Canadian cents per share
 - Quarterly dividends adopted from January 2014 of 1.5 Canadian cents per quarter
 - Re-stated to 1.125 US cent per quarter from January 2016 following adoption of US\$ financial reporting
- July 2016: Caledonia increased its quarterly dividend by 22% from 1.125 US to 1.375 US cents per quarter.
- Caledonia's dividend is more than 4 times covered by earnings and 10 times covered by operating cash flow
- Dividends remain a vital component of the Caledonia strategy for delivering shareholder value
- Quarterly dividends have been paid since January 2014 over a period of sustained weakness in the gold price and a significant capital investment program – a strong testament to the cash generating potential of Caledonia



Revised Investment Plan

Low-Risk Growth

Not a “Stretch” plan

- Implementation parameters based on achieved rates at other Blanket projects
- 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



Investment Case

- **Strong dividend yield**
 - Industry leading dividend yield with payments sustainable over the long term
 - Management anticipate maintaining the current dividend through any future capital investment requirement
- **Low Cost Operations**
 - All-in Sustaining costs of \$952/oz YTD 016
 - Downward trend likely to be sustained as increased production volume and economies of scale lead to lower unit operating costs
- **Growth potential**
 - Blanket investment plan is beginning to yield fruit with strong cash generation from 2017 onwards
 - Low dividend pay-out ratio and strong future cash generation leaves resources available for strategic purposes
- **Strong Management Team**
 - Excellent in country relations
 - Proven track record of operating reliably and profitably in Zimbabwe
 - The only fully-indigenized operator in Zimbabwe





Contacts

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Investment Research

WH Ireland -

www.whirelandplc.com

Edison -

www.edisoninvestmentresearch.co.uk

Marten & Co

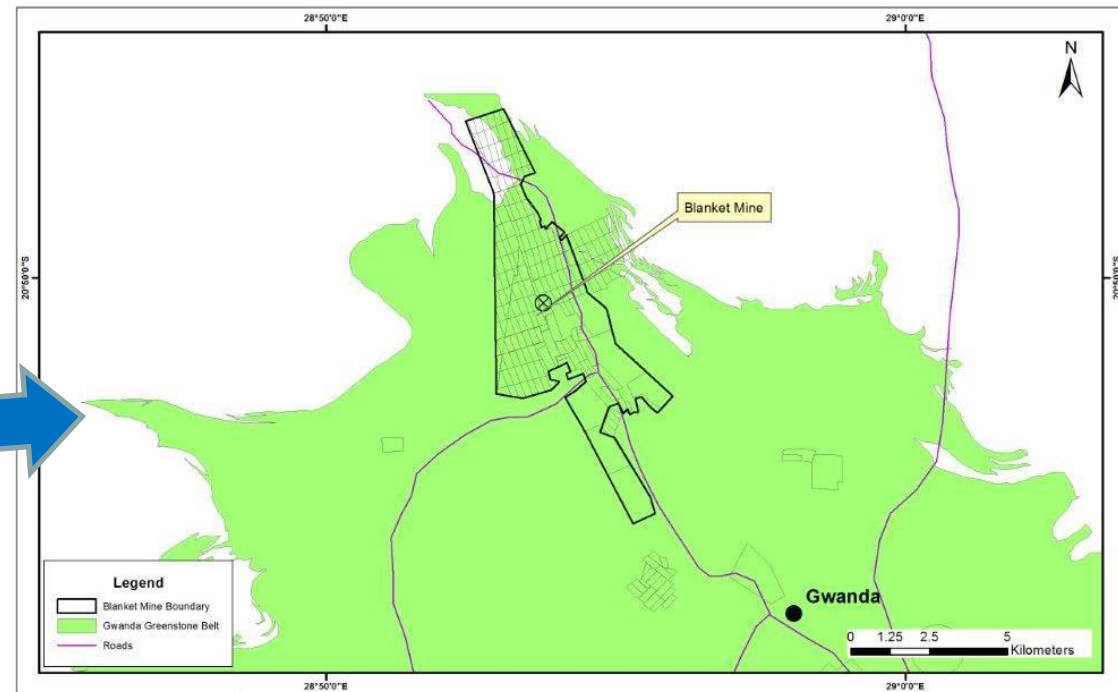
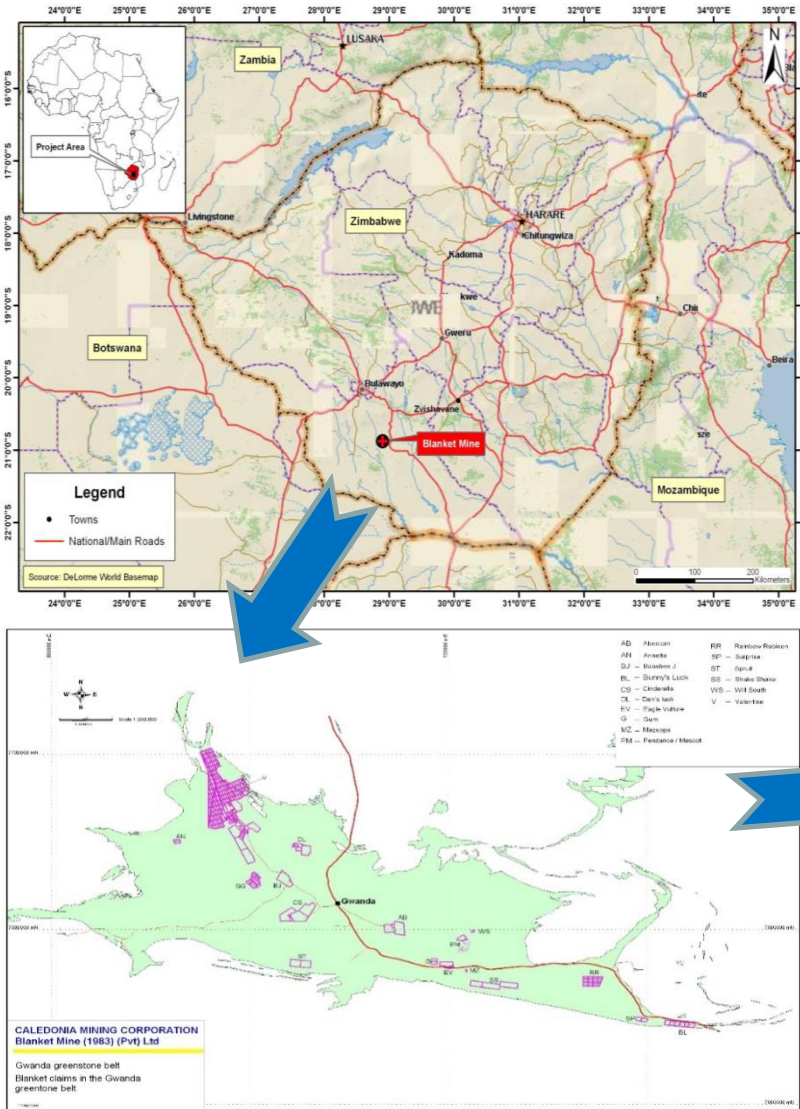
- www.martenandco.com





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

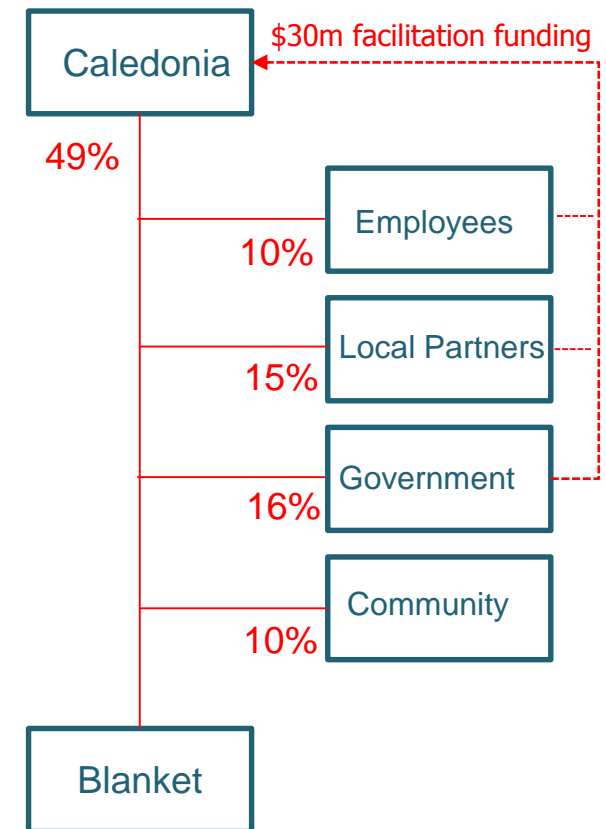




Blanket Gold Mine, Zimbabwe

The First Indigenized 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 indigenized 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
Blanket Mine Manager	Caxton Mangezi
VP Corporate Development	Maurice Mason

- Management based in Jersey, London, South Africa and Zimbabwe
- 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 (Jersey)
Independent Director	Johan Holtzhausen (S Africa)
Independent Director	Jim Johnstone (Canada)
Independent Director	John Kelly (USA)
Independent Director	John McGloin (UK)

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