

Caledonia Mining Corporation**(TSX: CAL, OTCQX: CALVF, AIM: CMCL)****Update on Implementation of the Revised Investment Plan**

September 21, 2015: On November 3, 2014, Caledonia Mining Corporation (“Caledonia”) announced the Revised Investment Plan (“Revised Plan”) for the Blanket Mine which entails:

- Developing a “Tramming Loop” 750 metres below surface;
- Continuing to sink the No. 6 Winze to provide access to deeper level resources; and
- Sinking a new 6-metre diameter Central Shaft from surface to 1,080 metres. The new Central Shaft will provide access to the current inferred mineral resources below 750 metres and allow for further exploration, development and mining in these sections along the known Blanket strike, which is approximately 3 kilometres in length.

Caledonia provides the following update on the implementation of the Revised Plan:

- The Tramming Loop was completed ahead of schedule in June 2015 and will allow for an increase in development which is expected to result in increased production towards the end of 2015, as reflected in the 2015 production guidance of approximately 42,000 ounces of gold.
- Sinking the No. 6 Winze was completed in June and the shaft is currently being equipped after which horizontal development towards the two main resource bodies will commence. The project remains on target for first production in January 2016; production is expected to reach the target rate of 500 tonnes per day in May 2017. Production from the No. 6 Winze is included in the production guidance for 2016 and 2017 as set out in the November 3, 2014 press release.
- At the Central Shaft, most of the equipment that is required for the sinking phase of the project has been acquired and is either on-site or is in transit to site. The Scott Derrick that will be used in the early stages of sinking down to 90 metres has been commissioned. The kibble winder that will continue the sink from 90 metres to 1,080 metres has been refurbished and is expected to be commissioned in January 2016. Five generator units have been acquired which have a combined generating capacity of 2 MVA as a back-up power supply to the kibble winder in the full sink phase, which is expected to commence in January.

Steve Curtis, Caledonia’s Chief Executive Officer, commented:

“We are pleased with the ongoing implementation of the Revised Plan, which is proceeding as scheduled.

“The completion of the Trimming Loop and sinking of the No. 6 Winze earlier in the year were significant steps towards progressively increasing production from 2016 onwards to achieve an annual rate of 80,000 ounces of gold by 2021.

“The Central Shaft project remains on target. I expect that the pre-sink will be completed by the end of 2015 and the main sink phase from 90 metres to 1,080 metres will commence in mid-January 2016.

We look forward to keeping the market updated with further progress.”

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