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CALEDONIA MINING CORPORATION



Revised Strategic Plan

November 2014



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Current Production Issues

Reduced guidance during 2014

- July 2014:
 - 2014 production guidance cut from 48koz to 45koz
 - longer term guidance suspended pending investment review
- October 2014:
 - 2014 production guidance reduced to 40koz
 - Current production on track to achieve revised guidance

Lower grades cannot be compensated by higher tonnage

- Diminishing reserves and grade in AR South - high volume; high grade
- Unexpectedly high internal dilution at AR Main
- Tramming constraints on 22 Level
- Lack of underground flexibility to open new mining areas

Reduced production amplifies the impact of the lower gold price

- Blanket's operations remain highly efficient and cash generative:
 - Cost per tonne processed reduced from \$76 to \$70 in 2014
 - Plant recoveries remain high despite lower feed-grade
 - High fixed costs: lower production results in higher cost/oz



Revised Strategy

Accelerate Access to Deeper Resources

Increase Underground Material Handling

- L22 tramming capacity (waste and ore) currently 400tpd
 - Increased development at the expense of production
- A new Tramming Loop increases tramming capacity to 1,000tpd
 - Modest capital cost (\$0.8m approx.); complete by July 2015

Continue No. 6 Winze 630m to 870m

- Rapid access to Blanket zone below 750m
 - production starts Jan 2016; ramp-up to 500tpd by mid-2017
- Resume sinking from 870m after completion of Central Shaft

New Central Shaft Surface to 1,000m

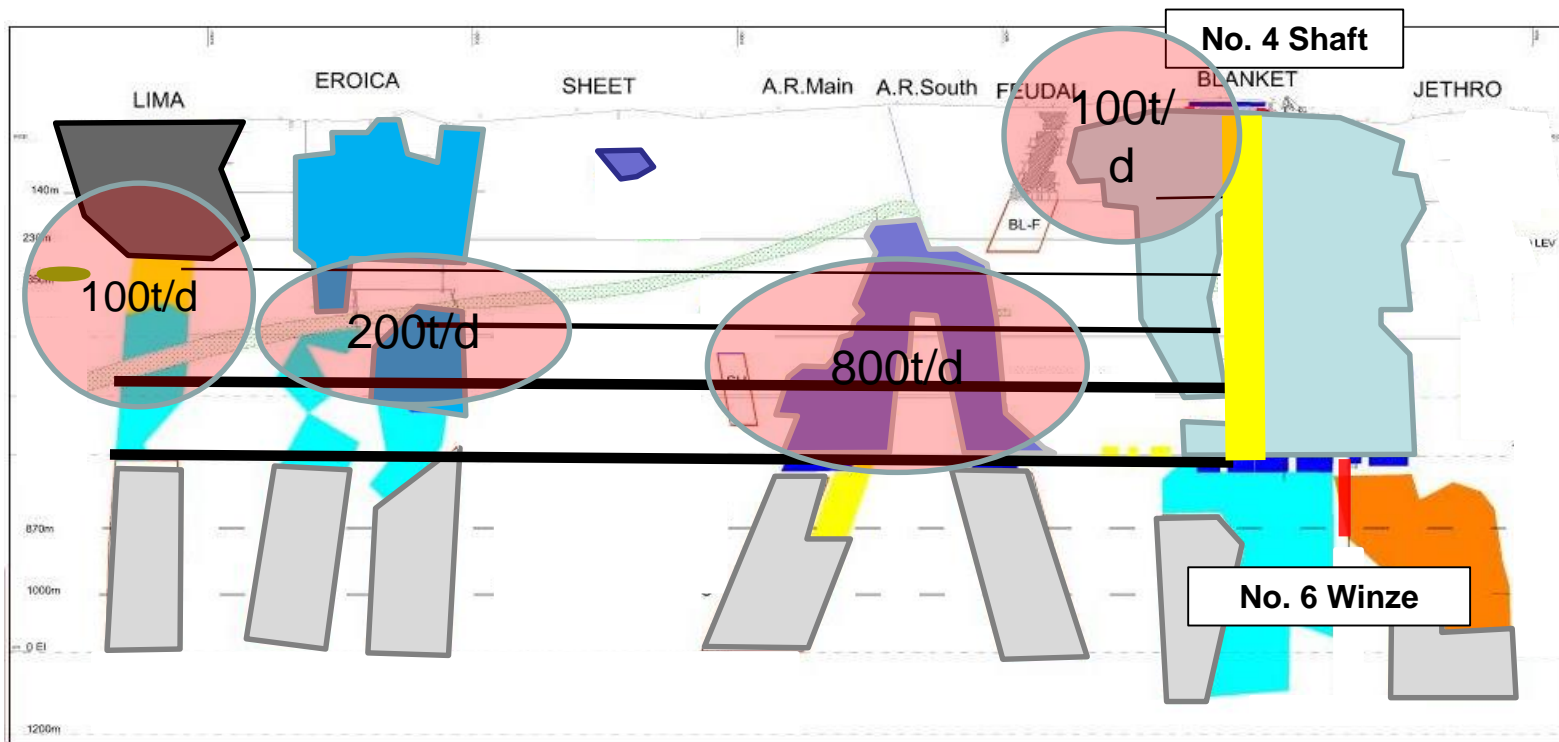
- Capital cost \$23m
- Sink from surface and 630m: Aug 2015 to July 2017
- 6m diameter; 4-compartment; 3,000tpd; men, material and equipment
- Access for horizontal development in 2 directions on 2 levels below 750m
- Scope for operational efficiency and de-risks current single-shaft status

Commit capital to Satellites

- Encouraging and exploration and metallurgical results
- No public production projections until reserves are established



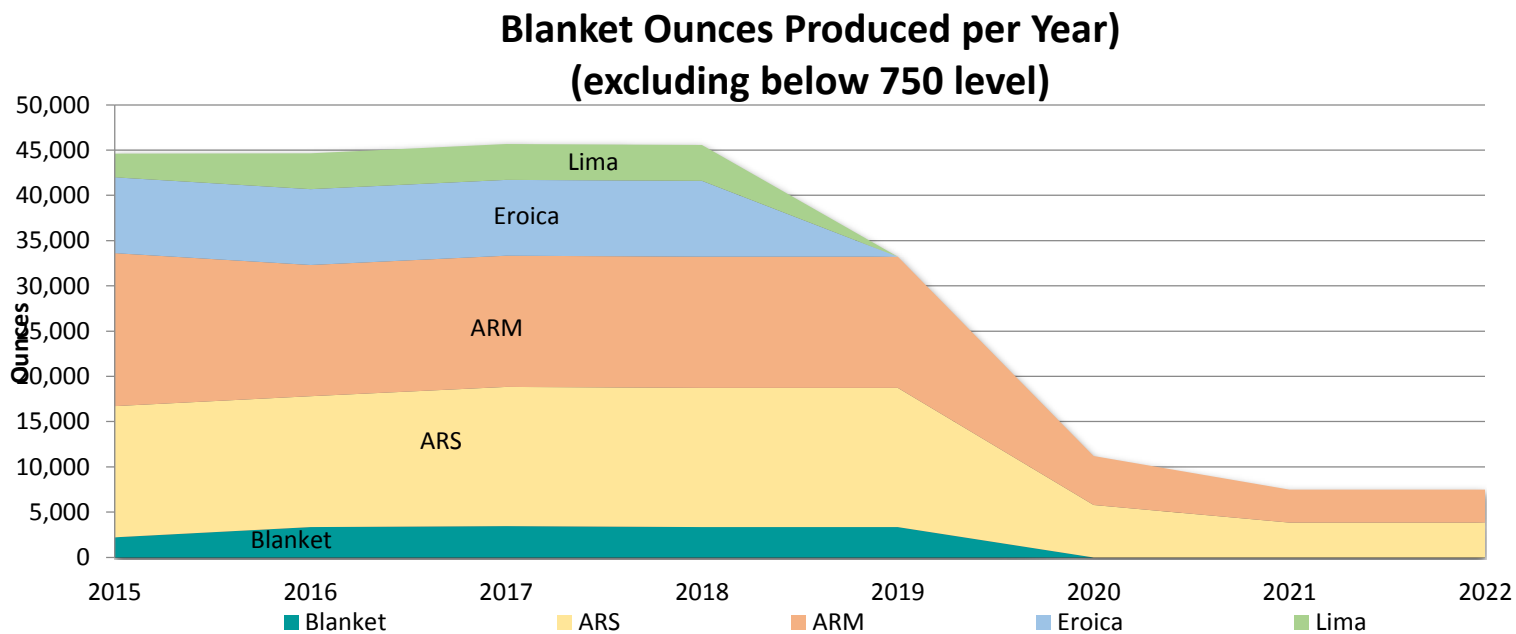
Current infrastructure No Investment Scenario



- With Blanket's existing infrastructure and only sustaining investment, Blanket can maintain 1,200tpd from existing reserves above 750m for another 3 year.....



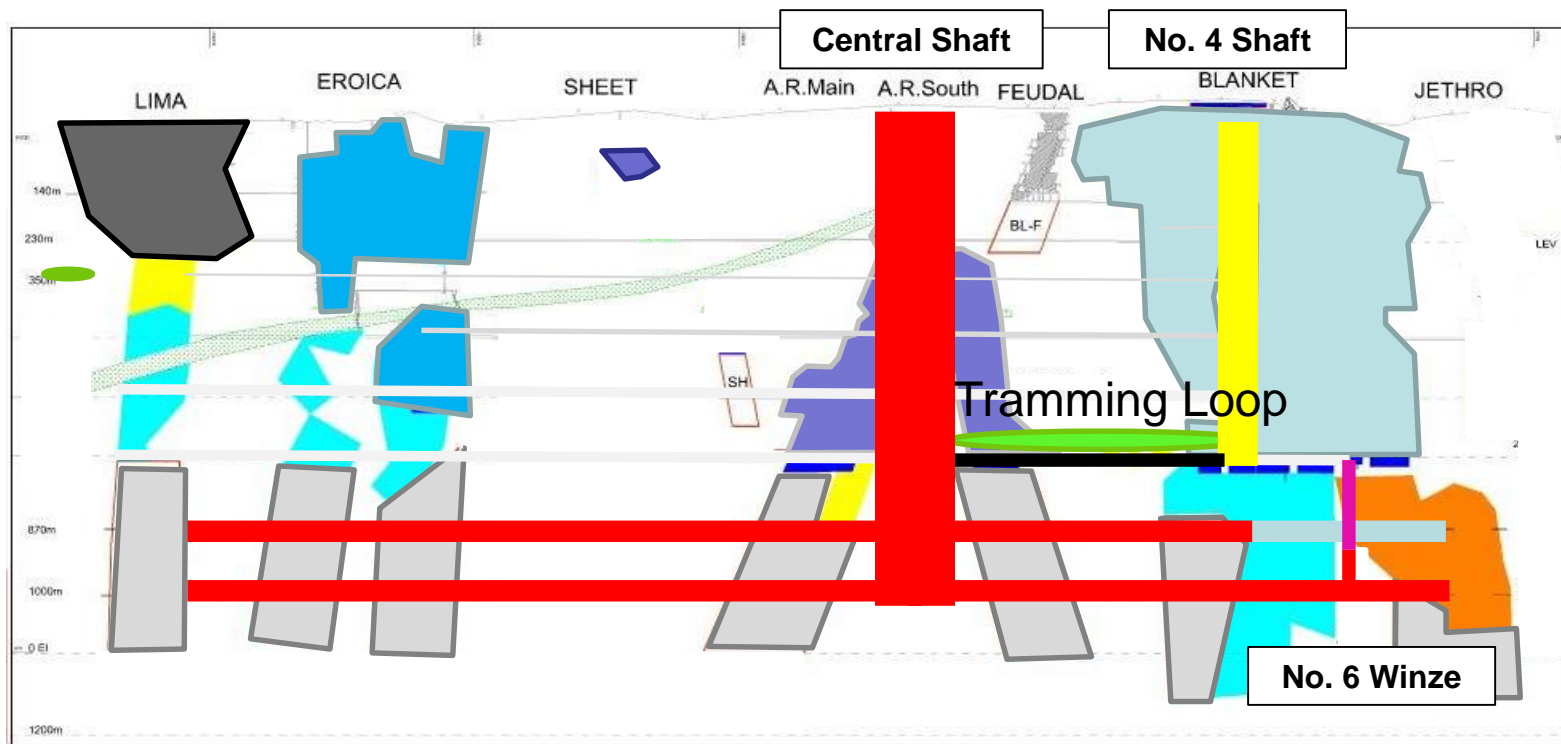
Current infrastructure No Investment Scenario



-But without access to deeper resources, Blanket's production falls rapidly from 2018



Revised Plan Proposed infrastructure

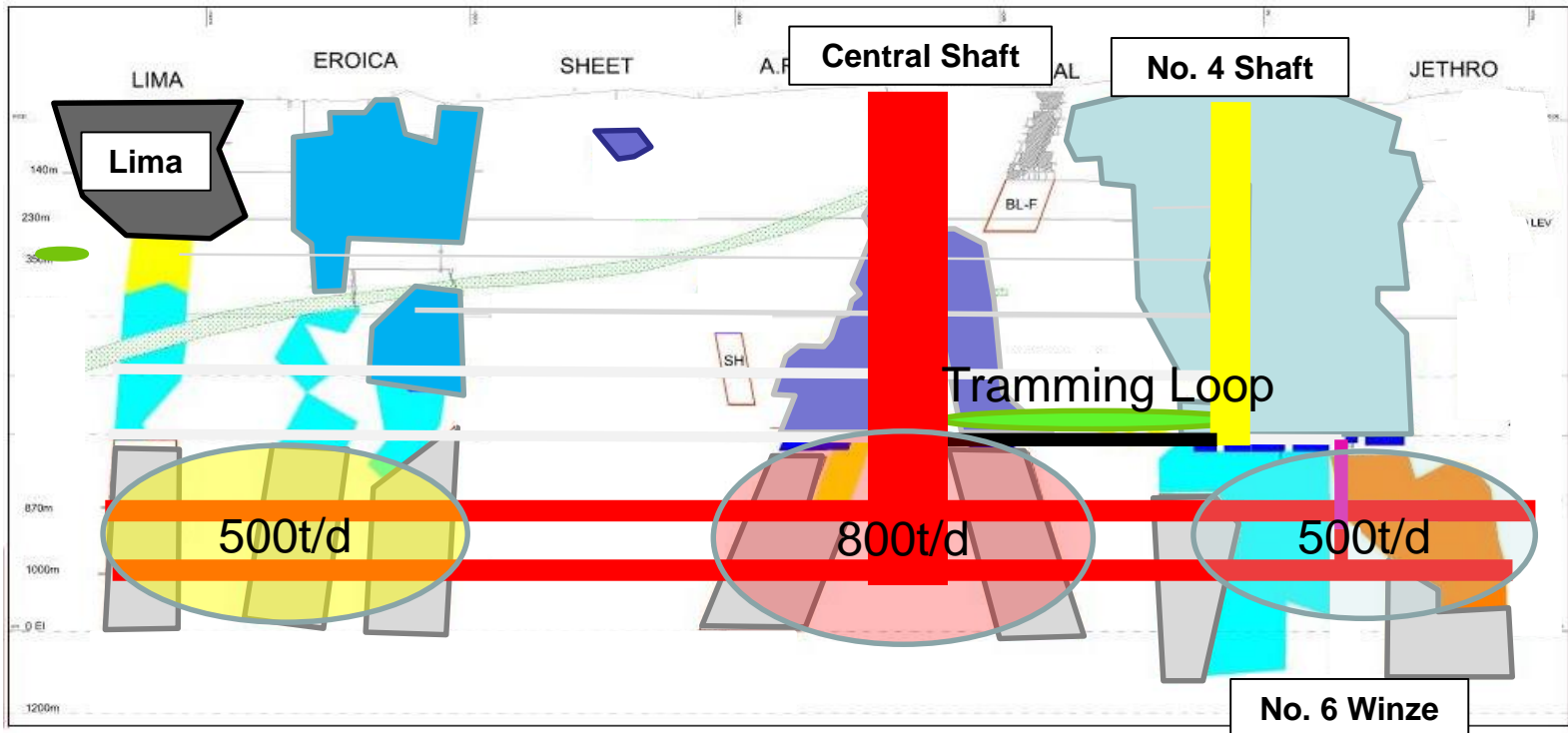


- No. 6 Winze allows early access to the Blanket zone below 750m
- Tramming Loop allows L22 handling of waste arising from the sinking of the Central Shaft from 630m
- 3,000 tpd Central Shaft provide access to 26 and 30 Levels in 2 directions, creates opportunity for improved operational efficiency and resource development below 750m
- Larger 3x3m haulages on 26 and 30 levels – high-speed, high volume access to all mining areas
- Future access below 1,000m by future deepening of any of the Central Shaft, No. 4 Shaft, No. 6 Winze



Revised Plan

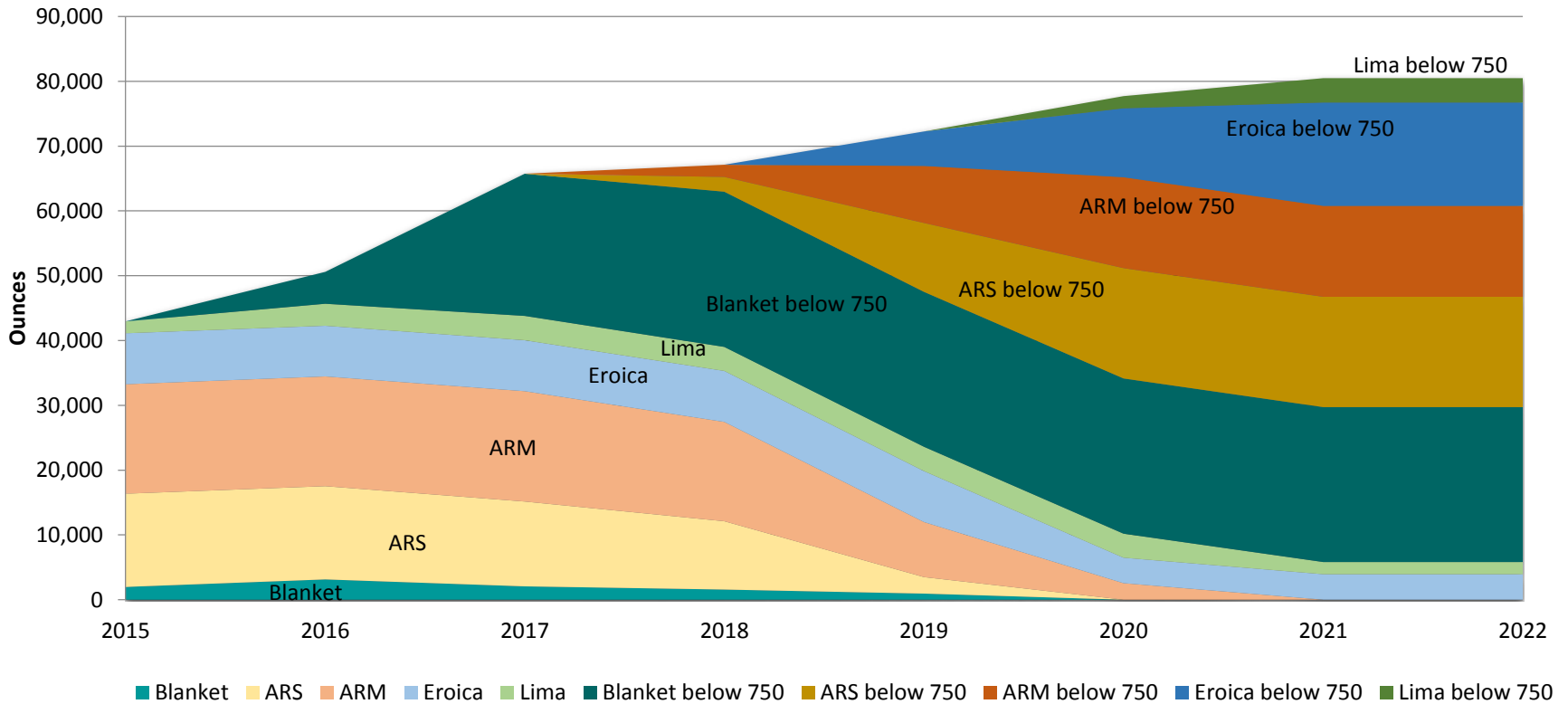
Open New Mining Areas below 750m





Revised Plan Projected Production

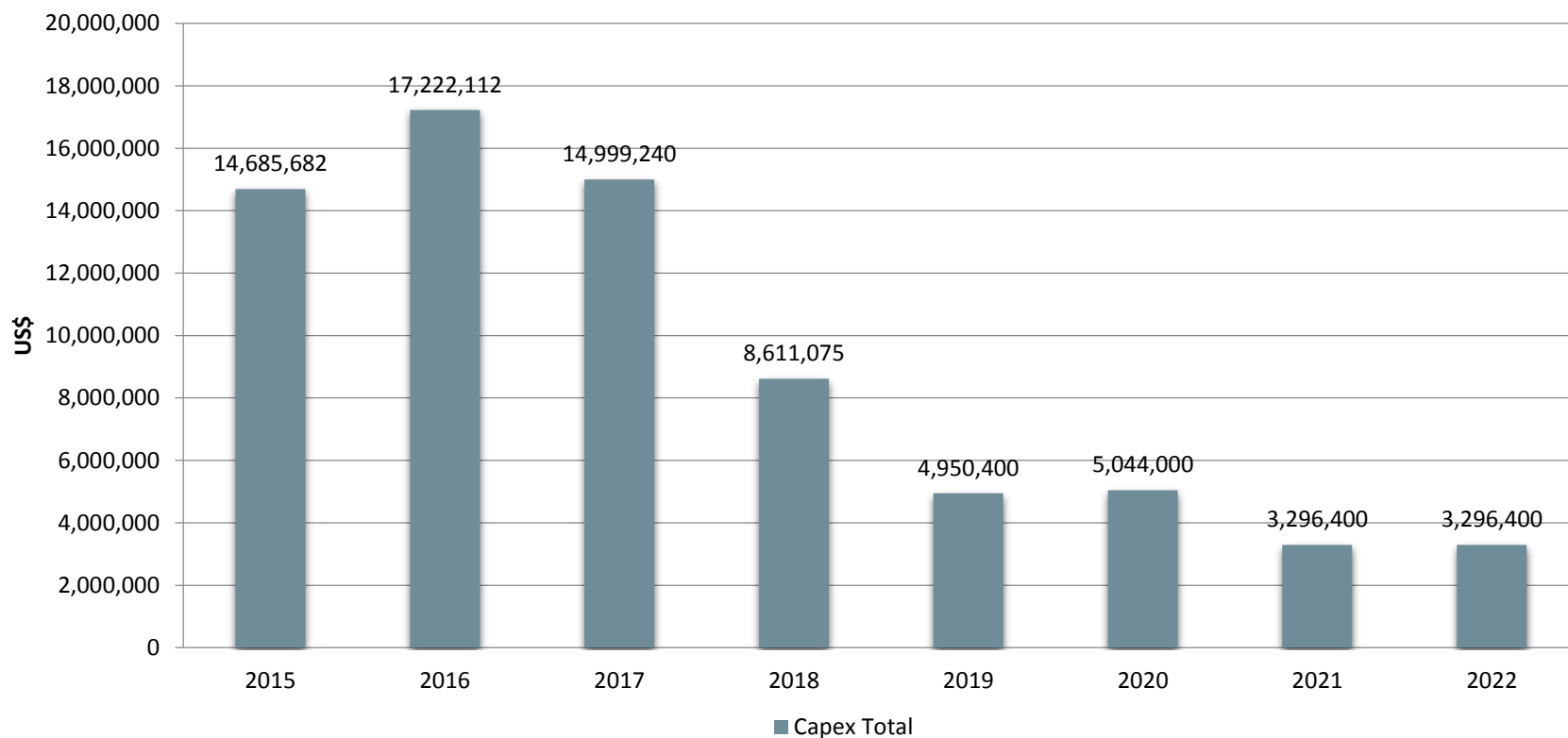
Breakdown of Blanket Ounces Sold per Year (2015 to 2022)





Revised Plan Annual Expansion CAPEX

Total CAPEX per Year (2015 to 2022)





Revised Plan Financial Projections

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

Blanket Mine - Projected Production							
	2015	2016	2017	2018	2019	2020	2021
Tonnes milled							
- Reserves above 750m	427	455	432	384	229	97	53
- Inferred resources below 750m	0	36	161	213	387	546	598
Ounces produced							
- Reserves above 750m	42	45	43	39	23	10	6
- Inferred resources below 750m	0	4	20	27	46	63	70

Canadian regulations preclude the summation of production from reserves and resources

- Revised Life of Mine Plan has been reviewed by Minxcon, Johannesburg.
- Blanket's on-mine costs (labour, electricity, consumables) are estimated to be 50% fixed
- Increased production should therefore result in lower unit costs
- Additional cost benefits may arise from operating efficiencies
 - Central shaft reduces underground travel time and shortens tramming distances
 - Reduces the risk arising from single-shaft operation



Revised Plan

An incremental Extension of the Previous Plan

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Previous Plan (January 2013)

- Target production: 76koz by 2016
 - 52koz from above 750m
 - 24koz below 750m (No. 6 Winze)
- Required Capex: \$37m 2013-2017
 - \$12m already spent
 - \$25m unspent

Revised Plan

- Target production (2021)
 - 70-75koz from resources below 750m
 - 6koz from reserves above 750m
 - Transition entire production below 750m
- Required Capex:
 - 2015-2017: \$50m. \$21m increase on the unspent allocation from the previous plan.
 - 2018 -2020: \$20m
 - Incremental investment reflects confidence that investment in Blanket delivers the best shareholder returns

Previous Plan - Shortfalls

- Production above 750m lower than expected
 - Internal grade dilution
 - Lower gold prices makes some areas un-pay
- Slower progress on no. 6 Winze than anticipated
- Plan did not address logistical issues on 22L
- Blanket remains a single shaft operation with asymmetric access

Revised Plan - Advantages

- Higher IRR; Higher NPV
- Caledonia's financial and technical capacity used to implement a long-term solution to underground logistics
- Scope for additional efficiencies: centralized access; faster, high volume haulages
- Removes single shaft risk
- Future access to deeper levels can be achieved by alternate sinking of No 4 and Central shafts



Revised Plan

Risks and Mitigation

Risk	Mitigation
Projected production based on inferred resource	<ul style="list-style-type: none">• First 4 years of production underpinned by Reserves• Highly conservative resource accounting• Historically 100% conversion resources to reserves• Inferred resources discounted by 35% for LOMP
Project implementation	<ul style="list-style-type: none">• Highly experienced implementation team and skilled workforce• All mine infrastructure and logistics in place• Pace of implementation reflects current development rates• Slippage built into development plan• Third party review (Minxcon)
Financing	<ul style="list-style-type: none">• All funding will be covered by Blanket's internal cash generation• Caledonia retains the cash resources (US\$23m June 30 2014) to provide additional funding if necessary
Political	<ul style="list-style-type: none">• Blanket's Indigenous shareholders and Zimbabwe government support this substantial new investment
Gold Price	<ul style="list-style-type: none">• Revised plan further reduces Blanket's already low costs