

Resource Update at the Blanket Mine, Zimbabwe

December 3, 2015: Caledonia Mining (“Caledonia” or the “Company”) is pleased to announce an increase and upgrade to the resource base at its 49% owned subsidiary, the Blanket Mine in Zimbabwe.

Based on the diamond core drilling that has been done at depth below the AR South Section over the past six months, it has been possible to add 222,000 tonnes of new inventory to the Indicated Resource category plus a further 283,000 tonnes to the Inferred Resource category.

Infill drilling has continued at Blanket Section to upgrade Inferred Resources to Indicated Resources. A total of 254,750 tonnes of Blanket Quartz Reef, No.1 and No. 2 Orebodies has been upgraded as set out in the table below.

The combined total of new and upgraded Indicated Resources of 476,750 tonnes is in addition to the 3,472,000 tonnes of Reserves and Indicated Resources following the May 2015 upgrade.

AR South Section below 750m – additional Indicated Resources			
	Tonnes	Width (m)	Grade (g/t)
Indicated Resources as at March 30, 2015	-	-	-
Net additional indicated as at September 30, 2015	222,000	14.87	4.90
Total Indicated Resources as at September 30, 2015	222,000	14.87	4.90

This upgrade and addition represents an increase of 14% per cent in terms of tonnes and 19%

AR South Section below 750m – additional Inferred Resources			
	Tonnes	Width (m)	Grade (g/t)
Inferred Resources as at March 30, 2015	-	-	-
Net additional inferred as at September 30, 2015	283,000	12.43	4.03
Total Inferred Resources as at September 30, 2015	283,000	12.43	4.03

in terms of contained gold and equates to 2 years of production at 2014 production levels.

The breakdown of the various additions is given in the tables below.

The resources shown in the above tables represents the resources attributable to Blanket Mine and not to Caledonia’s 49% interest in Blanket Mine.

Blanket Section below 750m - Indicated Resources upgraded from Inferred Resources			
	Tonnes	Width (m)	Grade (g/t)
<i>No. 1 Orebody</i>	112,750	6.65	5.93

<i>No. 2 Orebody</i>	58,000	3.74	3.39
<i>Blanket Quartz Reef</i>	84,000	7.76	7.39
TOTAL	254,750	6.35	5.83

Commenting on the resource upgrade, Steve Curtis, Caledonia's Chief Executive Officer said:

"This upgrade reflects the Company's increased focus on resource development at Blanket mine as we progress with the Revised Investment Plan that will boost production levels from 2016 onwards.

"The upgrade of 476,750 tonnes from Inferred Resource to Indicated Resource represents a significant improvement in the overall confidence level of Blanket's resources. After the upgrade announced today the division between Blanket's resource categories has improved to 62% in the measured and indicated category and 38% in the inferred category.

"Caledonia will continue to look to increase the life of mine by further supplementing it with resource additions and upgrades as a result of the increased exploration activity, both at Blanket and also at the satellite projects."

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Cautionary Note Concerning Forward-Looking Information

Information and statements contained in this news release that are not historical facts are “forward-looking information” within the meaning of applicable securities legislation that involve risks and uncertainties relating, but not limited to Caledonia’s current expectations, intentions, plans, and beliefs. Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “goal”, “plan”, “target”, “intend”, “estimate”, “could”, “should”, “may” and “will” or the negative of these terms or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Examples of forward-looking information in this news release include: production guidance, estimates of future/targeted production rates, and our plans and timing regarding further exploration and drilling and development. This forward-looking information is based, in part, on assumptions and factors that may change or prove to be incorrect, thus causing actual results, performance or achievements to be materially different from those expressed or implied by forward-looking information. Such factors and assumptions include, but are not limited to: failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, success of future exploration and drilling programs, reliability of drilling, sampling and assay data, assumptions regarding the representativeness of mineralization being inaccurate, success of planned metallurgical test-work, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Such factors include, but are not limited to: risks relating to estimates of mineral reserves and mineral resources proving to be inaccurate, fluctuations in gold price, risks and hazards associated with the business of mineral exploration, development and mining, risks relating to the credit worthiness or financial condition of suppliers, refiners and other parties with whom the Company does business; inadequate insurance, or inability to obtain insurance, to cover these risks and hazards, employee relations; relationships with and claims by local communities and indigenous populations; political risk; availability and increasing costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, including the risks of obtaining or maintaining necessary licenses and permits, diminishing quantities or grades of mineral reserves as mining occurs; global financial condition, the actual results of current exploration activities, changes to conclusions of economic evaluations, and changes in project parameters to deal with unanticipated economic or other factors, risks of increased capital and operating costs, environmental, safety or regulatory risks, expropriation, the Company’s title to properties including ownership thereof, increased competition in the mining industry for properties, equipment, qualified personnel and their costs, risks relating to the uncertainty of timing of events including targeted production rate increase and currency fluctuations. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Caledonia undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Qualified Person

Dr. Trevor Pearton, B.Sc. Eng. (Mining Geology), Ph.D. (Geology), Pr.Sci.Nat., F.G.S.S.A., VP Exploration is the Corporation’s qualified person as defined by NI 43-101. Dr. Pearton is responsible for the technical information provided on this release and has approved the release of the above information.