CALEDONIA MINING CORPORATION

An African-Focussed Mining, Exploration and Development Company

December 2011

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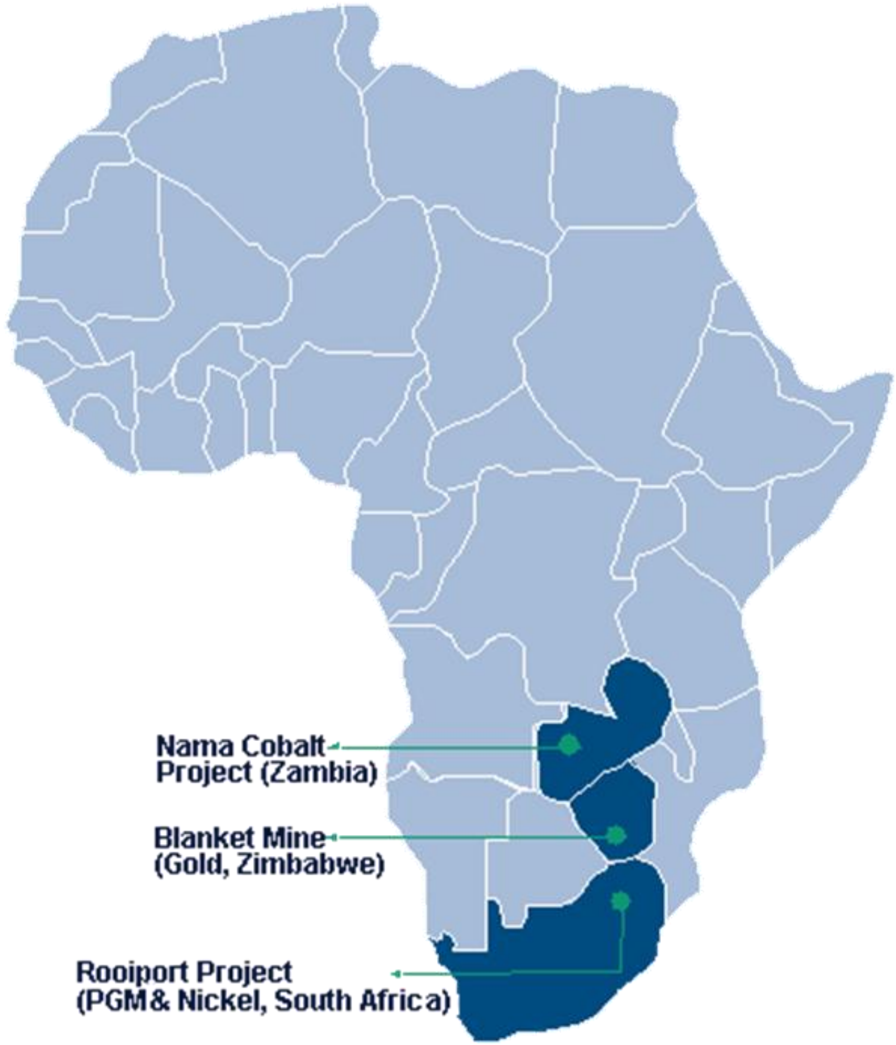
Caledonia Group Overview

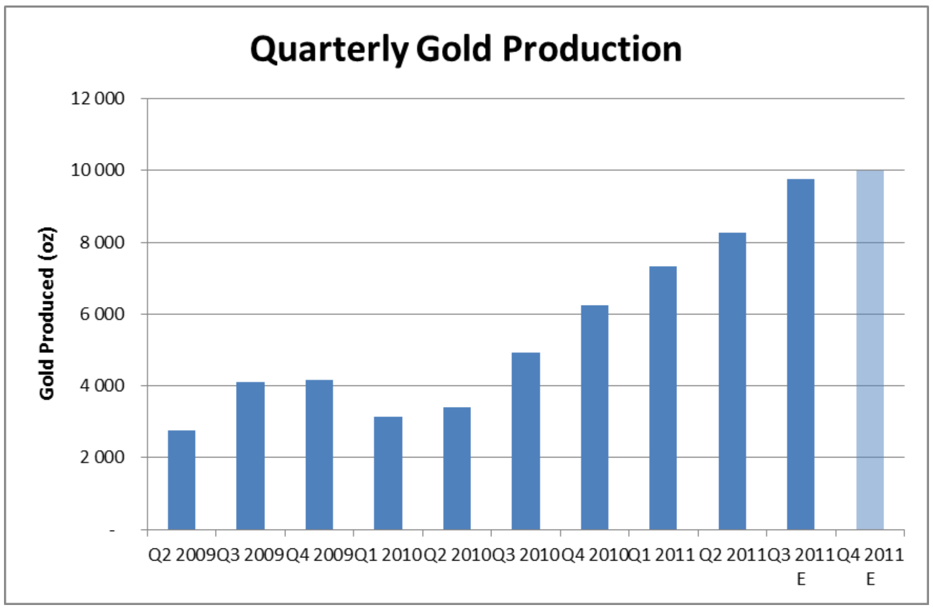
TSE: CAL. OTCQX: CALVF. AIM: CMCL.

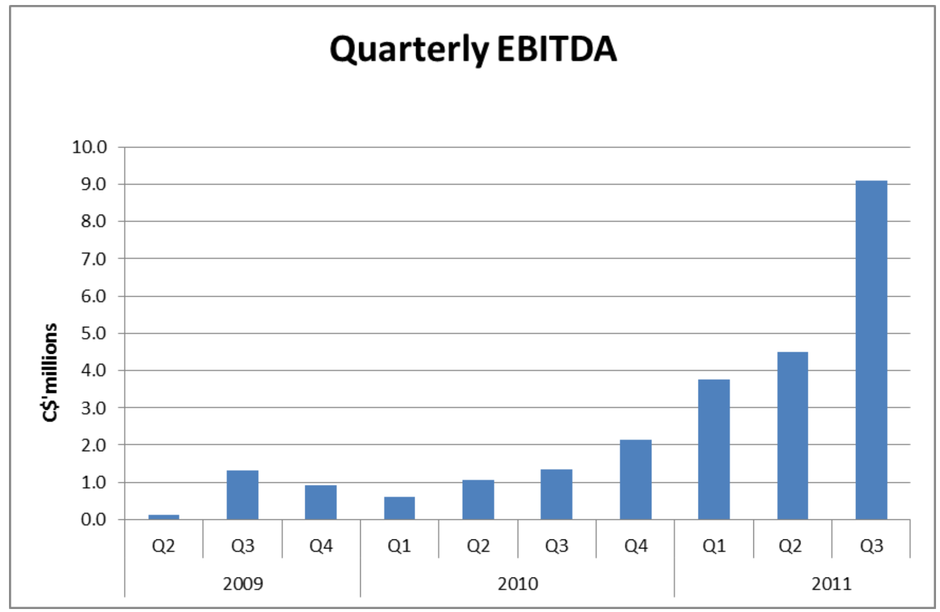
- Mining, exploration and development, focused on attractive assets in Africa
- Strong foundation in gold production
  - – Blanket Gold Mine, Zimbabwe
    - 40,000oz pa production capacity
    - Low-cost producer
    - Considerable exploration upside funded by strong internal cash flow
- Nama base metals exploration, Zambia
    - Preliminary exploration for traditional copperbelt ores
    - Highly prospective area: adjacent to a new VALE copper mine development
- Listed in Toronto and NASDAQ since 1992 and London (AIM) since 2005



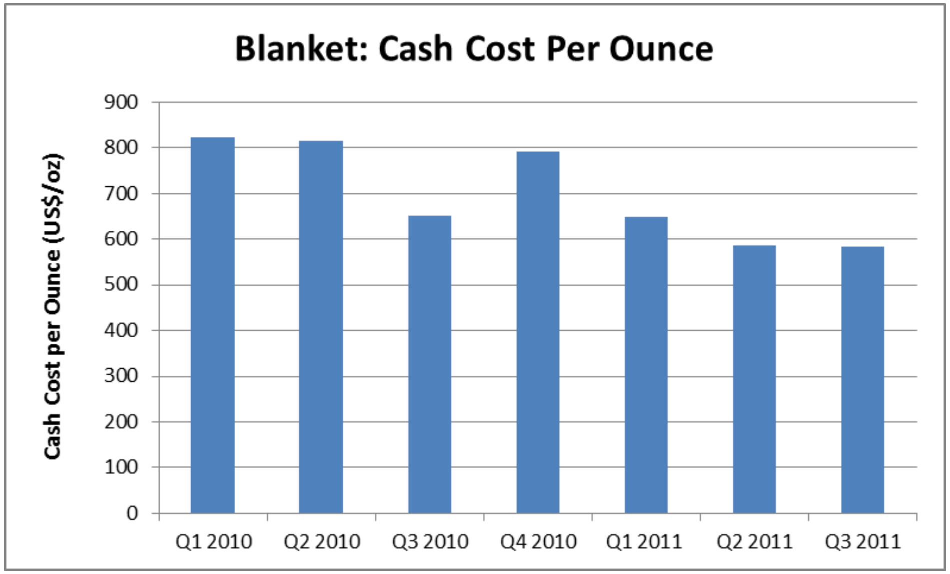
Caledonia Group Overview
Q3 2011 Results Highlights

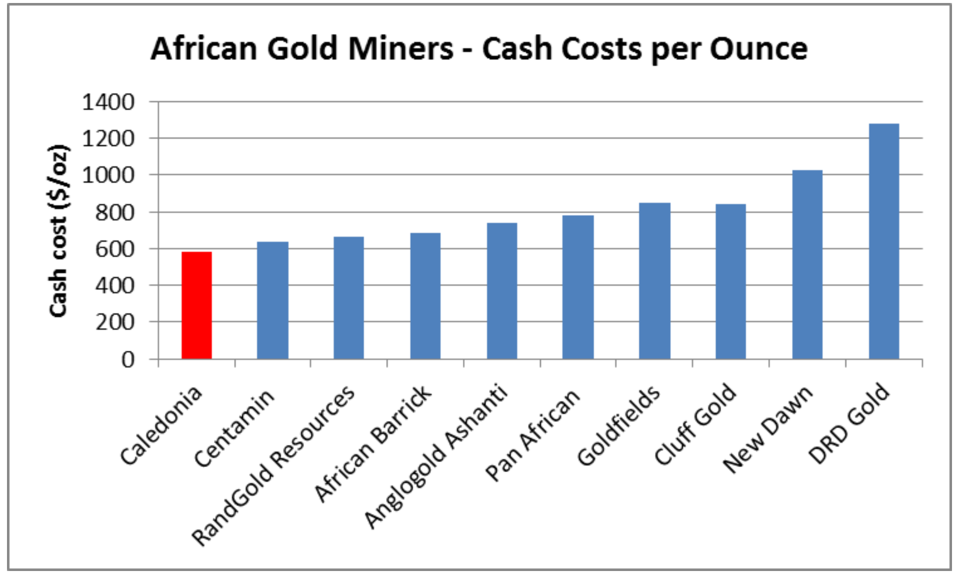
- 6 successive quarters of increased gold production
  - Gold production has tripled since Q1 2010
- 6 Successive quarters of increased profit





Blanket Gold Mine, Zimbabwe
Costs

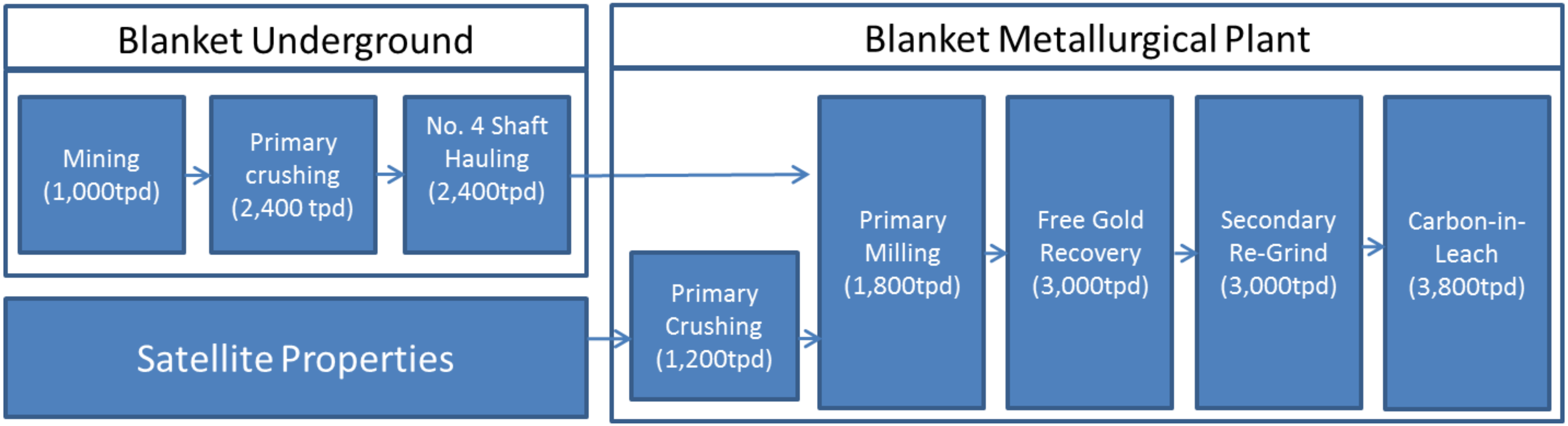




Source: Company Announcements

- Over 60% of Blankets costs are fixed: 300% increase in production since Q1 2010 results in lower cost per ounce
- Caledonia’s cash costs are highly competitive
- Blanket’s operations benefit from tight cost control, a benign mine environment, an efficient metallurgical plant and an efficient labour structure

Blanket Gold Mine, Zimbabwe
Surplus Metallurgical Plant Capacity



- Additional ore can be processed at Blanket without capital investment or increased fixed overheads: only marginal mining and consumable costs
- Exploration in progress to identify incremental ore
  - At **Blanket Mine** in continuations of known ore-shoots
  - At Blanket's portfolio of **satellite properties** ("brownfield", relatively quick short term production lead time, and low capital cost), crushed ore trucked to Blanket
- **Throughput of 1,800tpd would result in 70,000oz per annum of gold production**

Blanket Gold Mine, Zimbabwe
Reserves

- Blanket is situated on the 70km x15km Gwanda Greenstone Belt

Summary of Reserves and Resources

(at 31 December 2010)

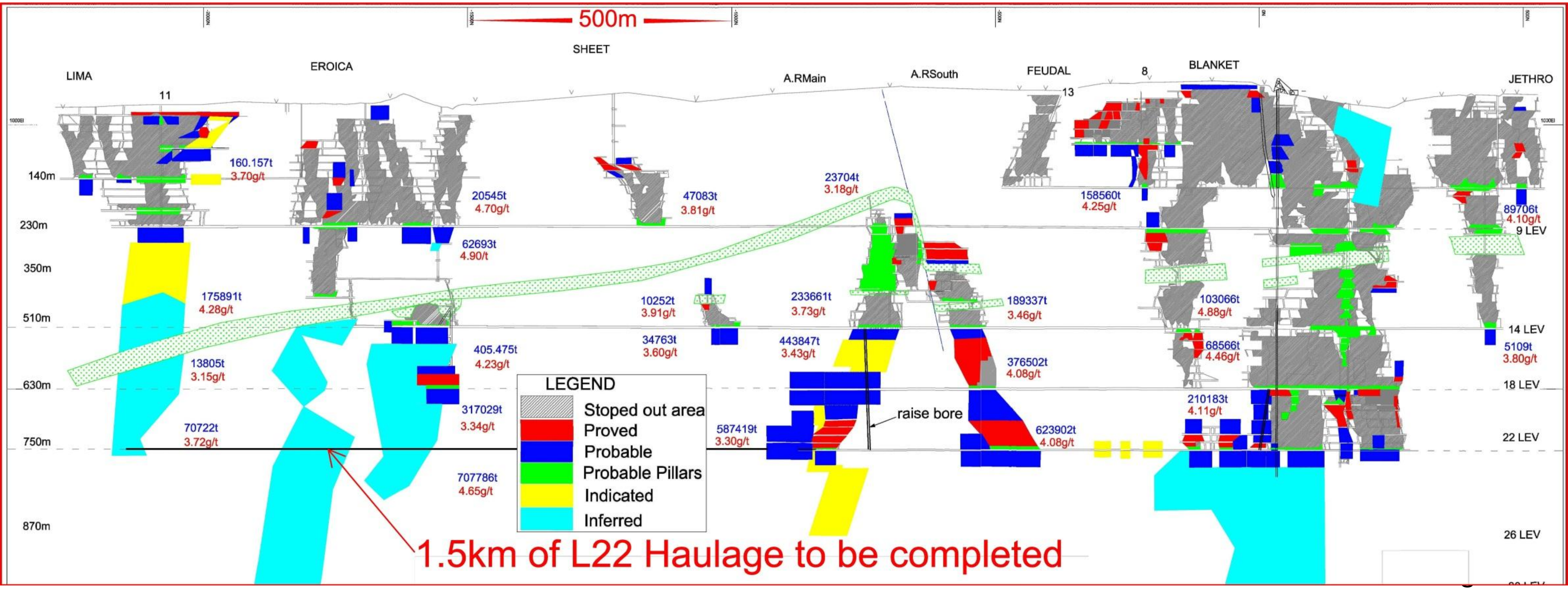
Category	Tonnes	Grade (g/t)	Gold Contained (oz)
Proven Reserve	1 326 100	4.02	171 400
Probable Reserve	2 513 700	3.66	295 800
Indicated Resource	510 000	3.79	62 100
Inferred Resource	2 408 200	5.01	N/A

Source: NI 43-101

- Reserves and Resources above 750m supports 14 years production at 40koz per annum
  - Existing mine plan gives ample time for further exploration and development with un-interrupted production
- Expected that resources will increase as a result of on-going exploration over the next 18-24 months

Blanket Gold Mine, Zimbabwe
Exploration: Blanket

- Level 22 Haulage will connect No. 4 Shaft to known resources at Eroica and Lima and provide platforms for exploration drilling for continuations of ore-shoots below 750 m
- Total haulage length will be 3km, of which 1.5km has already been completed.



Blanket Gold Mine, Zimbabwe
Exploration: Blanket

Self-funded, high-conviction and rapid exploration and development programme

- Indicative timeframe to complete down-dip exploration: approximately 24 months to revised NI 43-101
- New discovery target: up to 10 million tonnes or 1.25moz down to 1,300 m
  - Blanket's immediate neighbour is currently mining down to 1,100m
- The optimal commercialisation of any increased resource base will be determined by a feasibility study:
  - Increase production and extend mine life
  - May require a new production shaft down to 1,300m – a significant capital project
- Caledonia intends to fund future developments at Blanket using internal cash resources

Blanket Gold Mine, Zimbabwe

Exploration – Satellite Projects: GG and Mascot

GG Satellite Project

- 7kms from the Blanket Met. Plant.
- Geochemical analysis and surface drilling indicates attractive exploration targets
- Headgear and winder have been installed; shaft-sinking to 120m has commenced
- Exploration work has commenced. If successful, a mine plan will be developed in late-2012
- ***Indicative capital cost approx. US$900,000***
- ***Indicative production rate of 150tpd, subject to exploration success***

Mascot Satellite Project

- Project Area comprises 3 mines (Mascot, Penzance and Eagle Vulture), each with vertical shafts down to 150-450m and other infrastructure
- Eagle Vulture is the first shaft to be addressed
- Considerable exploration work has been done with encouraging results.
- Shaft has been re-opened and de-watered
- Development and exploration work can commence quickly using existing infrastructure
- Depending on exploration results, mine plan could be developed in mid-2012
- ***Indicative capital cost approx US$600,000 per shaft***
- ***Indicative production rate 100-150tpd from each mine, subject to exploration success***

Satellite Projects could provide relatively small but rapid increases in production for very modest capital investment

Zimbabwe
Overview

- **Economic Stabilisation**
  - Zimbabwe Dollar abolished in Feb 2009: eradicated hyper-inflation
  - Conservative economic policies
- **Liberalised commercial environment:** Blanket exports and sells gold on the international market and retains 100% of sales proceeds in US$
- **Well-educated, skilled, stable and experienced workforce:** 99% of Blanket's employees and management are Zimbabweans, most of whom live in the mine village. Blanket does not use expensive expatriates
- **Taxation:** 7% royalty; 25% income tax; 15% withholding tax
- **Proximity to South Africa:** Easy and rapid access to consumables, equipment and specialised skills

Blanket's increased production and low-cost base is testament to the operating environment in Zimbabwe

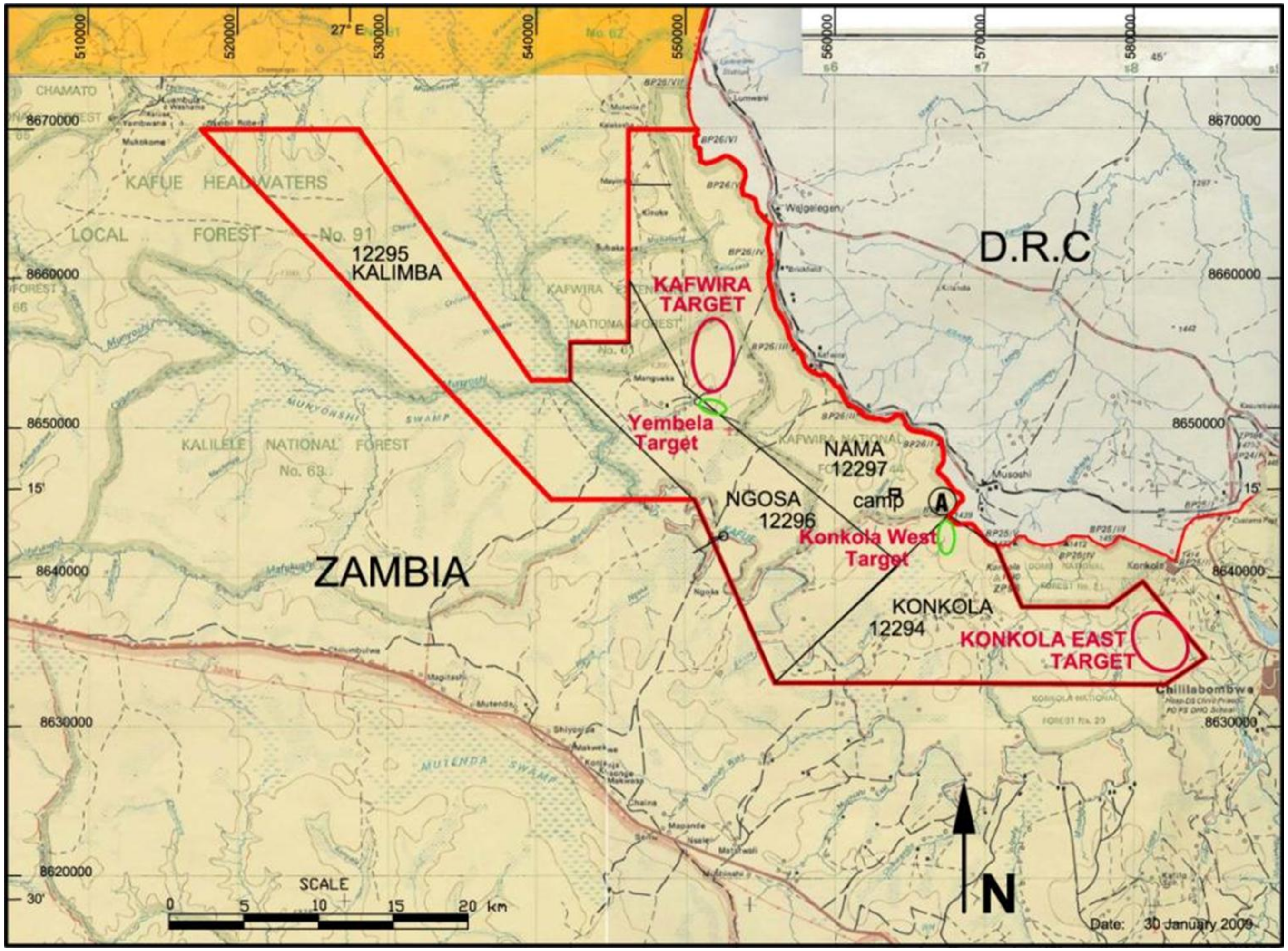
Zimbabwe
Indigenization

- “Resource Nationalism” is common in most significant mining jurisdictions
- Legislation requires 51% Indigenous Zimbabwean (“IZ”) ownership by Feb 2015
- On-going political debate regarding:
  - What level of IZ ownership
  - Who are eligible IZ owners
- Caledonia supports Indigenisation on a commercially viable basis
- Caledonia has submitted a revised Indigenisation Plan and is in constructive discussions with Government
  - Transaction to be based on Independent, Third Party valuation
  - Transaction to be assed in terms of the Act, which allows the Minister great discretion
  - No expropriation

Caledonia and the government of Zimbabwe are committed to identifying a win-win outcome

Zambian Base Metals – Nama

Substantial Cobalt/Copper Optionality



- Caledonia holds Licences covering over 810 sq. km. adjacent to Konkola and Vale/ARM properties
- Konkola East licence area is the first target: 4 preliminary holes being drilled

Summary Financials

	2010	2011				2011	2012
	Year	Q1	Q2	Q3	Q4 (Est)	(Est)	(Est)
	C$'m	C$'m	C$'m	C$'m	C$'m	C$'m	C$'m
Gold production (k.oz)	17.7	7.3	8.3	9.7	10	35	40
Gold price (U$$)	1 273	1 397	1 512	1 737	1 510	1 577	1 600
Revenues (net of royalty)	22.4	11.2	12.0	16.5	15.1	54.8	61.1
EBITDA	5.2	3.8	4.5	9.1	6.1	23.5	28.7
Profit before Tax	2.7	3.0	3.8	8.4	5.7	21.1	26.6
Profit after Tax	1.6	1.9	2.9	6.2	4.8	15.7	19.6
EPS - basic (cents)	0.32	0.38	0.58	1.23	0.96	3.14	3.9

Forecasts: Edison, November 2011

- At a share price of 12 cents, Caledonia trades on a current P/E ratio of 3.8 and EV/EBITDA multiple of 2.3
- Strong increase in profit during 2011 due to higher production and gold price and reduced costs
- Profit growth from 2012 depend s on the gold price and the outcome of exploration and subsequent development (**not reflected in Edison research**)

Capital Structure

Capital Structure	
Shares in issue (m)	500.2
Options (m)	42.5
Fully diluted shares in issue (m)	542.7
Debt (30 September 2011)	nil
Cash (30 September 2011)	C$6,847,000
Net Assets (30 June 2011)	C$35,961,000

- Simple and transparent capital structure
- Options at 8.5% of issued share capital: in-line with most junior mining companies
- Caledonia is ungeared, but has $2.5m working capital facility in Zimbabwe
- Caledonia will continue to accumulate cash so that it has the financial capacity to invest in further growth, independent of international debt and equity markets

Management and Directors

Management	
Chief Executive	Stefan Hayden
Finance Director	Steve Curtis
VP Exploration	Dr Trevor Pearton
Blanket Mine Manager	Caxton Mangezi
VP Corporate Development and IR	Mark Learmonth

Directors	
Chairman	Carl Jonsson
Chief Executive	Stefan Hayden
Finance Director	Steve Curtis
Indep Director	Robert Babensee
Indep Director	Chris Harvey
Indep Director	Jim Johnstone

- Management team has extensive mining experience and African expertise:
- Caledonia's management team and the operational head office is in Johannesburg, South Africa – easy access to all of its projects
- Strong independent directors with substantial and relevant technical experience

OTCQX Listing

- In October 2011, Caledonia listed on the OTCQX International market
- Increased visibility to U.S. institutional and retail investors
- Access U.S. capital markets
- Improved liquidity via multiple market makers

Examples OTCQX-Listed Companies

Marks & Spencer, Allianz, adidas Group, Imperial Tobacco, Experian, AkzoNobel, Roche, Sky, BASF The Chemical Company, Zurich, BNP Paribas The bank for a changing world, Air France KLM, AXA redefining / standards, BG Group, Kingfisher, Ahold

OTCQX The Quality-Controlled Marketplace

OTCQB The U.S. Reporting Company Marketplace

OTCPink The Speculative Trading Marketplace

OTCQX International

- Premium tier of the U.S. Over-the-Counter (OTC) marketplace which gives non-U.S. companies access to U.S. investors
- Reserved for companies on a qualified non-U.S. stock exchange
- Offers investors transparent trading, superior information, and easy access through U.S. regulated broker-dealers

Summary – The Investment Case

Caledonia is an established, cash generative gold producer ….

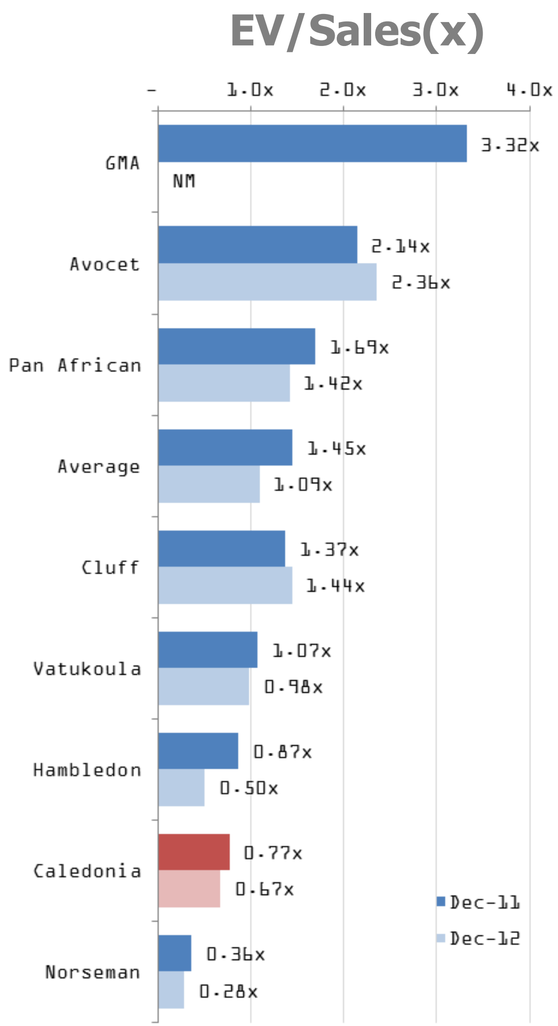
….With a substantial exploration potential on its existing gold properties and at nearby brownfield prospects…..

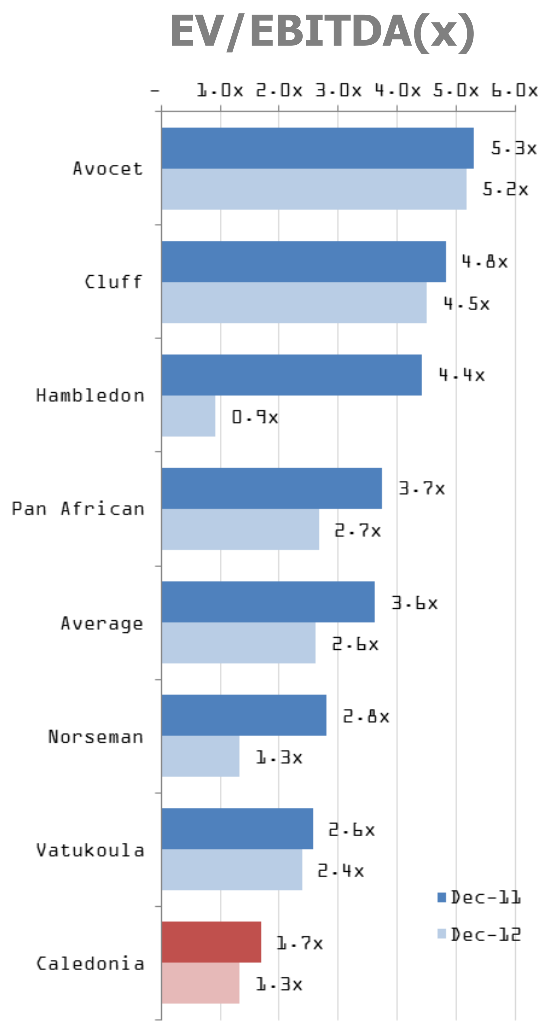
….A highly efficient metallurgical plant with excess capacity,

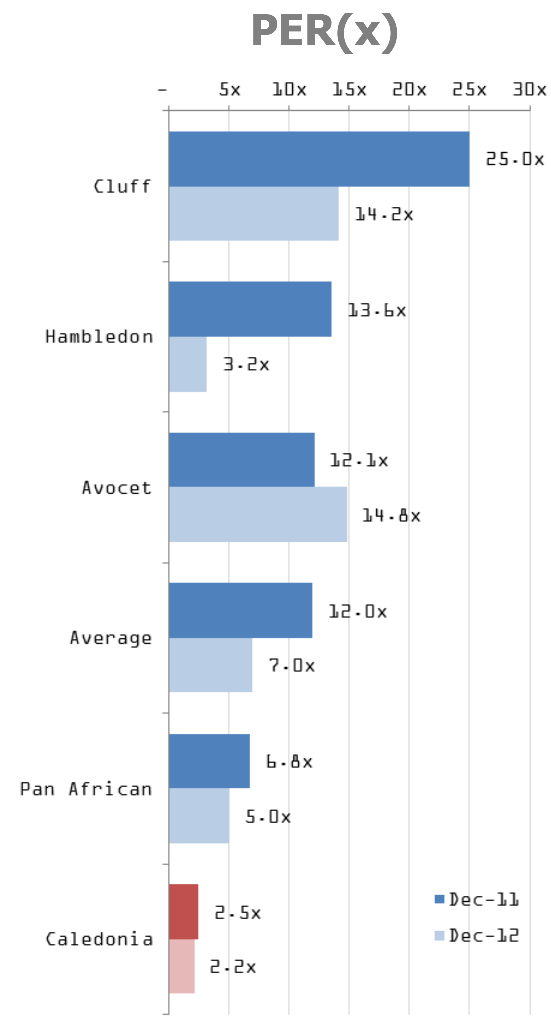
…..A highly prospective cobalt-copper exploration project in Zambia…

….And at a stock price which significantly under-values the company….

Summary – The Investment Case







Source: IQ Capital

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