

Caledonia Mining Corporation Plc

FY 2017 Results Overview




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Results Highlights

Record gold production fuels improved profit and cash generation

	3 months ended December 31		12 months ended December 31		Comment
	2016	**2017**	2016	**2017**	
Gold produced (oz)	13,591	**16,425**	50,351	**56,133**	Increased gold production due to higher tonnes milled and higher grade
On-mine cost per ounce ($/oz)	614	**556**	636	**633**	On-mine costs are stable for the year but 9% lower in the Quarter compared to the fourth quarter of 2016 due to the higher production in the Quarter which meant that fixed costs were spread over more production ounces
All-in sustaining cost ($/oz) (“AISC”)[1]	843	**901**	912	**847**	Fourth quarter of 2016 AISC was low due to the recognition of the entire 2016 export incentive credit in the quarter. Lower year-on-year AISC reflects lower administrative expenses and higher export incentive credit and sales ounces
Average realised gold price ($/oz)[1]	1,187	**1,256**	1,232	**1,243**	The average realised gold price reflects changes in the price of gold
Gross profit	6,888	**8,411**	23,492	**26,321**	Higher gross profit reflects increased sales ounces and a higher realised gold price
Net profit attributable to shareholders	3,258	**3,232**	8,526	**9,384**	Increased net profit reflects increased gross profit and reduced administrative costs
Adjusted basic earnings per share (“EPS”) (cents)	41.4	**48.6**	98.6	**135.4**	Higher adjusted EPS reflects increased net profit in the Year and the elimination of profit on the sale of treasury bills from the calculation of 2016 EPS
Cash and cash equivalents (net)	14,335	**12,756**	14,335	**12,756**	Robust cash balance should be seen in the context of increased trade payables at Blanket due to the shortage of foreign currency in Zimbabwe
Cash from operating activities	6,940	**7,914**	23,011	**24,512**	Cash from operating activities remains strong

1 - Non-IFRS measures such as “On-mine cost per ounce”, “AISC” and “average realised gold price” are used throughout this presentation. Refer to Section 10 of the MD&A for 2017 for a discussion of non-IFRS measures.

2 - Gross profit is after deducting royalties, production costs and depreciation but before administrative expenses, other income, interest and finance charges and taxation.

3 - Adjusted EPS is a non-IFRS measure which aims to reflect Caledonia’s ordinary trading performance. Refer to Section 10 of the MD&A for 2017 for a discussion of non-IFRS measures.

Safety

- Two fatalities in 2017 and one further fatality in February 2018
  - The first two fatalities were highly unusual
  - The third fatality, in February 2018, was the result of a fall of ground

- Blanket has co-operated fully with the investigations by the police and the mines inspectorate

- Blanket and Caledonia management take safety very seriously: we have conducted a full internal assessment of these and other serious incidents with the objective of identifying how to improve mine safety

Income Statement

Increased production and lower unit costs delivered higher EPS

Summary P&L (US$'m)	3 Months ended December 31		12 Months ended December 31		Y-o-y Change
	2016	**2017**	2016	**2017**	(%)
Revenue	15.3	**19.6**	62.0	**69.8**	*13%*
Royalty	(0.6)	**(1.0)**	(2.9)	**(3.5)**	*20%*
Production costs	(6.9)	**(9.2)**	(32.1)	**(36.2)**	*13%*
G&A	(2.0)	**(1.4)**	(7.3)	**(5.9)**	*-19%*
EBITDA	**5.8**	**8.1**	**19.7**	**24.2**	***23%***
Depreciation	(0.9)	**(1.0)**	(3.5)	**(3.8)**	
Other income and expenses	1.2	**0.5**	1.3	**2.4**	
Cash-settled share based expense	0.1	**(0.4)**	(0.6)	**(1.0)**	
Equity-settled share based expense	(0.2)	**0.0**	(0.2)	**(0.8)**	
Other	(0.2)	**(0.4)**	2.3	**(0.4)**	
Operating profit	5.8	**6.8**	19.0	**20.6**	*9%*
Net finance cost	(0.0)	**(0.0)**	(0.2)	**(0.0)**	
Profit before tax	**5.8**	**6.8**	**18.8**	**20.6**	***9%***
Taxation	(1.9)	**(2.8)**	(7.7)	**(8.7)**	*13%*
Profit after tax	3.9	**4.0**	11.1	**11.9**	*7%*
Non-controlling interest	(0.6)	**(0.8)**	(2.6)	**(2.5)**	*-2%*
Profit attributable to shareholders	3.3	**3.2**	8.5	**9.4**	*10%*
EPS (cents)	30.5	**29.5**	79.5	**86.5**	*9%*
Adjusted EPS (cents)	41.4	**48.6**	98.6	**135.4**	*37%*

- Increased revenues primarily due to higher gold production
- "Headline" royalty rate remains at 5%
- Higher production costs due to higher tonnes mined and milled.
- Lower general and administrative costs (G&A) due to measures taken to cut the cost base
- Other income includes the export incentive credit at 3.5% of revenues (2016: 2.5%)
- Cash-settled share based expense relates to LTIPs
- Equity-settled share based expense primarily relates to a modification to the interest rate on indigenisation loans
- "Other" is primarily fx losses in 2017; 2016 included income of $3.2m on the sale of financial instruments
- Tax includes $3.7m of deferred tax which is excluded from adjusted EPS*
- Non-controlling interest is 16.2% of Blanket's profit attributable to its indigenous shareholders
- Adjusted EPS* excludes gains on sale of treasury bills in 2016, deferred tax and foreign exchange gains and losses.

* *Adjusted EPS is a non-IFRS measure which is discussed in Section 10 of the 2017 MD&A*

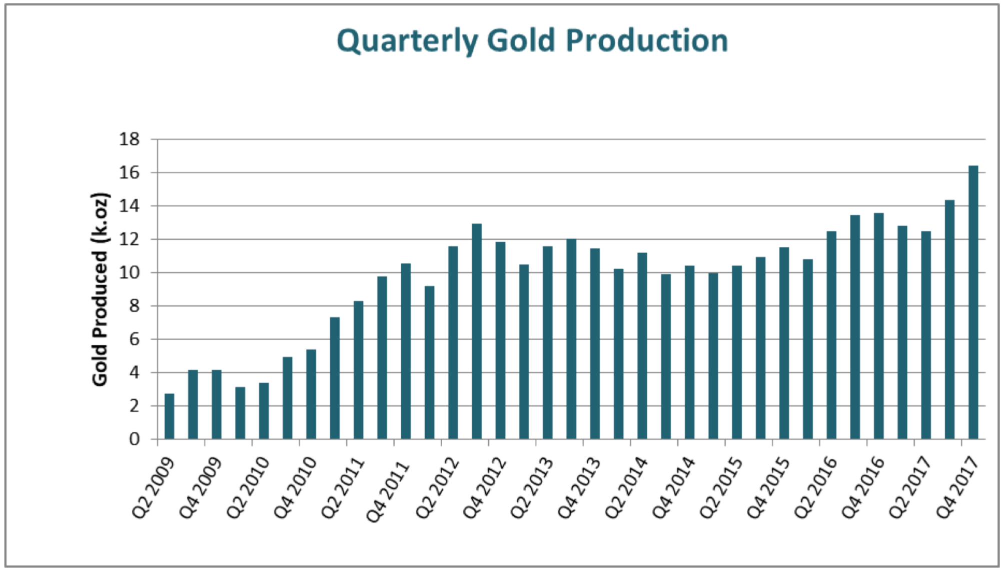
Production and Revenues

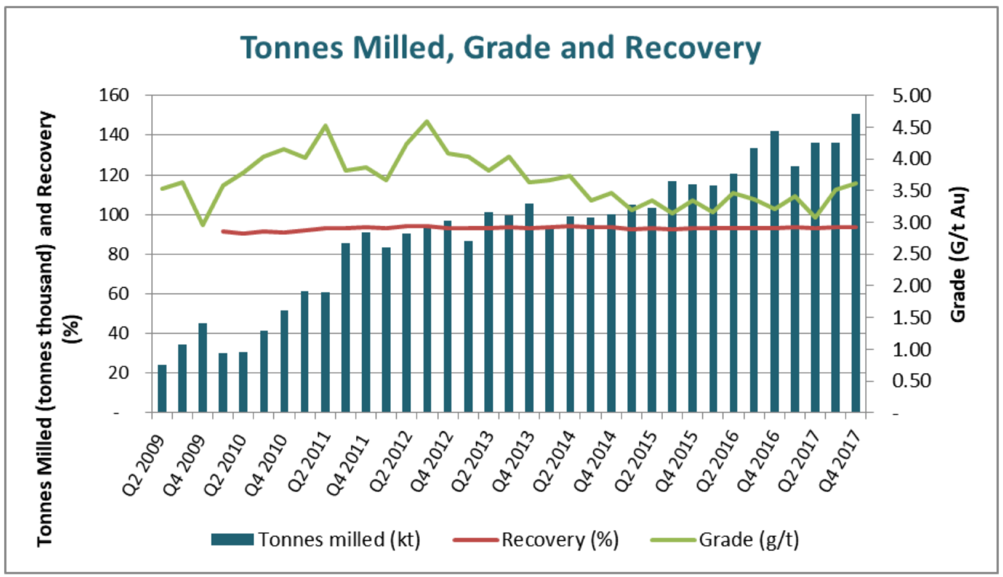
Production and Revenues	3 Months ended December 31		12 Months ended December 31		*Y-o-y Change*
	2016	**2017**	2016	**2017**	*(%)*
Tonnes milled (000's)	142	**151**	511	**547**	7%
Average grade (g/t)	3.21	**3.62**	3.30	**3.41**	3%
Recovery (%)	92.8%	**93.6%**	93.0%	**93.4%**	
Gold produced (oz)	13,591	**16,425**	50,351	**56,133**	11%
Work-in-progress (oz)	-758	**-831**	-82	**-73**	
Average realised gold price ($/oz)	1,187	**1,256**	1,232	**1,243**	1%
Gold revenues ($'m)	15.2	**19.6**	61.9	**69.7**	13%

- Blanket set consecutive quarterly production records in Q3 and Q4 of 2017. Production for the Year was also a new record
- Gold production and sales were 11% higher year on year, mainly due to increased production rates and a higher average grade
- Tonnes milled continued to increase with 547,000 tonnes mined and milled in the Year, which reflects the investment in underground infrastructure and development since late 2014
- Grade in the Year improved from 2016, as expected, due to the increased production from higher grade areas below 750 metres. The grade is expected to continue to trend upwards towards 4g/t as production from below 750m increases further
- Recoveries are higher than in 2016, but are still lower than the 94% that could be achieved with a better oxygen supply. Caledonia plans to install a new oxygen plant, subject to funds being available

Gold Production

Operations remain on track to produce 80,000 ounces by 2021





- New quarterly production records in Q3 and Q4 of 2017.
- Q1 and Q2 of 2017 were adversely affected by underground logistical issues which were addressed by:
  - improved scheduling of workers to reduce un-productive transport time
  - increased maintenance of haulages to increase tramming speeds
  - modifications to blasting methodology in shallow stopes to improve fragmentation
- Production was also boosted by improved access below 750m using the declines at AR South and Blanket, although these have an adverse effect on costs. Declines will continue to be used until the completion of the Central Shaft in 2020
- Management is confident of delivering the target of 80k ounces by 2021 as development below 750m continues and the Central Shaft project remains on track

Production Costs

Slight increase in the cost per tonne offset by improved grade

Production Costs	3 Months ended December 31		12 Months ended December 31		*Y-o-y Change*
($'000's)	2016	**2017**	2016	**2017**	(%)
Labour	2,764	**2,778**	11,418	**12,776**	12%
Consumables	2,802	**3,377**	10,042	**11,424**	14%
Electricity	2,101	**2,183**	8,293	**8,701**	5%
Administration	545	**733**	2,193	**2,660**	21%
Work-in-progress	-338	**-399**	14	**-61**	
Total on-mine costs	7,875	**8,671**	31,960	**35,499**	11%
On-mine cost ($/t)	55.39	57.52	62.59	64.87	4%
On-mine cost ($/oz)	614	556	636	633	0%
AISC ($/oz)	843	901	912	847	-7%

Source: management accounts. Refer section 10.1 of the MD&A for reconciliation to IFRS

- Blanket did not experience significant inflationary pressure on input costs:
  - average labour rate increase of 1.5%
  - 10% increase in the US$-denominated cost of SA-sourced consumables as the rand strengthens from R14.70/$1 to R13.32/$1
  - no increase in the electricity tariff; limited use of stand-by generators as the grid-power is stabilised
  - on-mine administration costs increase partly due to higher safety costs
- 4% increase in cost per tonne milled due to the higher costs of the decline operations (conveyors, LHD vehicles etc) and step-up costs following the commissioning of an additional mill
- Notwithstanding the higher cost per tonne, the improved grade means the on-mine cost per ounce is largely unchanged

General & Administrative Costs

G&A costs were 19% lower for the year

G & A Costs ($'000's)	**12 Months ended December 31** 2016	**2017**	*Y-o-y Change* (%)
Investor relations	543	**541**	0%
Audit	267	**231**	-13%
Advisory services	2,266	**684**	-70%
Listing fees	328	**402**	23%
Directors' fees - Caledonia	211	**247**	17%
Directors' fees - Blanket	48	**40**	-17%
Employee Costs	2,803	**2,781**	-1%
Zambia	17	**-**	-100%
Travel	484	**399**	-18%
Eersteling Gold Mine	111	**142**	28%
Other	185	**444**	140%
	7,263	**5,911**	-19%

- Significant reduction in advisory services costs which were unusually high in 2016
- Employee costs include employee costs in South Africa, which increased 10% on a like-for-like basis due to the strengthening of the rand against the US dollar
- Zambia office closed with effect from the end of May 2015; no further costs will be incurred in 2017 and beyond

Taxation

- Following the simplification of the Group tax structure, Caledonia pays tax in Zimbabwe and South Africa
- Zimbabwe tax comprises:
  - income tax: 25% income tax rate; 100% offset of capital expenditure; no taxation on the export incentive. **But**: no relief for the royalty or (in 2017) on the bulk of management fees paid to South Africa
  - withholding tax on management fees paid to South Africa, dividends paid to Caledonia and (in 2017) withholding tax on the "deemed dividend" component of non-deductible management fees.
- South African taxation is income tax on the inter-company profits arising on transactions with Zimbabwe. Although the inter-company profit is eliminated on consolidation, the tax liability remains. No scope to improve tax efficiency because the services provided to Zimbabwe (technical, procurement etc) originate in South Africa
- Deferred tax is a non-cash item which reflects the difference between the tax treatment of investment at Blanket (i.e. 100% deduction from profit) and the accounting treatment (depreciation over many years, commencing when the investment project comes into production). Due to Blanket's significant capital investment, deferred tax is substantial.

Taxation				
	2016	**2017**		
		Zimbabwe	S Africa	**Total**
Income Tax	2,463	3,248	526	**3,774**
Withholding tax	643	629	593	**1,222**
Deferred tax	4,611	3,710	-15	**3,695**
Total	7,717	7,587	1,104	**8,691**
Total effective tax rate	41%			42%
Effective income tax rate	13%			18%

Cash Flow

Strong cash generation despite significant investment and dividends

Summary Cash Flow (US$'m)	2015	2016	2017
Gold production (k.oz)	42.8	50.4	**56.1**
Average realised gold price ($/oz)	1,139	1,232	**1,243**
AISC ($/oz)	1,037	912	**847**
EBITDA	8.9	19.7	**24.2**
Working capital	(0.2)	1.6	**2.1**
Interest	(0.5)	(0.2)	**(0.2)**
Taxation paid	(1.5)	(2.5)	**(4.2)**
Other	0.2	4.4	**2.6**
Cash from operating activities	6.9	23.0	**24.5**
Net cash used in investing activities	(16.6)	(19.9)	**(21.6)**
Dividends paid	(2.5)	(3.0)	**(3.3)**
Loan repayments and transaction costs	0.0	2.9	**(1.5)**
Shares issued	0.0	0.4	**0.2**
Share re-purchase	0.0	0.0	**(0.1)**
Net change in cash	(12.2)	3.5	**(1.8)**
Fx on cash held	0.0	(0.0)	**0.3**
Cash b/fwd	23.1	10.9	**14.3**
Cash c/fwd	10.9	14.3	**12.8**

- Cash from operating activities has increased substantially since 2015 as a result of higher production, a stronger gold price and lower unit costs
- Working capital inflow in 2016 and 2017 reflects the liquidity difficulties in Zimbabwe, which inhibit Blanket's ability to make offshore payments
- Tax payments are substantially lower than the IFRS tax charge reflecting the deferred tax in the IFRS tax charge
- Capital investment remains high and is expected to remain at approximately this level until 2020
- Dividends paid comprise the Caledonia dividend and the dividends paid to Blanket's indigenous shareholders after servicing the facilitation loans
- The small share re-purchase was due to the re-purchase and cancellation of "odd lot" holdings of fewer than 100 shares as part of the consolidation in June 2017, which was itself a precursor to the up-listing to NYSE American
- Closing cash remains strong, but should be seen in the context of high trade payables, which is due to the liquidity constraints in Zimbabwe

Balance Sheet

Robust financial position and a growing balance sheet

Summary Balance Sheet (US$'m)	2015	2016	2017
Fixed assets	49.3	64.9	**82.1**
Current assets			
- inventories	6.1	7.2	**9.2**
- prepayments	0.7	0.8	**0.7**
- income tax receivable	0.4	0.0	**0.0**
- trade and other receivables	3.8	3.4	**5.0**
- cash and cash equivalents	12.6	14.3	**13.1**
Total assets	**72.8**	**90.7**	**110.1**
Non-current liabilities	14.1	21.6	**25.2**
Current liabilities			
- term loan facility	0.0	1.4	**1.5**
- trade and other payables	6.7	8.1	**12.7**
- income taxes payable	0.1	0.3	**1.1**
- overdraft	1.7	0.0	**0.3**
Total liabilities	22.5	31.4	**40.8**
Equity attributable to shareholders	48.9	55.6	**63.3**
Non-controlling interests	1.5	3.7	**5.9**
Total equity and laibilities	72.8	90.7	**110.1**

- Increased fixed assets reflects the continued investment in the Central Shaft
- Increased inventories reflects the increased scale of operations and the consumables (explosives etc) that will be used on capital projects
- Trade receivables mainly consists of the receivable for gold sales which was received in full in January 2018
- Cash includes $1.9m held at Blanket as part of its normal working capital and $4.4m held by Caledonia's subsidiary in Zimbabwe, which includes $2m received in late December 2017 as a result of a dividend paid by Blanket and related repayments of facilitation loans
- Higher trade payables in 2016 and 2017 reflects the continued difficulty in making payments from Zimbabwe due to the lack of foreign exchange. The largest creditor is the government-owned electricity supplier which requires to be paid outside Zimbabwe

Operational Issues

- Safety
  - A very disappointing performance, despite considerable management attention to this area
  - Management have increased focus on safety

- Exploration
  - Good results from exploration at depth resulted in a resource upgrade in November
  - M&I gold ounces increase by 7% to 714koz; inferred gold ounces increase by 47% to 887koz
  - Exploration continues with a view to providing regular resource updates

- Central Shaft is progressing well and has been extended in scope
  - Achieved a depth of 990 metres; work has commenced on establishing the station at this level
  - Previous difficulties arising from an unstable electricity supply from the grid have been resolved by investing in new equipment
  - Back up electricity generation capacity has improved reliability
  - Following good exploration results, the Central Shaft will be extended by a further 240 metres to 1,330 metres, which will provide two further production levels and should extend the life of mine by a further 4 years to 2031 for a further investment of $18m

- Metallurgical recoveries continue to be affected by poor oxygen supply from the existing plant
  - A new plant is intended to be installed, subject to funding and the availability of foreign exchange to buy the plant

Outlook

- Focus remains on the investment program to increase production to 80,000 ounces by 2021
  - Higher production and reduced costs will secure Blanket's long term position as a low cost producer
  - Creates greater operational flexibility for continued deep-level exploration and development
- At current production levels, Blanket and Caledonia are already highly cash generative. Cash generation is expected to increase further when the Central Shaft is completed in 2020:
  - Increased production is expected to result in higher revenues and profit
  - Unit costs are expected to be further reduced due to economies of scale, anticipated improvement in grade and more efficient working conditions (e.g. reduced travel time for labour, elimination of duplicate infrastructure and the retirement of high-cost operating methods such as LHD vehicles)

2018 Guidance Summary

	2017 Actual	2018 Guidance	Comment
Production (k.oz)	56	55-59	Increases in production will be constrained by logistical issues until the completion of the Central Shaft in 2020
On-mine cost ($/oz)	633	650-685	Higher costs are anticipated due to new equipment which will be introduced to mine areas below 750m which will result in additional costs until the Central Shaft is commissioned
AISC ($/oz)	847	845-890	
Adjusted earnings per share (cents)	135.4	130-150	2018 earnings per share guidance excludes deferred tax and assumes a gold price of $1,260/oz