WHIreland®
CORPORATE & INSTITUTIONAL BROKING

07 January 2020

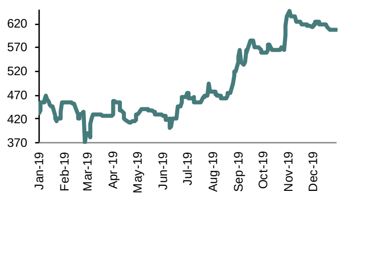
Corporate

Share Price **635p**

Reuters/BBG	CMCL.L / CMCL LN
Index	FTSE AIM
Sector	Mining
Market Cap	£70m
Shares in Issue	10.8m
NAV	861p
Gearing	NA
Interest Cover	Cash

Performance	**All-Share**	**Abs**
1 month:	-7%	-2%
3 months:	-3%	7%
12 months:	28%	39%
High/Low		648p / 331p

Last Results	Q3 Sept 2019
Next Results	End of Year
Next Event	Q4 and FY production



Source: © 2020, S&P Global Market Intelligence

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Marketing Communication
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Caledonia Mining

Robust gold price and a rising dividend

With the productive, low operating cost Blanket gold mine in Zimbabwe in the final stages of a fully funded expansion, with little debt and paying a dividend, Caledonia Mining remains a strong mid-cap gold play and the best Zimbabwe recovery story in our opinion. Expansion of production to >80koz gold per year has required the sinking of a new Central Shaft to revitalise an existing mine and to access the defined resources in the centre of the mine. The company is unfavourably valued against its gold mining peers and is awaiting the normalisation of the Zimbabwean economy – which we think is coming. The Zimbabwean government is in the post-Mugabe era and has recently allowed the local currency to find its own level. Whilst this caused immediate hardship for many, the situation appears to have become more stable and with a government operating a balanced budget and with a clear eye on dollar-earning businesses, Caledonia is in a good position to benefit from ongoing improvements. We see fair value in Caledonia at 900p/sh (prev. 800p), using a SOTP valuation on a Blanket mine DCF and sensible cash flow multiples.

Blanket is a profitable, highly cash-generative, expanding gold mine. The fundamental core of the Caledonia story is the low-cost, productive, profitable, expanding Blanket gold mine. This underpins the whole of the strong investment case.

A growth and a yield story. Last week, Caledonia lifted the dividend by 9.1%, an important statement of intent in our view. This equates to a dividend of 30c/yr yielding ~3.8%. ***We have raised our dividend forecast further from 2020 onwards on our expectations for the future of increased cash generation (WHI estimate).*** We believe our forecast is conservative and further increases could be achieved and that this is the beginning of a more progressive dividend profile.

An experienced management team. Management has done an outstanding job in a challenging environment. The team is well-established and highly experienced in a Zimbabwean context and is well-positioned to deliver on the company's plans and seize available opportunities in our view.

Access to any momentum in Zimbabwe. Change within Zimbabwe has been slow, but with a newly floated currency and a balanced budget will eventually help business in country. With continued progress and political, economic and behavioural commitments, an environment whereby international sanctions can be lifted could be achieved. However, operations at the Blanket mine can continue whatever the macro environment as the last decade has shown us.

Forecast changes / future potential. We have updated our gold price and exchange rate forecasts and we present an update to our numbers below. The improvements and investment in the Blanket mine will see stable, long-term, low-cost production. With an increase in ownership in the mine, Caledonia has the perfect vehicle for growth in wider Zimbabwe.

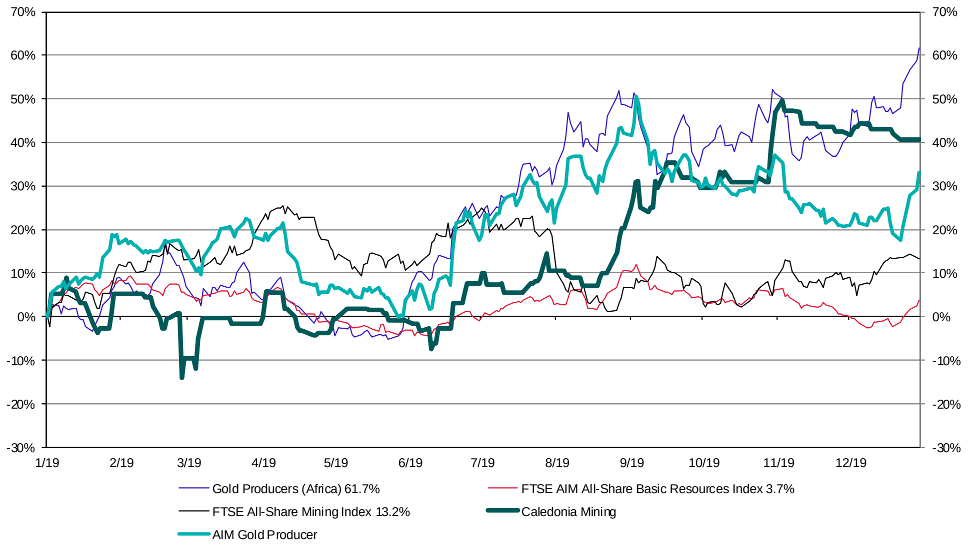
We believe that Caledonia is undervalued. The shares have performed well, rising by >35% in recent months; however based on our SOTP valuation using a simple average between a conservative DCF and P/CF multiple of its peer African gold producers, they remain materially undervalued against our 900p fair value assessment (was: 800p) and further underpinned by the expected robust cash generation.

Estimates (Dec - $m)	**2017**	**2018**	**2019e**	**2020e**	**2021e**
Gold price ($/oz)	1243	1245	1400	1450	1350
Gold production (koz)	56.1	54.5	51.3	55.5	72.3
Revenue (US$m)*	69.8	68.4	71.0	79.5	96.5
Profit Before Tax (US$m) – *clean* #	22.8	21.3	22.7	26.3	38.8
EPS (c) – *clean* ##	88.9	101.6	99.6	118.8	218.2
DPS (c)	27.6	27.9	27.9	35.0	40.0
Yield (%)	3.4%	3.5%	3.5%	4.4%	5%
PER (x)	9.5	8.4	8.5	7.1	3.9
EV / EBITDA (x)	2.5	3.1	2.4	2.0	1.0
Net Cash / (Debt) (US$m)	11.6	5.2	11.0	11.9	38.2

*Source: Company accounts, WHIreland estimates. * Export Credit Incentive as "other income". # PBT before any share based payments and ## EPS on an IFRS basis inc. deferred tax charge, not inc. unrealised FX gains but inc. realised FX loss)*

Index

Figure 1: Index of Share Prices (Table 4 for index components)



Source: WH Ireland Research, S&P Capital IQ January 2nd 2020)

Caledonia - A growth story (production and dividend)

The robust investment case is underpinned by the high quality asset in the Blanket gold mine in Zimbabwe

We see fair value in the stock at 900p/sh

Caledonia operates the profitable Blanket gold mine in Zimbabwe. It is expanding production to over 80koz/yr and is sinking a new shaft in the middle of the mine – the new Central Shaft. The sinking of the shaft is completely de-risked and fully sunk to its 1,204m target depth with underground development now linking into existing mine infrastructure; this is the beginning of the promised operational efficiencies. Caledonia has gross cash ($7.8m – end Sept 2019) and is committed to paying a dividend (equating to a yield of 3.8%). We see fair value at 900p and today forecast a progressive dividend as construction turns to commissioning with production and cash generation increasing.

Materially undervalued against its peers, despite being underpinned by the economics from the Blanket gold mine

On top of the profitable, highly cash-generative, expanding gold mine which underpins the financial stability of Caledonia, it is also perhaps the premier Zimbabwe recovery story in London and well placed to benefit from any positive changes inside the country and the changes in perception from outside the country. The company is undervalued against its peer gold producers (Table 4).

Profits, cash flow, funded development and at a corporate level pays a dividend

Highly successful, cash-generative mine? The Blanket mine is a low cost, profitable, highly cash-generative, expanding gold mine set to produce over 80koz/yr of gold by 2022. The expansion will allow for reduced operating costs and increased cash flow. Management forecasts that at full production, cash operating costs will be in the region of $500-600/oz, with low levels of sustaining capital keeping All-In-Sustaining-Cost (AISC) at levels of ~$700/oz. The large profit margins will then sustain the cash generation from this mine and dividends from the company.

Options - What to do with the expected cash flow? As the capital spending requirement reduces and the dividends from Blanket to Caledonia begin to lift Caledonia's cash resources, the company will have attractive choices. As we see the potential options, the company could (in no particular order): **1)** increase the absolute dividend (and yield) – beyond our forecasts today from 35/sh currently to 70c/sh in 2023, raising the yield on the current share price to a "best-in-class" of ~10%. On this score we see the RNS of 03/01/2020 as an early marker attesting to the company's commitment to a higher dividend ; **2)** implement share buy-backs; **3)** potentially increase its stake in Blanket from (the expected) 64% either by buying a portion of the third-party shares or investing in the subsidiary on specific projects in either the Gwanda area or wider Zimbabwe; **4)** setting up new projects in Zimbabwe; or **5)** M&A opportunities within Zimbabwe. We do not expect Caledonia to look outside Zimbabwe at the current time as the potential projects in the country for an established company are many and large.

Gold price is outside Caledonia's control, but the recent rises will generate significant extra profits and cash for shareholders

Gold price is strong and more gains possible This is a great time once gain to be a gold miner, with the gold price going from strength to strength. The current price of >$1,500/oz delivers significant profits to Caledonia which will smooth the final major capital inputs into the mine with commissioning of this major expansion project into a rising gold price; a serendipitous outcome as the mine was planned to deliver strong profits at gold prices much lower.

The upper levels of the mine are still very prospective – low capital cost to develop and infrastructure available

We also see protection on the downside for Caledonia from within Zimbabwe with a mechanism similar to the 'Export Credit Incentive' to kick in again if the gold price drops to below $1,368/oz and reductions in the royalty rate if gold goes below $1,200/oz.

Resource at Blanket will grow we believe – and Caledonia has a strong land position in the locality for further satellite discoveries ……..

……. and that is before wider Zimbabwe is considered.

Future potential resource is large. Because the structures mined at Blanket are near vertical, it is impossible to resource drill from the surface properly. On the back of more access from underground, Caledonia has shown consistent resource increases and conversion of Inferred resource over the past couple of years. The current deepest Caledonia drill hole intercept is at ~1,150m (*pers. comm.* Blanket Geology department) with the resource projected to at least 1,230m. With the neighbouring mine at Vubachikwe mining already mining at levels below 1,300m (*pers. comm.* Blanket Geology department) we have every confidence that deeper, consistent resources at Blanket will be identified to push the mine life further past the current 2031 (WHI est based on currently identified resources) and into the following decade (at the very least).

Don't forget the upper levels of the mine. In conversation with the company we are struck by the obvious potential in the upper levels of the mine. There are numerous structures mined in the

Blanket mine and the full potential has never been fully tested; gaps in knowledge between mined areas just require modest drilling from easily accessible areas. These might be smaller tonnages, but historical production records show that some might be high grade. Incremental tonnage, from already developed parts of the mine and with access to under-utilised infrastructure once the new Central Shaft is operational, could add significant gold units to production at low development and operating costs.

Zimbabwe economy

Zimbabwe. There is considerable potential in Zimbabwe and we should not underestimate the potential of any recovery in Zimbabwe. However, the economy has stuttered and there is still little (if any) outside money being made available – especially with international sanctions in place. Our understanding is that the new President is making changes and is supporting the non-political, technocrat Minister of Finance who is putting in place reforms to set the economy on a sustainable basis. This takes time, but recent fiscal policy changes suggest that the right decisions are being made. The decision earlier in 2019 to let a local currency float against the US$ has caused hardship, but after a sudden increase in inflation, the situation appears to be stable with longer-term stabilisation a real possibility. The access to physical US dollars was a key issue facing the Blanket mine to pay for outside equipment, services and consumables but management are working tirelessly and have excellent contacts to make sure the potential currency impacts are minimised. We are led to believe in discussions with management that the availability of foreign currency for repatriation outside Zimbabwe has improved. ***The key message from our discussions is that there is no read across from the general economy to the gold mining sector*** – which is coping and will thrive in a robust gold price environment.

We maintain that with the underlying investment case being the profitable and expanding Blanket mine in a robust (and improving) gold price environment, **Caledonia has the premier Zimbabwe recovery story in London**. An anticipated increase in ownership of the Blanket mine to 64%, just waiting for final ratification, means that Caledonia has the perfect base established for building the company in Zimbabwe.

Caledonia – has a compelling investment case

Overall. We believe there is compelling investment case. The Blanket mine is a high quality asset – low cost and productive with a long mine life already established and exceptional brownfield resource potential.

Zimbabwe – what we understand

New era for Zimbabwe?

In November 2017, a very significant change occurred in Zimbabwe with a change to a new President. President Mnangagwa has now a chance to make some changes, especially after the demise of former President Mugabe, and an opportunity to move forward.

Elections were declared by outside agencies as not properly free and fair

Recent elections are thought to have been freer than previous ones but have still not met the standards set by outside agencies. International sanctions have been renewed which has meant that the external institutional funding cannot be released into Zimbabwe to rebuild the economy. That said there is interest in the situation and many of the international agencies (World Bank, IMF etc) still come to Zimbabwe for meetings, but until sanctions are lifted they are unlikely to deploy the much needed funds.

What's happening in Zimbabwe

The Minister of Finance (Ncube) continues with his plan of putting the government's expenses back on a sustainable basis and balancing day to day expenditure. Earlier in 2019 the local Zimbabwean dollar was allowed to float against the US$ - the previous 1:1 exchange rate not being reflective of the reality on the ground – especially with a current rate somewhere round 18:1. This has caused hardship for many with a sudden dose of inflation, but the situation appears now to be stabilising.

What do we believe needs to happen

We believe that Zimbabwe needs **1)** to demonstrate fiscal prudence and an ability to balance its books and not print treasury bills to pay daily costs. We believe this is happening with cost cutting evident in the last budget report and the recent report from the Minister of Finance and Economic Development outlining the government's progress on policy reforms which is most encouraging. We also see innovative ways to raise funds for government, including a transaction tax on mobile phone payments allowing money to be generated from the largely black economy; **2)** to begin physically pay down some of its old debts – to show an acceptance of these old debts (presumably as a prelude to some sort of debt forgiveness as part of an international rescue package); and **3)** legislative action to remove some laws and set up a fair free market economy. This latter point has started to be addressed with foreign firms now allowed to own investments of 100% in many of the key industries (gold being one).

And the Mugabe faction? and the opposition?

The group around the former (recently deceased) President are very quiet and have seemingly been sidelined. In contrast the opposition are very vocal and led by Nelson Chamisa who is in opposition to the government. He is popular in the large urban centres, but overall it appears that ZANU-PF hold sway and it seems likely that Mnangagwa is being given the benefit of the doubt by the majority of the voters. The situation remains mostly peaceful with the people just carrying on their daily struggle.

But despite this, Zimbabwe still works

Despite the issues outlined above, the country still functions; the solid infrastructure (roads, railways etc) is still sound, whilst the service infrastructure (water, electricity, communications etc) is less well maintained but largely still operational. The workforce is very well educated (literate and numerate) and only a chronic lack of money in the system holds back many enterprises. Indeed the official economy is now so small that only a little money invested in the right places would be required to make it grow significantly.

Blanket mine has weathered the economic storm very well

The Blanket mine operates in the Gwanda district in southern Zimbabwe. The mine is really a self-contained village with houses, shops, schools and health facilities and a well-paid workforce. Being self-contained, the mine largely has its own services and supplies on site, which raises the proportion of fixed costs at the mine. However, this approach has meant that there have been few interruptions to production due to a lack of trained people or spare parts, while diesel generators can supply the whole of the mine site with power if mains power goes down – though these have generally been used less and less since they were installed several years ago.

Indigenisation policy modified – benefit to gold miners

What has happened already? Mnangagwa has said that Zimbabwe is open for business and that he is committed to elements of the market economy - "enterprise is encouraged and protected and just and merited rewards are allowed" – to paraphrase his inauguration speech. He has stood behind this and cancelled the ownership levels in mines that non-indigenous enterprises can hold for most minerals. This has led Caledonia to buy a 15% stake in Blanket from its partner FREMIRO (still waiting for final ratification) with Caledonia in our opinion keen to buy more – the 16% stake held by a Zimbabwe parastatal perhaps an option. The final 20% is held by the local community and the workers and probably not for sale.

Caledonia already focussing on change

What are the current impacts on Caledonia? Currently, we see few operating impacts on the company in the short term apart from the power situation – which although now broadly free from supply interruptions is still prone to voltage fluctuations which can stop production. Caledonia is investigating ways it can fund the upgrade of the power line and transformers to its site to prevent this happening. It is also investigating a potential solar power project. The Blanket mine has been operating in a difficult internal economic environment for a number of years without force majeure production losses on account of the Zimbabwean economy (for over 10 years) and has returned dividends to shareholders outside Zimbabwe continuously for over 7 years. The mine produces gold for sale to the domestic refinery in Zimbabwe, receives revenues and pays its costs. It can bring money in and out of the country and although the availability of foreign exchange can be slow, the process does work, though perhaps requiring far more management attention than it should do. We see this improving further over the short to medium term.

Longer term we see significant opportunities for Caledonia within Zimbabwe

What are the potential longer-term benefits for Caledonia? The potential impact of a revitalised Zimbabwe and a growing economy with a government fully recognised by outside agencies will be big for Caledonia.

Valuation

Our fair value assessment for Caledonia is 900p

Our fair value for Caledonia is 900p based on an SOTP valuation methodology

We value Caledonia on a SOTP basis using a mixed approach. We value the Caledonia Mine via a Discounted Cash Flow (DCF) analysis (from 2020) on the Blanket mine (risked at 90% NAV as a proxy for general construction risk) and a multiple of 5x 2020 Operating Cash Flow – a conservative approach as the operating cash flow could more than double from 2020 to 2022 when at full 80koz/yr gold production (at $1300/oz gold). To this we add in cash at $7.9m – the Sept 2019 net cash position.

We account for the industry-perceived risk for operating in Zimbabwe by using a high discount rate in our DCF of 15%. We would look to reduce this if the hoped for normalisation of the Zimbabwean economy is realised.

Gold price forecast:

2019 - $1400/oz
2020 - $1450/oz
2021 - $1350/oz
2022 onwards - $1300/oz

We currently use a dollar / pound exchange rate of 1.3:1 in our analysis reflecting the current SPOT. We remain in a volatile exchange rate environment as a result of world politics and the post-Brexit trade talks with a December 31st 2020 deadline remain a factor – but as the mine receives revenue in dollars and much of its costs are dollar based (and local Zimbabwean currency denominated), with some in South African Rand; this is just a translational issue as the actual value in US dollars is conserved.

Table 1: Caledonia Mining – Base Case Valuation Summary

Asset		**$m**	**£m**	**Risk***	**GBp/sh****
Blanket Mine (Zimbabwe)	DCF – 15% DR	138.7	106.7	0.9x	851
Caledonia	CF/sh 5.0x 2020e	131.6	101.3	0.9x	808
					829
Eersteling ***	cash	2.0	1.5	1.0x	14
Net Cash	Sep-19 reported cash	7.9	6.1	1.0x	54
Caledonia Mining					**897**

Source: WH Ireland research
** Subjective risk – risked for implementation of the expansion / deepening project and conversion of Inferred Resources. ** 11.3m shares (post the Fremiro transaction expected shortly)*
**** Eersteling – a non-core asset sold in May 2018. Final two instalments due this year for $2m*

Sensitivity

Conservative in our assumptions – there is upside for Caledonia

We have been conservative in our forecasts for Caledonia and the gold price and there is upside (as well as some downside) to our target. The valuation is most sensitive to the gold price, to Zimbabwe risk and to project implementation. Blanket NPVs (in GBP after risking by 10%) for 1) changing discount rate and 2) gold price are provided below and in Table 2

Sensitive to Gold Price – but if lower then still an improvement on current share price

- Lowering the gold price used in our long-term gold price forecast by 10% from $1300/oz to $1170/oz reduces our DCF valuation for Blanket from 851p to 689p. Note how robust the DCF for Blanket is in Table 2.
- Increasing the Long-term gold price by 10% from $1300/oz to $1430/oz increases the valuation of Blanket to 1,022p. This increase is not beyond possibility with some market commentators believing that the gold price could increase dramatically and sustainably - driven by geopolitical uncertainty and weakness in the US$. This is a price currently below SPOT at over$1,500/oz.

Reducing sovereign risk and removing project risk

Dropping our risk-rating for operating in Zimbabwe to a more sector standard 10% discount rate would increase our valuation for Blanket to 1,081p.

Evaluation of the DCF model shows there is plenty of upside in Caledonia given the right implementation of the new mine plan and improved political and gold price scenarios; and this is before considering any of the obvious brownfield potential at depth at Blanket, in the upper levels of the mine or in the satellite projects around the mine. We deal with this potential later in the note.

Table 2: Sensitivity to gold price and NPV discount rate – Blanket Valuation (GBp/sh)

		<-- Gold Price -->				
		1040	**1170**	**$1300/oz**	**1430**	**1560**
		-20%	**-10%**	**0%**	**10%**	**20%**
Discount Rate	5%	860	1200	1413	1625	1868
	10%	627	896	1081	1257	1449
	15%	470	689	851	1002	1159
	20%	360	544	687	819	951
	25%	282	439	566	684	798

Source: WH Ireland, based on 11.3m shares in issue assuming deal with FREMIRO is ratified shortly and Caledonia increase its ownership in Blanket to 64%

Table 3: Blanket Mine – Cash Flow

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Ore Processed	Kt	547	560	545	575	630	687	675	660	650	500
Grade	g/t	3.41	3.26	3.15	3.20	3.80	3.85	3.90	4.00	4.00	4.20
Gold Produced	**Koz**	56.1	54.5	51.3	55.5	72.3	80.1	79.8	80.0	78.8	63.7
Recovery	%	93.4	92.9	93.0	93.8	94.0	94.2	94.3	94.3	94.3	94.3
Unit Costs											
Direct Mining Costs + G&A	$/t processed	64.1	71.0	67.0	70.0	68.0	64.0	62.0	62.0	62.0	65.0
Direct Mining Costs + G&A	$/oz sold	626	729	711	725	592	549	524	511	511	510
Refining Costs	$/oz sold	15.5	24.9	17.5	18.1	16.9	(87.4)	16.3	16.3	16.3	16.3
Gold Price	$/oz	1243	1245	1400	1450	1350	1300	1300	1300	1300	1300
Gross Revenue	**$M**	69.7	67.9	71.9	80.5	97.7	104.1	103.8	104.0	102.5	82.8
Refining Charges	$M	(0.9)	(1.4)	(0.9)	(1.0)	(1.2)	7.0	(1.3)	(1.3)	(1.3)	(1.0)
Export Credit Incentive	$M	2.4	6.4	2.0	-	-	-	-	-	-	-
Net Revenue	**$M**	**71.2**	**72.9**	**73.0**	**79.5**	**96.5**	**111.1**	**102.5**	**102.7**	**101.2**	**81.7**
Mine Site Costs	$M	(35.1)	(39.8)	(36.5)	(40.3)	(42.8)	(44.0)	(41.9)	(40.9)	(40.3)	(32.5)
Gold Duty / Royalty	$M	(3.5)	(3.4)	(3.6)	(4.0)	(4.9)	(5.2)	(5.2)	(5.2)	(5.1)	(4.1)
Cost of Production	**$M**	**(38.6)**	**(43.2)**	**(40.1)**	**(44.3)**	**(47.7)**	**(49.2)**	**(47.0)**	**(46.1)**	**(45.4)**	**(36.6)**
EBITDA	**$M**	**32.7**	**29.7**	**32.9**	**35.2**	**48.7**	**62.0**	**55.4**	**56.6**	**55.8**	**45.1**
Depreciation	*$M*	(4.0)	(4.0)	(4.2)	(5.0)	(6.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
EBIT	**$M**	28.7	25.7	28.7	30.2	42.7	54.0	47.4	48.6	47.8	**37.1**
Blanket Management Fee	$M	(7.0)	(4.0)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Interest	$M	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Tax	$M	(7.5)	(7.5)	(6.0)	(8.0)	(8.0)	(8.0)	(8.0)	(9.6)	(9.3)	(6.6)
Net Profit After Tax	**$M**	**14.1**	**14.2**	**20.0**	**19.5**	**32.1**	**43.3**	**36.7**	**36.3**	**35.8**	**27.9**
Expansion Capex	$M	(19.0)	(15.0)	(17.0)	(17.0)	(7.0)	(4.0)	(2.0)	-	-	-
Sustaining Capex	$M	(1.0)	(5.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.5)	(4.0)	(3.0)
Blanket Net Profit	**$M**	**(5.9)**	**(5.8)**	**0.0**	**(0.5)**	**22.1**	**36.3**	**31.7**	**32.8**	**31.8**	**24.9**
Minority Cash Outflow	$M	0.3	0.1	(0.0)	0.0	(0.5)	(3.4)	(3.0)	(3.1)	(3.0)	(7.0)
WHT	$M	0.0	0.4	(0.0)	0.0	(1.6)	(2.6)	(2.3)	(2.3)	(2.3)	(1.8)
Caledonia Zimbabwe Net Profit	**$M**	**(5.6)**	**(5.3)**	**0.0**	**(0.4)**	**20.0**	**30.3**	**26.5**	**27.4**	**26.6**	**16.1**
Other Caledonia Revenue*	$M	7.0	4.0	4.1	3.6	3.1	2.6	2.6	2.6	2.6	2.6
Other Caledonia Costs - Corporate	$M	(6.0)	(6.5)	(6.2)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
Add back in Depreciation (attrib. Caledonia)	$M	3.8	3.7	3.8	4.5	5.4	6.7	6.7	6.7	6.7	5.2
Caledonia CASH FLOW	**$M**	**(0.8)**	**(0.2)**	**6.0**	**6.2**	**25.5**	**35.6**	**31.8**	**32.7**	**31.9**	**19.9**

*Source: WH Ireland research * Management and procurement fee*

Comparable Company Valuations

Caledonia still shows a "Zimbabwe discount".

We feel confident that the '*Zimbabwe risk*' associated with Caledonia can be unwound and Caledonia can rerate once there is more international confidence in the Zimbabwean economy – key to this will be the lifting of sanctions.

Compared with its peers – on average it is valued considerably lower than its peers on a variety of multiples

For Caledonia EV / EBITDA, P/E and P/CF (Table 4) are considerably less than the average of our group of comparable companies. All things being equal, a normalisation of Zimbabwe perception over time could see a rerating of the Caledonia share price. Even though the share price has recently improved (Figure 1), we believe there is still considerable latent value in Caledonia if it only half normalises against its peers.

Going forward as Caledonia's EPS rises strongly to over 200c/sh from 2021 onwards (WHI est.) shows that with stronger expected earnings the company simply must rerate.

Table 4 also highlights the very small number of African-focussed gold miners which have paid a dividend over the last 12 months. Caledonia is in a strong position as it continues to pay a leading dividend currently yielding 3.8%, with the potential for a more progressive dividend policy as cash generation increases from the mine – a policy we allow for in this report.

We feel Caledonia is a growth stock as well as one already providing a yield (which can only grow)

A very compelling story with a fundamentally strong asset in the Blanket mine

In summary we feel that Caledonia stands out as a company where strong capital appreciation is also possible as construction risk reduces, country risk is down-played and the mine accelerates the production of cash. We are very positive on management's plans for the future of Blanket. In some respects once Caledonia is in a position to make some serious choices on what to do with its cash the problem will be to not dilute its asset base – we see the Blanket mine as a high-quality asset.

Table 4: Comparable company financial and ratio metrics (US dollar)

	Share Price c/sh	Shares Out m	Market Cap $m	Ent Value $m	Last 12 Months Rev $m	EBITDA $m	EPS c/sh	EV/EBITDA #	P/E #	P/CF #	DPS c/sh	Yield %
Caledonia Mining	**847**	**10.8**	**91.1**	**99.3**	**66.3**	**26.5**	**392.6***	**3.7**	**2.1**	**5.0**	**30.0**	**3.8**
AIM Gold Miners												
Highland Gold Mining Limited	261	364	948	1177	339	162	19.0	6.9	13.1	6.6	15.5	6.0
Orosur Mining Inc.	4	150	7	7	NA	(5)	(0.6)	NM	NA	-	-	-
Hummingbird Resources PLC	28	354	100	185	117	8	(4.9)	21.9	NM	NM	-	-
Avesoro Resources Inc.	129	82	105	250	197	14	(79.6)	17.6	NM	11.6	-	-
Pan African Resources PLC	16	1928	307	441	218	62	2.0	6.9	7.7	2.6	0.2	1.0
Shanta Gold Limited	13	787	100	134	108	38	(0.6)	3.4	NM	1.4	-	-
Serabi Gold plc	86	59	51	44	54	13	(0.3)	3.1	NM	NM	-	-
								10.0	**10.4**	**5.6**		
London -listed Gold Producers												
Polymetal International plc	1585	470	7453	9285	1919	835	72.2	10.7	21.0	13.6	51.0	3.2
AngloGold Ashanti Limited	2262	415	9385	11335	3767	1028	50.9	9.5	44.0	10.7	7.0	0.3
Centamin plc	168	1155	1946	1648	595	288	4.6	5.5	35.1	9.0	7.0	4.2
Petropavlovsk PLC	17	3310	559	1159	535	154	2.4	6.7	6.8	6.2	-	-
								8.1	**26.7**	**9.9**		
Other African Gold Producers												
Kinross Gold Corporation	474	1253	5943	7449	3288	1157	13.5	6.3	34.4	5.9	-	-
DRDGOLD Limited	513	69	352	333	196	18	8.1	18.5	63.0	17.3	200.0	39.0
Gold Fields Limited	685	829	5677	7618	2606	1011	10.1	7.5	66.9	7.4	5.6	0.8
B2Gold Corp.	401	1026	4115	4397	1247	590	1.5	7.3	269.2	10.1	-	-
IAMGOLD Corporation	373	469	1751	1605	1046	147	(20.0)	9.5	NM	14.2	-	-
Sibanye Gold Limited	256	2670	6847	8475	3560	422	(8.7)	18.6	NM	8.6	-	-
Endeavour Mining Corporation	1888	110	2076	2798	846	312	(71.1)	8.8	NM	6.6	-	-
SEMAFO Inc.	208	334	695	778	489	257	14.8	3.0	13.8	3.2	-	-
Resolute Mining Limited	88	903	799	946	369	33	(0.3)	29.3	NM	10.4	-	-
Teranga Gold Corporation	540	108	581	760	323	60	(29.1)	12.4	NM	4.8	-	-
Perseus Mining Limited	81	1168	952	900	357	103	0.4	8.7	196.6	9.3	-	-
Golden Star Resources Ltd.	379	109	414	376	256	51	(13.2)	7.2	NM	-	-	-
Asanko Gold Inc.	95	226	214	201	NA	(23)	(65.5)	NM	NM	-	-	-
								11.4	**107.3**	**8.9**		
Other AIM Mining Stocks												
Central Asia Metals	292	172	502	606	180	115	29.6	5.0	9.4	6.1	18.2	6.2
Griffin Mining	91	172	157	137	84	31	7.1	4.3	12.2	9.3	-	-
Sylvania Platinum Limited	49	283	138	115	55	26	5.2	4.2	8.8	8.0	1.0	2.0
								4.5	**10.2**	**7.8**		

Source: WH Ireland research / Capital IQ. Values as at January 2nd 2020 – All financial metrics in US$ terms *inc. unrealized FX gain following revaluation

Risk

Operating in Zimbabwe is obviously a risk

Operating in Zimbabwe - This is obviously a risk given the poor state of the economy in Zimbabwe and the current uncertainties over the new Mnangagwa government. The Zimbabwean economy remains in trouble, but day-to-day operations at the mine are little affected as Gwanda (where the mine is located) is a long way from the political and economic centres; and the mine itself is relatively self-sufficient. President Mnangagwa is making all of the right noises about human rights, democratic process, repaying debts and managing the economy in a way that encourages business and initiative. However, there is a requirement for some of these good words to be put into practice and we see this as an evolving process.

But has the risk been overplayed …… ?

Specifically for Caledonia investing in Zimbabwe We see little risk for Caledonia in operating in Zimbabwe given their history of production, cash generation, repatriation of cash (both in and out of Zimbabwe) and the support of the indigenisation partners.

10 years of operation and no stopping of production by external agents

With Caledonia's experience of operating in Zimbabwe being relatively benign we wonder if the risk associated with Zimbabwe is overplayed by the markets? **Caledonia appears undervalued on many metrics against its peers given its history of operation in country**.

Despite the mine plan relying on current Inferred resources, there is a good history of conversion. The mine will drill and improve confidence in resource before major capex spend gets underway

New plan with future production from Inferred resources – The reliance on Inferred resources in the mine plan for the bulk of production post completion of the Central Shaft is a low-moderate risk. The history of resources at Blanket shows a nearly 100% conversion of inferred resources to reserves once development is near enough for close-space drilling. We have seen several resource updates since the expansion plan began – all of which confirm the conversion of new resources.

Project execution risk is no greater than for other projects and management experience of this type of project will help

Project execution is always a risk, but no more so than for any other project. The existing infrastructure present at the mine and understanding of the geology of the deposit, coupled with the experience of the COO and Blanket mine manager, will mean that much of the implementation risk has been mitigated. We have also been impressed with the shaft sinking at Blanket which is being carried out by Blanket staff under supervision from an experienced contract shaft sinking firm. The pace of shaft construction and the safety statistics around the shaft development show the quality of the team. The question really should be, what will Caledonia ask this experienced team to do next?

The gold price is a risk – however we would point to the low cash cost at Blanket and the cash reserves held by Caledonia to mitigate any funding risk

The **gold price is the second biggest risk for Blanket**. The mine is low cost and makes a good operating profit margin and generates cash, but the scale of investment does place sensitivity on Blanket's ability to generate required capital over the period of the mine development. We use a long-term gold price of $1300/oz from 2022 onwards in our model set conservatively below current spot (>$1,500/oz). Market commentators are divided on the direction of travel for the gold price, although we find it difficult not to see the current price being maintained – at least. That said, Caledonia has sufficient cash and will be generating further (and increasing) amounts of cash as production and throughput increase in the mine. We view the risk of the gold price as low and diminishing and less of a risk currently than when the original decision was taken to implement the expansion and mine life extension project. Caledonia has continued confidence in its plans.

To offer comfort during the central shaft commissioning phase Caledonia has announced a small hedge for Jan-June 2020 at $1,400/oz. Caledonia will benefit from 100% of any price above that level but will be insulated below that level. This is a prudent approach by management in our opinion.

Being reliant on one mine is a risk

Single mine and single commodity risk. Caledonia's revenue generation is dependent upon production from a single mine. This is a risk, but for us only a moderate risk as Caledonia has successfully operated the Blanket mine for over a decade.

Future potential

The expansion project and the sinking of the Central Shaft have been the catalyst to review the Blanket mine and its potential thoroughly. The process began with the complete digitisation of the old production plans and the incorporation of all old drilling results. This has been a big task, but now puts the Blanket mine on the same footing as all modern mines with resource modelling software to aid mine design and production planning. As part of the digitisation process, the Blanket geologists have assessed the known structures and any isolated drill intersections and assays along developments to see where there are gaps in knowledge and where additional resources might be. We have been impressed with the results and the management of the process has been very professionally undertaken, in our opinion.

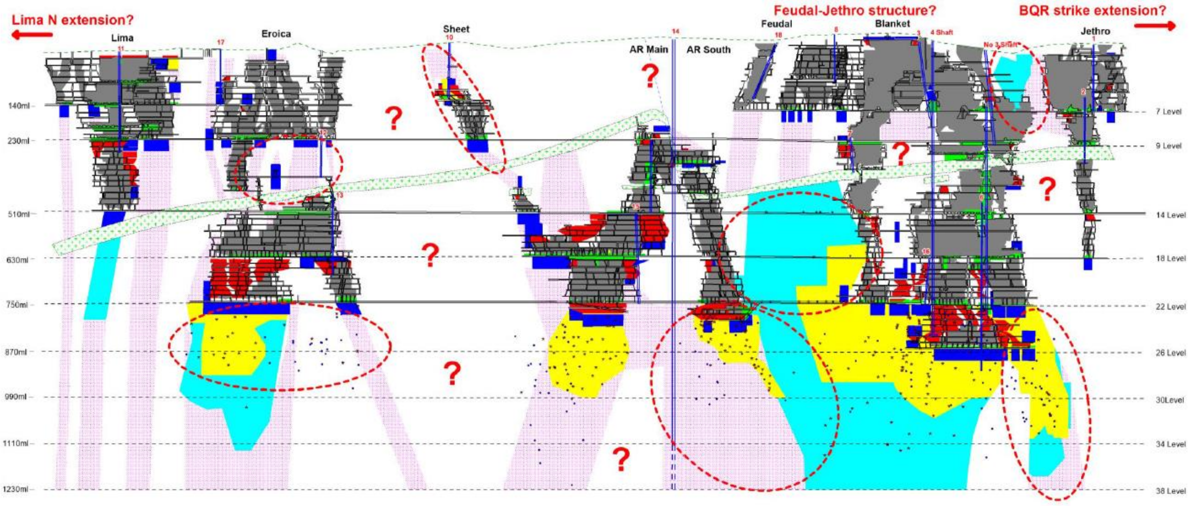
What must be remembered is that the Blanket mine does not produce from one single vein or structure – a series of gold-bearing structures run along a broadly similar strike. Individual veins may not be mineralised all the way along and there may be some linking structures between veins which may also be mineralised. The veins mined at Blanket are discussed below in the section on "Geology". This is typical of Archean greenstone belt, shear-hosted gold deposits.

Figure 2 below shows the current resources (in various colours) and the potential resources that could also be delineated (in pink) for which there are insufficient data. There are also vast areas that have yet to be tested along the strike length of the mine – shown in white, with large areas with no data whatsoever, but which could contain mineralisation.

All the areas below 22 level (the former bottom of the mine) will most likely be explored from developments from the new Central Shaft and these will form part of the large potential for bigger zones of mineralisation which will sustain production past the existing resource in the "new mine".

What we are most excited about is the potential above the 22 level in what we will call the "old mine". These areas are mostly developed already, have access to infrastructure, and when production switches to the new Central Shaft will have hoist capacity available. These upper levels, particularly those close to former known high-grade zones, could allow for small pockets of production to supplement the higher tonnage production from depth. These smaller tonnages will most likely have a low capital intensity and potentially low operating costs and could really 'sweeten' production from Blanket in the future.

Figure 2: Main areas of Blanket mine potential (September 2018 Resources)



Source: WH Ireland, Caledonia Mining. The "?" marks refer to areas where Caledonia is investigating the veins

Caledonia Mining

Low cash cost Blanket mine - compared with other global producers. There is plenty of potential in the surrounding area – not yet factored into the mine plan.

Caledonia is a company listed in London on the AIM market (AIM:CMCL), in Canada (TSX:CAL) and in New York (NYSE:CMCL). It owns 49% of an operating gold mine in Zimbabwe called Blanket – and has a legally binding agreement to gain a further 15% ownership in the mine by buying out one of its indigenous partners, FREMIRO (agreement subject to ratification). This mine is well run and has made significant operational improvements since the restart of the mine in 2009 following temporary closure during the collapse of the Zimbabwean economy in 2008 and subsequent dollarization and recovery. Costs on a $/oz basis are low by global standards and below the global average cost. Even allowing for the other important costs (overheads and sustaining capital costs) Caledonia makes a good margin on every ounce mined. The Cash Cost, in 2018, was $690/oz (2017 $633/oz), whilst the All-in sustaining cost was $802/oz (2017 - $847/oz). These costs will fall as ore throughput increases and gold production rises as additional production offsets the high fixed costs at the mine.

Blanket Mine (Zimbabwe)

Blanket is an operating mine in Southern Zimbabwe. Parts of the mine have been operating for over a hundred years

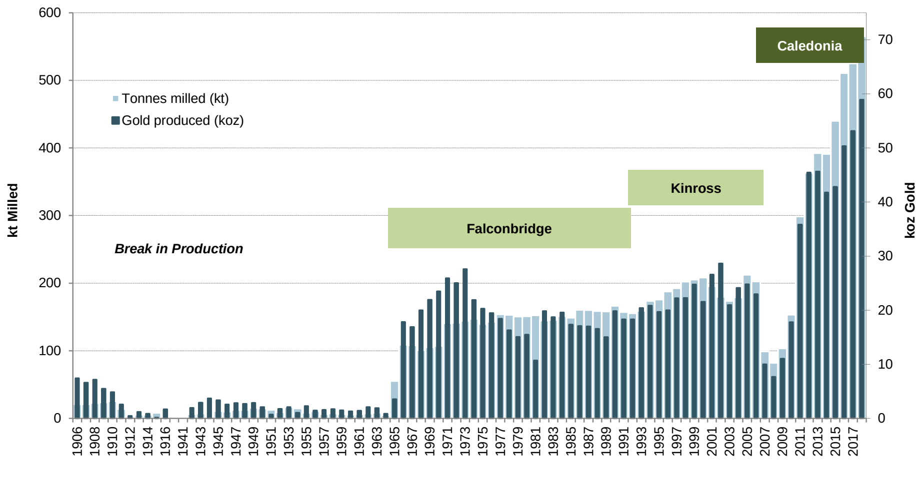
The Blanket mine is located 140km south of Bulawayo and 16km northwest of Gwanda in Matabeleland South in SW Zimbabwe, an area less than 200km from the South African border. The area lies 1000 – 1300m above sea level and is accessed via paved roads, a railway line which goes through Gwanda and a small airstrip 5km from Gwanda. There is a small, company-owned, village where the workforce live with their families. Access to electricity is via a 11kVA and a 33kVA power line connected to the national grid. Owing to disruptions to supply in previous years, Blanket can also operate its own 18MVA diesel generators which are adequate to maintain both production and development at the Central Shaft. Disruptions to the grid remain as the Kariba dam hydro is limited (lack of water) and there are periodic supply disruptions from South Africa. Caledonia are considering a solar project for base load production capacity at Blanket (in the first instance)

Figure 3: Blanket Mine

Source: WH Ireland

The Blanket mine covers an area measuring 2540ha and includes the claims of Jethro, Blanket, Feudal, AR, Sheet, Eroica and Lima. There are no royalties on the licences other than the Government's NSR.

Figure 4: Production History at Blanket



Source: WH Ireland research / Caledonia Mining

The first recorded official production from the Blanket area was in 1906, with the current Blanket mine being a consolidated group of old mines extending for 3km along strike.

Over its lifetime it has been estimated by Caledonia that the group of mines has produced in excess of 1 million ounces of gold.

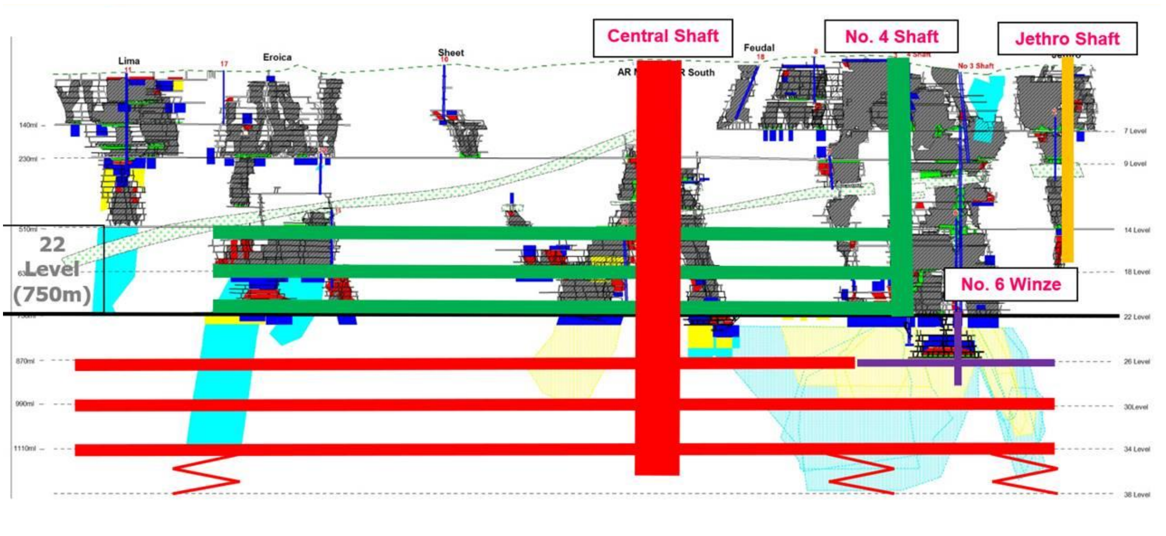
A succession of companies have operated the mine from the early days until the ownership by Falconbridge which took over the mine in 1964, producing 4Mt of ore. Falconbridge sold the mine to Kinross in 1993 who built the large CIL tanks and ran the mine at a rated capacity (ore and dump material) of 3.8kt/d (~1400kt/a). In 2008, all mines in Zimbabwe closed following the failure by the Reserve Bank of Zimbabwe (RBZ), through whom producers were obliged to sell, to pay for any gold. Most mines resumed production in 2009 after the selling of gold was liberalised, with Blanket closed for the period October 2008 to April 2009. Gold is currently sold from Blanket through the Fidelity Printers and Refiners Limited (a Zimbabwean company) and receives 98.75% of revenues in US$. The mine is fully indigenised under Zimbabwean law as per the Indigenisation and Economic Empowerment Act 2007. Caledonia signed an MOU with the Zimbabwe government in February 2012 where Caledonia agreed to sell 51% of the Blanket mine to indigenous Zimbabweans for a paid value of US$30.1m which effectively valued Caledonia's 49% share at US$36.0m. The details for the indigenisation transactions are broken down below in Table 5.

Table 5: Blanket Mine Ownership – and the vendor price paid

		$ million transaction
Caledonia Mining	49%	
National Indigenisation and Economic Empowerment Fund (NIEEF)	16%	11.7
Fremiro#	15%	11.0
Blanket Employee Trust Services Limited (BETS)	10%	7.3
Gwanda Community Share Ownership Trust (Community trust)*	10%	N/A
	51%	30.1

Source: WH Ireland research / Company data
* The Community Share was donated by Caledonia
# Fremiro's stake has been bought by Caledonia for a Gross consideration of $16.7m – 0.7m shares and cancellation of the remaining $11.5m loan. The deal is subject to approvals from various Zimbabwean regulatory authorities

Figure 5: Long section through the Blanket Mine – infrastructure



Source: Caledonia Mining

Geology

Vein hosted mineralisation

Zimbabwe gold deposits are generally hosted in Archaean rocks of the Zimbabwe Craton. Blanket lies in the NW portion of the Gwanda Greenstone belt, which is 70km long and comprised of mafic to felsic volcanic and intrusive rocks with intercalated sedimentary units.

Mineralisation at Blanket is hosted in mesothermal veins and replacements along shears within the Gwanda Greenstone belt. This belt is roughly 70km long and 15km wide and is comprised of mafic to felsic volcanics with intercalated sedimentary units. Mineralisation is preferentially hosted within deformational zones in mafic and ironstone units. The veins (called quartz-reefs at Blanket) are lensoid and tabular and are generally subvertical.

The disseminated sulphide replacement zones are generally massive, pipelike bodies. Both types of mineralisation contain minor silver which is recovered to the final dore bar. Silver is only a very small component of Blanket revenue.

At Blanket a series of ore zones are being mined stretching over a strike length of 3km. From the south to the north these are: Jethro, Blanket, Feudal, AR South, AR Main, Sheet, Eroica and Lima. These are shown in Figure 2 above. The replacement deposits range up to 50m wide in the AR orebodies, and 10m wide in the other orebodies, they are lensoid with an individual strike length of 60-90m. Half of the gold is free-milling with the rest intimately associated with arsenopyrite, though not refractory, with recoveries of over 90% possible. The quartz-reef veins (Blanket and Eroica) have long strike lengths but are not usually mineralised over more than 100m, dipping 55° to the west. Where they intersect the replacement bodies they generally displace them with a reverse movement of 250m. Gangue varies from quartz to ankerite which may mark the brittle-ductile transition.

Grade varies more in these reefs than in the replacement bodies, but the reefs are generally higher-grade.

Resources

The last full resource statement was carried out in September 2018 shown in Table 6. We anticipate further upgrades as Caledonia gains access to drilling platforms as part of the underground development. The September resource upgrade added 100koz gold to Measured and Indicted resources and 100koz to Inferred. We point especially to the Inferred grade that is higher than the current grade – this is we believe a good indication of an increasing grade once converted to reserve status as the history of Blanket demonstrates very good conversion of resource to reserve.

Table 6: Mineral Resources at the Blanket mine (September 2018)*

	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (koz)
Measured	2.01	3.8	245
Indicated	4.73	3.7	560
Total Measured + Indicated	**6.74**	**3.7**	**805**
Inferred	6.63	4.5	963
Total resource	**13.37**	**4.1**	**1,768**

Source: WH Ireland research, Caledonia Mining
*Inclusive of Mineral Reserves

Mining

Underground mining

Mining is from a mixture of the orebodies identified at Blanket, by a combination of longhole, shrinkage and underhand stoping dependent upon the width, competency and grade of the orebody. Longhole stoping is mostly used and is a productive method for the thicker zones of mineralisation. Underhand stoping is used in narrow orebodies or the ends of the lensoid veins and replacements, and helps reduce dilution, whilst shrinkage stoping is used in narrow zones where the hanging wall or footwall might be unstable and allows mining down to a minimum mining width of 1.2m.

Processing

Ore is processed through the Blanket mill. Half of the gold is recovered in a gravity circuit with the remainder via the CIL circuit. Recoveries are high by global standards and a sign of a well-understood orebody and a well-trained staff with good operating practices. Recoveries are in the range 92-93% which will rise to +94% as ROM gold grade increases and the mill receives the full benefit from the new oxygen plant installed in Q3 2019.

Run-of-Mine ore is crushed to minus 150mm underground before hoisting to the surface. On surface a two-stage crushing circuit takes the ore down to minus 12mm which feeds two 1.8m x 3.6m rod mills which reduce the size of the ore further to a P_{70} of 75µm. The fine ore passes first through two 30" Knelson gravity concentrators to recover ~50% of the gold.

Gravity and CIL processing. Excellent recoveries

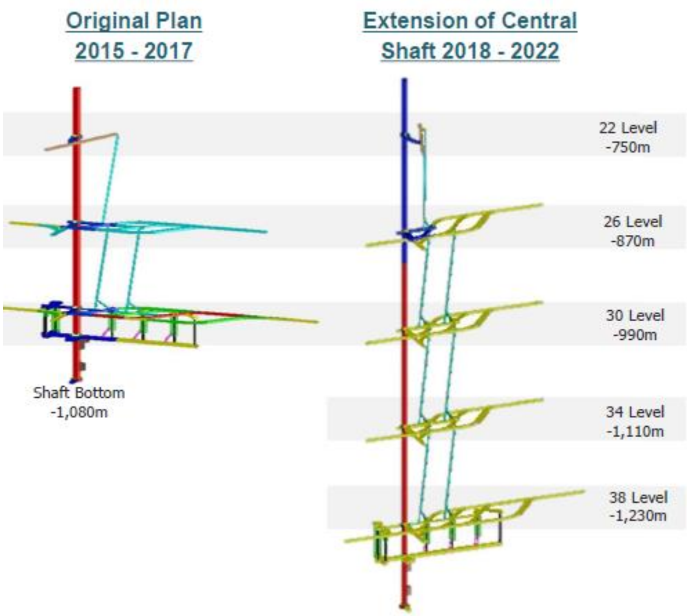
Tails from the gravity circuit then pass to a regrind ball mill which further grinds the ore, with the slurry passing into the Carbon-in-Leach (CIL) circuit. Ore is leached in eight 600m3 leach tanks, followed by elution and electro-winning on site. Cathodes and gold concentrate from the Knelson concentrators are smelted into dore bars before being sent to the government-owned Fidelity Refiners in Harare for refining.

Figure 6: Free gold recovery

Source: WH Ireland

Shaft Deepening Project

Figure 7: The new plan for the Central Shaft



Source: WH Ireland, Caledonia Mining

In November 2017, Caledonia announced an extension to the Central Shaft will continue down to 1,330m (though this has now been changed to 1,204m with a final level developed from a decline). This will add two additional production levels which at this stage of drilling in the Inferred resource will add a further (at least) 4 years of 80koz gold/a to production – with a Life-Of-Mine (LOM WHI est) to 2031. In our opinion, this is a minimum LOM and the orebodies are developed further than the current drill spacing shows. Production from these new levels will also mean that the mine will produce from four operating levels, with an improvement in planning and allow a consistent ore feed to the mill. As a near vertical orebody, it has always been a problem to define the resource blocks at depth – the increased shaft depth will allow Caledonia fully to assess the resource with efficient underground drilling.

Directors

Leigh Alan Wilson - **Chairman, and Director**. Mr. Wilson has an international business and financial services background, having served in senior executive and management positions with Union Bank of Switzerland (Securities) Ltd. in London and with the Paribas Group in Paris and New York. He has served on the Victory Fund Board since 1993 and currently serves as Independent Chairman of its Board of Trustees. Mr Wilson is also the Chief Executive Officer of New Century Home Health Care Inc., a role he has held since 1995.

Between March 2008 and October 2008, he was an Independent Non-Executive Director of Caledonia and he was re-appointed to the Caledonia board as an independent non-executive director in May 2012 and Chairman in May 2013.

Steve Curtis, C.A. (SA) - Chief Executive Officer and Director. Mr. Curtis is a Chartered Accountant with over 30 years' experience and has held a number of senior financial positions in the manufacturing industry. Before joining Caledonia in March 2006, he was Director Finance and Supply Chain for Avery Dennison SA and prior to this Financial Director and then Managing Director of Jackstadt GmbH in South African. He was appointed to the Caledonia board in July 2008

John McGloin. – Director. John McGloin is the former Chairman and Chief Executive of Amara Mining and is currently a Non-Executive director of Perseus Mining. Mr McGloin joined Caledonia in August 2016. He is a geologist and graduate of Camborne School of Mines.

Mr McGloin worked for many years in Africa within the mining industry before moving into consultancy. He joined Arbuthnot Banking Group following four years at Evolution Securities as their mining analyst. He was also the former Head of Mining at Collins Stewart.

Mark Learmonth - Chief Financial Officer and Director. Mr Learmonth is a Chartered Accountant and joined Caledonia in July 2008. Prior to this, he was a Division Director of Investment Banking at Macquarie First South in South Africa, and has over 17 years' experience in corporate finance and investment banking, predominantly in the resources sector in Africa. Mr Learmonth was appointed Caledonia's Chief Financial Officer in November 2014.

John Lawson Kelly – Director. Mr. John Lawson Kelly has over 30 years of experience in the financial services industry in the U.S.A and international markets, including emerging markets in Asia. He has held executive management positions in globally active, full-service financial firms as well as technology-enabled financial services. Mr Kelly was appointed to the Caledonia Board as an independent non-executive director in May 2012.

Johan Andries Holtzhausen – Director. Mr Holtzhausen is a retired partner of KPMG South Africa with 42 years of audit experience, of which 36 years were as a partner focused on the mining sector. He chaired the Mining Interest Group at KPMG South Africa and his clients included major listed mining companies operating in Africa and elsewhere, which operated across a broad range of commodities. Mr Holtzhausen is chairman of the Finance, Audit and Risk Committees of Strategic Partners in Tourism and its related party the Tourism Micro Enterprises Support Fund, both of which are not-for-profit organizations. Until 28 February 2011, he served as a director of KPMG Inc. and KPMG Services (Pty) Ltd, both of which are private companies registered in South Africa and which provided audit, taxation and advisory services. He is also a non-executive director of DRDGOLD Ltd. a medium sized South African gold producer listed in on the Johannesburg and New York Stock Exchanges.

Nick Clarke – Director. Mr Clarke, who is Chairman of Central Asia Metals PLC, is a highly experienced Chartered Engineer (CEng) with 45 years in the mining industry. He has held senior positions in several resource companies

Financials

CALEDONIA MINING SNAPSHOT (AIM:CMCL, TSX:CAL)					
Share Price 635p					
Dated 6th January 2020					
Market Capitalisation £70m					
Recommendation: Corporate					
Fair value 900p					

	2017	2018E	2019E	2020E	2021E
EPS	88.9	101.6	99.6	118.8	218.2
PE	9.5x	8.4x	8.5x	7.1x	3.9x
FCFPS	5.5	(4.8)	7.1	10.1	59.5
Dividend / share	27.6	27.9	27.9	35.0	40.0
Dividend Yield	3.3	3.3	3.3	4.1	4.7
ROCE	29.7	26.9	41.6	18.8	23.4
EV/EBITDA	2.5x	3.1x	2.4x	2.0x	1.0x
Weight average shares in issue	10.6	10.6	10.6	11.3	11.3
Year End December					
Reporting Currency $	USD	USD	USD	USD	USD
** Assumes FREMIRO deal concludes in Dec 2019*					

Income Statement ($m)	2017	2018E	2019E	2020E	2021E
Revenue	69.8	68.4	71.0	79.5	96.5
Operating Costs	(39.7)	(42.7)	(38.5)	(41.7)	(45.6)
Depreciation	(3.8)	(4.1)	(4.2)	(5.0)	(6.0)
EBIT	**26.3**	**21.6**	**28.3**	**32.8**	**44.8**
Overheads and Other income	(5.9)	(6.8)	(7.6)	(6.5)	(6.0)
Net Finance (costs)/ income	2.4	6.5	2.0	0.0	0.0
Profit before Income Tax	**22.8**	**21.3**	**22.7**	**26.3**	**38.8**
Income Tax and other Tax Expense	(8.7)	(7.4)	(9.5)	(8.0)	(8.0)
Profit after Tax	**14.1**	**13.9**	**13.2**	**18.3**	**30.8**
Dividend	**2.9**	**3.0**	**3.0**	**4.0**	**4.5**

Balance Sheet ($m)	2017	2018E	2019E	2020E	2021E
Non-Current Assets	**82.1**	**97.5**	**115.0**	**130.0**	**134.0**
Cash and Cash Equivalents	13.1	11.2	11.9	12.8	39.1
Other Current Assets	14.8	17.0	17.3	16.5	16.5
Current Assets	**27.9**	**28.2**	**29.2**	**29.3**	**55.6**
Total Assets	**110.1**	**125.7**	**144.2**	**159.3**	**189.6**
Total Non-Current Liabilities	25.2	34.7	7.4	11.2	15.2
Total Current Liabilities	15.6	12.2	10.0	8.5	8.5
Total Equity	69.2	78.8	126.8	139.6	165.9
Total Equity and Liabilities	**110.1**	**125.7**	**144.2**	**159.3**	**189.6**
Net Assets	**69.2**	**78.8**	**126.8**	**139.6**	**165.9**

Cash Flow Statement ($m)	2017	2018E	2019E	2020E	2021E
Profit for the Year	25.1	17.0	22.7	26.3	38.8
Depreciation	3.8	4.1	4.2	5.0	6.0
Other	(4.4)	(3.5)	(4.1)	(6.0)	(3.5)
Cash From Operating Activities	**24.5**	**17.7**	**22.8**	**25.3**	**41.3**
Net Cash Used in Investing	**(21.6)**	**(20.2)**	**(19.0)**	**(20.0)**	**(10.0)**
Net Cash Used in Financing	**(4.7)**	**0.9**	**(3.0)**	**(4.5)**	**(5.0)**
Net change in cash and cash equivalent	**(1.8)**	**(1.6)**	**0.8**	**0.9**	**26.3**
Opening Cash and Cash Equivalent	14.3	12.8	11.2	11.9	12.8
Effect of FX	0.3	0.0	0.0	0.0	0.0
Closing Cash and Cash Equivalent	**12.8**	**11.2**	**11.9**	**12.8**	**39.1**

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Recommendation	Total Stocks	Percentage %	Corporate	Percentage %
Corporate	50	89.3	50	100.0
Buy	5	8.9	0	0.0
Speculative Buy	0	0.0	0	0.0
Outperform	1	1.8	0	0.0
Market Perform	0	0.0	0	0.0
Underperform	0	0.0	0	0.0
Sell	0	0.0	0	0.0
Total	**56.0**	**100.0**	**50.0**	**100.0**

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A draft of this research report has been shown to the company following which factual amendments have been made.

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Company/Issuer Disclosures

Company Name	Table of interest number	12-month recommendation history	Date
Caledonia Mining (CMCL)	1,2,3,4,5,8	Corporate	11.12.17

http://research.whirelandplc.com/research/regulatory.asp

Companies Mentioned

Company Name	Recommendation	Price	Price Date/Time
Caledonia Mining	Corporate	635p	06.01.2020 16:30

Headline	Date
Robust gold price and a rising dividend	07.01.2020
Strong growth potential as expansion project in final straight	25.03.2019

Recommendation	From	To	Analyst
Corporate	11.12.17	Present	CA

Current Analyst (CA), Previous Analyst (PA)

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