

Caledonia Mining Corporation Plc


Q1 2017 Results Overview


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Q1 2017 Results Summary

18% increase in production and lower costs delivers a 96% improvement in EPS

	3 months to 31 March 2016	2017	yoy % Change	Comment
Gold produced (oz)	10,822	**12,794**	+18%	Increased production due to increased tonnes milled, higher grade and improved recoveries
On-mine cost per ounce ($/oz)	689	**659**	-4%	Lower cost per ounce as fixed costs are spread across increased production ounces
All-in Sustaining Cost ($/oz) ("AISC")	956	**857**	-10%	Lower cost per ounce due to lower on-mine cost, the export incentive credit and lower sustaining capital expenditure, offset by the higher share-based payment expense
Average realised gold price ($/oz)	1,166	**1,213**	+4%	Increased realised gold price reflects the increase in gold prices
Gross profit	3,888	**5,646**	+45%	Increased gross profit due to higher sales, higher realised gold price and lower costs per ounce
Net profit attributable to shareholders	543	**2,338**	+331%	Increased profit attributable to shareholders due to higher gross profit, the export incentive credit and the elimination of the hedging costs incurred in Q1 2016
Adjusted basic earnings per share ("EPS") (cents)	2.7	**5.3**	+96%	Increased adjusted earnings per share due to higher attributable profit
Net cash and cash equivalents	8,841	**11,722**	+33%	Increased cash due to increased operating cashflows, offset by increased working capital, particularly prepayments for capital goods, and continued high levels of investment
Cash from operating activities	1,749	**1,779**	+2%	Cash from operating activities benefitted from higher profit but was adversely affected by increased working capital and higher tax payments

1 - Measures such as "On-Mine Cost per ounce", "AISC" and "average realised gold price" and "adjusted earnings per share" are non-IFRS measures and are explained in Section 10 of the MD&A .
2 - Gross profit is after deducting royalties, production costs and depreciation but before administrative expenses, other income, interest and finance charges and taxation.

Income Statement

Increased production and lower costs delivered a strong increase in EPS

Summary P&L (US$m)	3 months ended March 31 2016	3 months ended March 31 2017	yoy % Change
Revenue	13.4	**16.4**	+23%
Royalty	(0.7)	**(0.8)**	+22%
Production costs	(8.0)	**(9.1)**	+13%
G&A costs	(1.4)	**(1.4)**	+0%
EBITDA	3.3	**5.1**	+55%
Depreciation	(0.8)	**(0.9)**	+7%
Other income	0.1	**0.6**	
Foreign exchange gain/(loss)	0.0	**(0.1)**	
Cash settled share based payment	(0.1)	**(0.4)**	
Margin call on gold hedge	(0.4)	**-**	
Operating Profit	2.0	**4.4**	+118%
Finance Charges	(0.0)	**(0.0)**	
Profit before tax	2.0	**4.4**	+121%
Tax	(1.1)	**(1.5)**	+30%
Net Profit	0.8	**2.9**	+243%
Attributable to:			
Caledonia Shareholders	0.5	**2.3**	
NCI	0.3	**0.6**	
Earnings per share (cents)			
EPS (cents)	1.0	**4.3**	+330%
Adjusted EPS (cents)*	2.7	**5.3**	+96%

- Increased revenues reflected higher production and a higher gold price
- Costs remain under control with on mine costs of $659 per ounce and AISC of $857 per ounce
- Profitability for the quarter was boosted by an 18% increase in gold production, a 4% decline in operating cost per ounce and a 4% increase in the net gold price received resulting in a 118% increase in operating profit and a 243% increase in net profit.
- Other income includes export incentive credit of $576,000 calculated at 3.5% of gold revenues
- Cash settled share based payment is calculated on the LTIP units and largely reflects the increase in Caledonia's share price in Q1 2017 from $1.10 to $1.39
- Effective tax rate falls from 57% to 33%. Tax includes $464k of deferred tax which has been reversed out of the adjusted earnings; withholding tax of $148,000, Zimbabwe income tax of $760,000 and South African income tax of $86,000.
- NCI is 16.2% of Blanket's net profit attributable to the Indigenous shareholders

Production and Revenues

Effect of Changes in Production, Gold Price

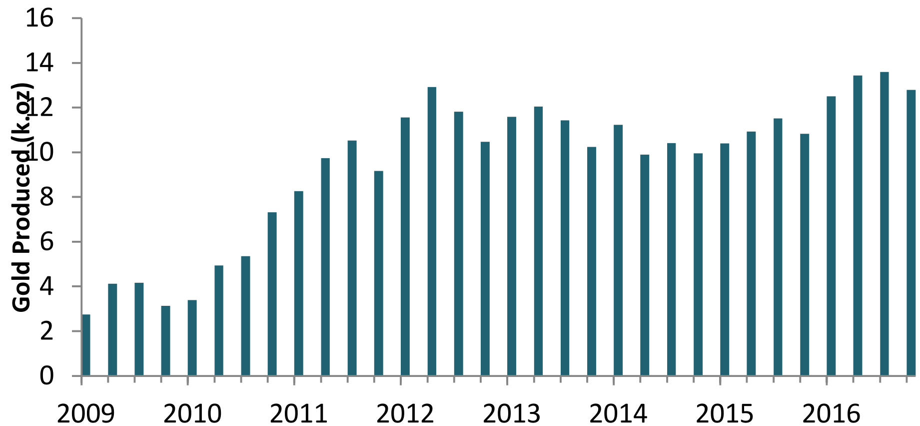
Production and Revenues	3 months to 31 March 2016	3 months to 31 March **2017**	% change
Tonnes Milled (000's)	114,527	**124,225**	+8%
Average grade (g/t)	3.16	**3.42**	+8%
Average recovery (%)	93	**93.7**	+1%
Gold Production (oz)	10,822	**12,794**	+18%
Average realised gold price ($/oz)	1,166	**1,213**	+4%
Gold revenues ($m)	13.4	**16.4**	+23%

- Production in Q1 is typically below the full year run rate. Q1 2017 production was also adversely affected by continued logistical constraints on 22 Level (750 metres below surface) and the requirement to increase development prior to the completion of the Central Shaft in late 2018
- Tonnes milled increased 8% compared to Q1 2016
- Grade was slightly better in the quarter increasing to 3.42g/t and is expected to continue to trend gradually upwards towards 3.8g/t as production from below 750m increases
- Improved recovery due to slightly higher grade and use of liquid oxygen pending commissioning of a new oxygen plant.
- Quarterly gold production was down from the record final quarter of 2016 but 18% higher than the corresponding quarter of 2016
- The average realised gold price was 4% higher year on year which, combined with increased production and lower unit costs contributed to the significant increase in profitability for the quarter.

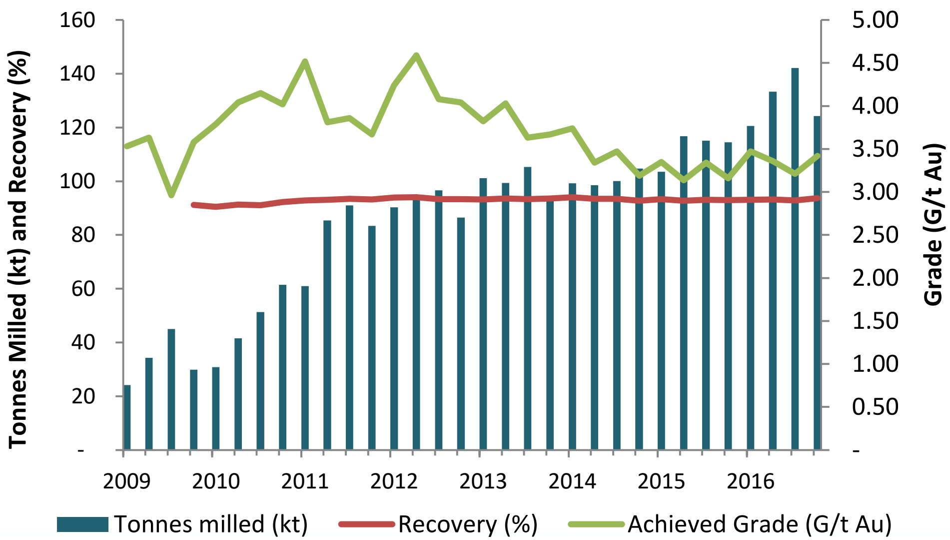
Gold Production

Operations remain on track for 80,000 ounces by 2021

Quarterly Production



Tonnes Milled, Grade and Recovery

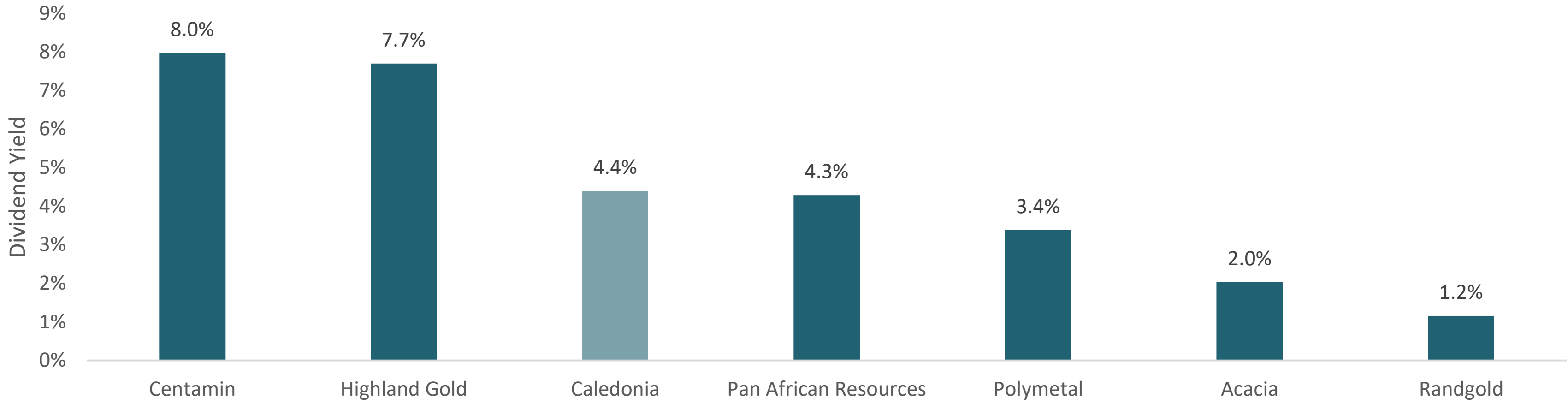


- Logistical improvements in 2015 and 2016 have resulted in a sustained increase in tonnes milled. However, constraints still exist coupled with an increased development requirement prior to the completion of the Central Shaft
- On 9 May, 2017, management decided to reduce ore production in 2017 so that the necessary development can be completed. Revised production target for 2017 is 52,000 to 57,000 ounces of gold
- Management is confident of delivering the longer term target of 80,000 ounces as development below 750m continues to progress and the Central Shaft project remains on track
- Grade is anticipated to continue to improve gradually towards 4g/t as deeper resources are accessed

Dividend

A track record of sustainable and increasing dividends

Dividend Peer Comparison



Payout Ratio	83%	90%	26%	58%	47%	43%	38%

- Following the re-domicile to Jersey in March 2016, Caledonia's dividends no longer attract Canadian withholding tax resulting in a significant increase in the net dividend received by non-Canadian shareholders
- July 2016 Caledonia increased its dividend by 22% from 1.125 US cents per quarter to 1.375 US cents per quarter
- Caledonia's dividend is 2.1 times covered by earnings , 3.9 times covered by adjusted earnings and 2.4 times covered by net cash from operating activities
- Dividends remain a vital component of the Caledonia strategy for delivering shareholder value
- Dividends have been paid each quarter since January 2014 over a period of sustained weakness in the gold price and a significant capital investment programme – a testament to the cash generating potential of Caledonia
- Total dividends paid since dividends commenced in February 2013: 30.16 US cents per share

Production Costs

Costs remain contained and unit costs continue to trend downwards

	Q1 2016	**Q1 2017**	Change
On-mine cost ($/oz)	689	**659**	-4%
All-in Sustaining Cost ($/oz)	956	**857**	-10%
Tonned Milled (t)	114,527	**124,225**	+8%
Cost per tonne milled ($/t)	70.2	73.2	+4%
Production costs			
Salaries, wages and bonuses	*2,612*	***3,309***	+27%
Consumable materials	*4,010*	***4,309***	+7%
Exploration	*92*	***106***	+15%
Safety	*134*	***68***	-49%
On mine administration	*1,194*	***1,306***	+9%
	8,042	**9,098**	+13%

- Blanket did not experience significant inflationary pressure on input costs
- Cost per tonne increased by 4% due to the step up cost of higher production (e.g. the cost of the no. 8 ball mill, which was commissioned in late 2016) and unusual costs incurred in Q1 2017 due to adverse weather – higher pumping costs and repair/replacement of storm-damaged equipment
- On mine costs per ounce fell by 4% due to increased grade and recoveries which offset the higher cost per tonne
- Increase in labour due to approx. 18% increase in headcount; modest wage increase and overtime working
- AISC reduced due to lower sustaining capex, G&A control and the export incentive

General & Administrative Costs

G&A costs were flat year on year

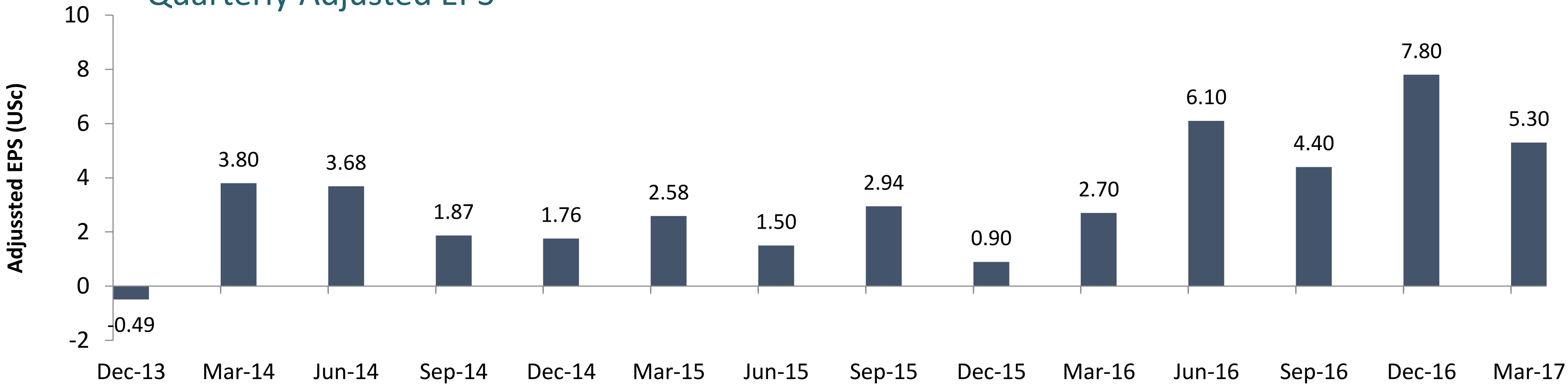
	Q1 2016	**Q1 2017**	Change
Investor relations	103	**119**	+16%
Audit fee	68	**61**	-10%
Listing fees	116	**72**	-38%
Directors fees company	57	**56**	-2%
Directors fees Blanket	10	**12**	+20%
Employee costs	433	**667**	+54%
Other office administration costs	37	**98**	+165%
Travel costs	76	**149**	+96%
Eersteling Gold Mine administration costs	25	**30**	+20%
Professional consulting fees	512	**433**	-15%
	1,437	**1,441**	+0%

- Total G&A was broadly stable
- Increased employee costs due to stronger South African rand (ZAR-denominated employee costs fell) and appointments to increase head office capacity following the re-location to Jersey in March 2016
- Increased head office capacity is reflected in lower professional and consulting fees as in-house capacity reduces the requirement for external support
- Travel costs include the costs of contractor transport to/from Blanket

Earnings per Share

Earnings are beginning to show a return on Blanket investment

Quarterly Adjusted EPS



	Q1 2016	**Q1 2017**	% change
Attributable Profit (IFRS)	543	**2,338**	+331%
Adjustments for:			
Blanket Mine Employee Trust Adjustment	-	**(70)**	
Foreign Exchange	(28)	**64**	
Deferred tax	909	**464**	
Adjusted profit	1,424	**2,796**	+96%
Weighted average shares in issue (m)	52.2	**52.8**	+1.1%
Adjusted EPS (cents)	2.7	**5.3**	+96%

- IFRS EPS affected by forex gains and deferred tax of $464k
- Adjusted EPS for Q1 2017 of 5.3 cents per share, an increase of 96% on the previous period

Cash Flow

Strong cash generation despite significant investment and dividends

	Q1 2016	Q1 2017
Operating Cash Flow		
Cash flows from operating activities	1,933	**2,415**
Net Interest paid	(36)	**(1)**
Tax paid	(148)	**(635)**
Net cash from operating activities	1,749	**1,779**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,304)	**(3,296)**
Proceeds from sale of property, plant and equipment	56	**-**
Net cash used in investing activities	(3,248)	**(3,296)**
Cash flows from financing activities		
Dividends paid	(598)	**(725)**
Repayment of term loan facility	-	**(375)**
Share issued	58	**-**
Net cash used in financing activities	(540)	**(1,100)**
Net increase/(decrease) in cash and cash equivalents	(2,039)	**(2,617)**
Effect of exchange rate fluctuation on cash held	-	**4**
Cash and cash equivalents at beginning of year	10,880	**14,335**
Cash and cash equivalents at year end	8,841	**11,722**

- Cash from operating activities remains robust, boosted by higher production volumes, a marginally stronger gold price with the benefits of lower unit operating costs
- A substantial amount of pre-payments were made during the quarter in advance of deliveries later in 2017
- An additional $18m is budgeted for 2017 after which time Central shaft Capex is expected to decline significantly
- Zimbabwe debt facilities of US$5m provide adequate liquidity
- Caledonia anticipates that its cash resources in conjunction with further cash generation will allow it to sustain it’s dividend and continue the capital investment programme at Blanket

Balance Sheet

Financial position is set to remain robust through the investment cycle

	Mar-16	Mar-17
Fixed Assets	64,917	**67,399**
Current Assets		
Inventories	7,222	**7,312**
Prepayments	810	**2,072**
Trade and other receivables	3,425	**4,592**
Cash and cash equivalents	14,335	**11,852**
Total assets	90,709	**93,227**
Non-current Liabilities		
Provisions	3,456	**3,474**
Deferred tax liability	15,909	**16,376**
Long-term portion of term loan facility	1,577	**1,193**
Cash settled share-based payments	618	**1,028**
Total non-current liabilities	21,560	**22,071**
Current Liabilities		
Short-term portion of term loan facility	1,410	**1,483**
Trade and other payables	8,077	**7,273**
Income tax payable	345	**697**
Bank overdraft	-	**130**
Total liabilities	31,392	**31,654**
Total equity	59,317	**61,573**
Total equity and liabilities	90,709	**93,227**

- Caledonia Mining’s balance sheet has remained strong through a period of cyclically low gold prices and significant capital investment over the past 2 years.
- Dividends are comfortably covered by cash resources and operating cash flows
- Investment of $18 million is budgeted for 2017 and a further $8m is planned for 2018 to complete the Central Shaft project
  - Capex beyond 2018 is anticipated to be sustaining capex only
- Cash held at CHZ in Zimbabwe:
  - 31 March - $5.6m
  - 10 May - $3.8m

Operational Matters

- Underground logistical constraints
  - Despite improvements in 2015 and 2016, tramming constraints on 22 level make it difficult to achieve production tonnage and move development waste
  - 2017 production guidance reduced from 60koz to 52-57koz so that the necessary development to support the Central Shaft when it is completed in 2018 can proceed
  - Continuing efforts to improve logistics
- Central Shaft is progressing well
  - Achieved a depth of 750 meters as at 10 May 2017
  - Unstable electricity supply from grid has impeded work and requires equipment to protect Blanket's equipment.
- Work has commenced on new projects that enhance mine flexibility
  - These are incremental to the Investment plan with the objective of enhancing mine flexibility
  - Decline 1 into AR South is being extended from 785m below surface to 870m below surface
  - Decline 2 will provide improved access to the AR Main ore body below 750m
  - Both declines will allow the exploitation of deeper level ore bodies until the Central Shaft is operational
- Metallurgical recoveries continue to be affected by unreliable oxygen supply
  - Liquid oxygen is being used as a temporary measure pending the installation of a new plant
- Increased focus on deep level drilling continues
  - Resource updates are expected to be issued periodically

Outlook

- Focus remains on the investment programme to increase production to 80,000 ounces by 2021
  - Creates greater operational flexibility for continued deep-level exploration and development
- Guidance for 2017 of 52,000 to 57,000 ounces
  - On mine cash costs are forecast to be $615-$645 per ounce and AISC of $820-860 per ounce
  - Costs are anticipated to continue to trend downwards as the benefit of increased throughput and low marginal costs are realised
- Conservative approach to cash management
  - Retain the financial capacity to accommodate a lower gold price and maintain the current dividend
  - Recent cost economies balanced by the need to build up technical capacity to ensure delivery of the Central Shaft project – current corporate structure is now the right size