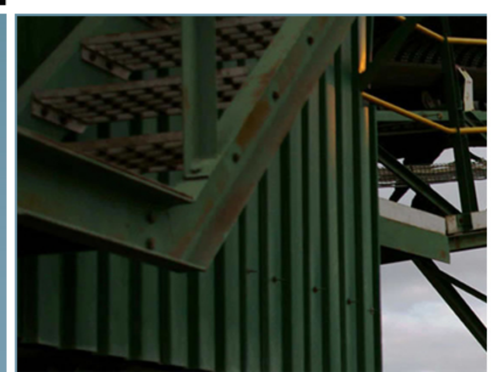


Caledonia Mining Corporation Plc


Q2 2017 Results Overview

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Q2 2017 Results Summary

Production was flat and unit operating costs were higher for the quarter

	3 months to 30 June 2016	3 months to 30 June **2017**	yoy % Change	6 months to 30 June 2016	6 months to 30 June **2017**	yoy % Change	Comment
Gold produced (oz)	12,510	**12,521**	+0%	23,332	**25,315**	+8%	Little change in production in the Quarter: higher ore throughput was counter-balanced by a lower grade.
On-mine cost per ounce ($/oz)[1]	629	**696**	+11%	658	**677**	+3%	On-mine costs per ounce increased due to the effect of lower grade.
All-in Sustaining Cost ($/oz) ("AISC")	930	**855**	-8%	937	**856**	-9%	Lower sustaining capital investment, lower administrative costs and the inclusion of the export incentive (which was not recognised in Q2 2016) outweighed the higher on mine cost per ounce
Average realised gold price ($/oz)	1,252	**1,235**	-1%	1,211	**1,224**	+1%	Little change in the realised price of gold, which is after the 1,25% early settlement discount
Gross profit [2]	5,936	**5,035**	-15%	9,824	**10,681**	+9%	Lower in the Quarter due to higher on-mine costs and flat revenues
Net profit attributable to shareholders	3,607	**694**	-81%	4,150	**3,032**	-27%	Q2 2016 included $2.4m on the sale of treasury bills; Q2 2017 was adversely affected by share based payment expenses and a higher effective tax rate
Adjusted basic earnings per share ("EPS")[3] (cents)	30.5	**18.9**	-38%	43	**45.7**	+6%	Adjusted eps excludes deferred tax, fx gains/losses and non-recurring items such as the equity share based payments in Q2 2017 and the profit arising on the sale of treasury bills in Q2 2016
Cash and cash equivalents	10,581	**10,878**	+3%	10,581	**10,878**	+3%	Little change
Cash from operating activities	7,215	**4,701**	-35%	8,964	**6,480**	-28%	Cash from operating activities was lower than prior periods due to lower profit with significant fluctuations in working capital

1 - Non-IFRS measures such as "On-mine cost per ounce", "AISC" and "average realised gold price" are used throughout this document. Refer to Section 10 of this MD&A 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 this MD&A for a discussion of non-IFRS measures. Per share data for current and prior periods has been adjusted to reflect the effective 1-for-5 share consolidation which was effected on June 26, 2017

Income Statement

Higher costs, taxation and share based payment expenses led to a decrease in EPS

Summary P&L (US$m)	3 months ended June 30			6 months ended June 30		
	2016	**2017**	**yoy % Change**	2016	**2017**	**yoy % Change**
Revenue	15.7	**15.5**	-1%	29.1	**31.9**	+10%
Royalty	(0.8)	**(0.8)**	-1%	(1.5)	**(1.6)**	+10%
Production costs	(8.1)	**(8.8)**	+9%	(16.1)	**(17.9)**	+11%
G&A costs	(1.8)	**(1.5)**	-17%	(3.2)	**(2.9)**	-9%
EBITDA	5.0	**4.4**	-12%	8.3	**9.5**	+14%
Depreciation	(0.9)	**(0.9)**	-2%	(1.7)	**(1.7)**	+2%
Other income	0.0	**0.6**		0.1	**1.2**	
Foreign exchange gain/(loss)	(0.2)	**0.1**		(0.2)	**0.0**	
Share based payments	(0.2)	**(1.0)**	+503%	(0.3)	**(1.4)**	+448%
Sale of Blanket Mine treasury bills	3.2	-		3.2	-	
Margin call on gold hedge	-	**-**		(0.4)	**-**	
Operating Profit	7.0	**3.2**	-54%	9.0	**7.6**	-15%
Finance Charges	(0.1)	**(0.0)**		(0.1)	**(0.0)**	
Profit before tax	6.9	**3.2**	-54%	8.9	**7.6**	-15%
Tax	(2.4)	**(2.1)**	-12%	(3.5)	**(3.6)**	+1%
Net Profit	4.5	**1.1**	-75%	5.4	**4.0**	-25%
Attributable to:						
Caledonia Shareholders	3.6	**0.7**	-81%	4.2	**3.0**	-27%
NCI	0.9	**0.4**		1.2	**1.0**	
Earnings per share (cents)						
EPS (cents)	33.5	**6.1**	-82%	38.3	**27.6**	-28%
Adjusted EPS (cents)*	30.5	**18.9**	-38%	43.0	**45.7**	+6%

- Quarter-on-quarter revenues were flat in line with production and gold price
- Production costs were higher for the quarter on flat volume leading to 11% higher C1 costs at $696 per ounce, AISC costs remain under control at $855 per ounce
- Profit for the quarter was further negatively affected by higher taxation in Zimbabwe due to a change in the treatment of the management fee and higher share based payment expense
- Net profit in the comparable quarter Q2 2016 was boosted by a large one-off gain in the sale of Blanket mine treasury bills
- NCI is calculated at 16.2% of Blanket earnings

Production and Revenues

Effect of Changes in Production, Gold Price

Production and Revenues	3 months to 30 June 2016	3 months to 30 June **2017**	% change	6 months to 30 June 2016	6 months to 30 June **2017**	% change
Tonnes Milled (000's)	120,590	**136,163**	+13%	235,117	**260,388**	+11%
Average grade (g/t)	3.47	**3.08**	-11%	3.315	**3.25**	-2%
Average recovery (%)	93.1	**92.8**	+0%	93.05	**93.25**	+0%
Gold Production (oz)	12,510	**12,521**	+0%	23,332	25,315	+8%
Average realised gold price ($/oz)	1,252	**1,235**	-1%	1,211	**1,224**	+1%
Gold revenues ($m)	15.7	**15.5**	-1%	29.1	**31.9**	+10%

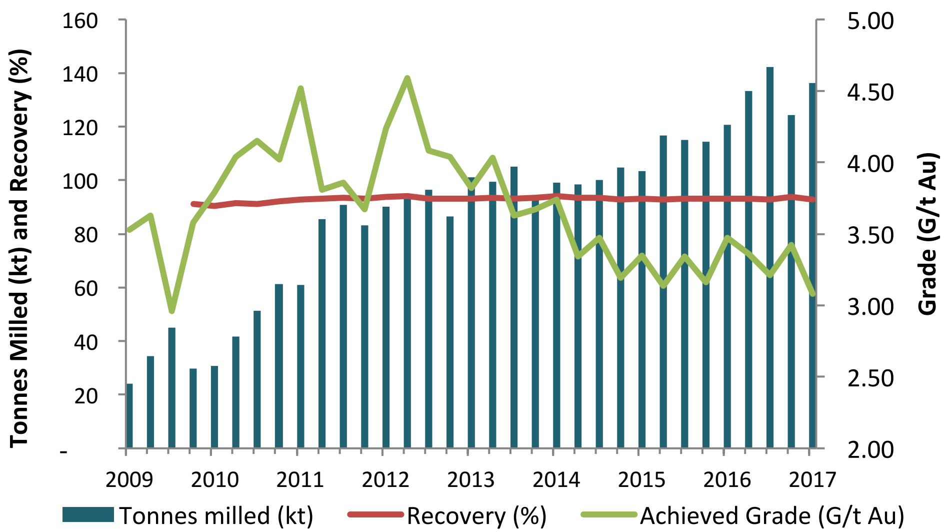
- Q2 2017 production was adversely affected by lower grades, continued logistical constraints on 22 Level (750 metres below surface) and the requirement to increase development prior to the completion of the Central Shaft in late 2018
- Management have implemented various mitigating actions to alleviate logistical constraints and continue to investigate further options. These measures began to bear fruit in July and are expected to deliver an increase in the production for the second half of 2017 in line with guidance of 52,000 – 57,000 ounces
- Tonnes milled increased 13% compared to Q2 2016 although lower grade adversely affected yields
- Grade was lower than expected during the quarter which had an adverse effect on production. Grade for the quarter was 3.08g/t, 11% down on Q2 2016. Over the life of the expansion milled grade is expected to continue to trend gradually upwards towards 3.8g/t as production from below 750m increases
- The average realised gold price was 1% lower year on year and remained relatively stable for the quarter. Quarter on quarter production was flat with stable gold prices delivering revenue in line with Q2 2016, however, higher milled tonnes at lower grade contributed to increased operating costs.

Gold Production

Operations remain on track for 80,000 ounces by 2021

Quarterly Production

Tonnes Milled, Grade and Recovery



- Tonnes milled continue to trend higher although lower grade mined during the quarter adversely affected both production and unit operating costs
- Underground logistical constraints continue to be a challenge which combined with an increased development requirement prior to the completion of the Central Shaft negatively affected production.
- Logistical constraints are a temporary issue which are expected to be fully alleviated with the completion of the Central Shaft in 2018.
- The revised production target for 2017 of between 52,000 and 57,000 ounces of gold is maintained
- 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 the average resource grade of 3.8g/t as deeper resources are accessed

Production Costs

Costs remain contained although lower grade had an adverse effect

	H1 2016	H1 2017	Change
On-mine cost ($/oz)	658	**677**	+3%
All-in Sustaining Cost ($/oz)	937	**856**	-9%
Tonned Milled (t)	235,117	**260,388**	+11%
Cost per tonne milled ($/t)	68.6	68.8	+0%
Production costs ($ 000's)			
Salaries, wages and bonuses	*6,321*	***7,186***	+14%
Consumable materials	*8,046*	***8,775***	+9%
Site restoration	*1*	***0***	
Exploration	*189*	***222***	+17%
Safety	*248*	***237***	-4%
On mine administration	*1,318*	***1,492***	+13%
	16,123	**17,912**	+11%

- Blanket did not experience significant inflationary pressure on input costs
- Cost per tonne milled 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)
- On mine costs per ounce increased by 3% for the first half and 11% for the quarter due largely to lower grade milled during the quarter combined with the slightly higher cost per tonne milled
- Increase in labour was due to an increase in headcount; modest wage increase and overtime working
- AISC reduced due to lower sustaining capex, G&A control and the export credit incentive

General & Administrative Costs

G&A costs 9% down year-on-year

	H2 2016	**H2 2017**	Change
Investor relations	269	**243**	-10%
Eersteling gold mine holding costs	56	**66**	+18%
Audit fee	174	**107**	-39%
Advisory services fee	1,002	**351**	-65%
Listing fees	226	**178**	-21%
Travel	216	**237**	+10%
Directors fee – Company	113	**112**	-1%
Directors fee – Blanket	16	**14**	-13%
Employee costs	1,118	**1,375**	+23%
Other office administration cost	46	**251**	+446%
	3,236	2,934	-9%

- G&A costs for the 6 months to June 30 were 9% lower year on year as costs trend downwards thanks to reductions in once-off costs incurred in the preceding period.
- The continued strength of the South African Rand in the quarter led to sustained higher South African employee costs
- 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 transport to/from Blanket

Taxation

Deferred taxation represents a significant portion of the tax charge

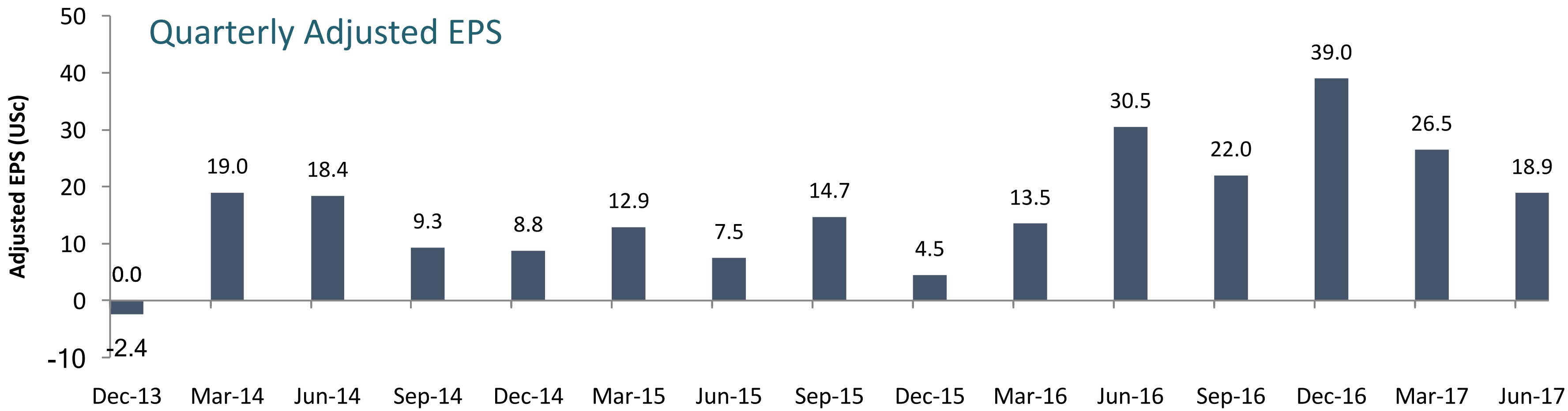
Analysis of Taxation Charge for Q2 2017

	Blanket Mine	CMSA	Total
Income tax	871	83	954
Withholding tax on management fees	400	-	400
Deferred tax	767	(31)	736
	2,038	**52**	**2,090**

- The effective tax rate in Q2 2017 was over 60%, however a significant component of the total tax charge relates to withholding tax and deferred tax.
- Zimbabwe income tax of $871,000 was an effective rate of approximately 11% - significantly lower than the Zimbabwe rate of income of 25.75%
  - Taxable profits in Zimbabwe are reduced by the 100% deduction of capital investment arising in the year – which primarily relates to Central Shaft
- The difference between the **accounting treatment** of capital expenditure (which will be depreciated over many years after production commences from Central Shaft) and the **immediate allowance for tax purposes** results in the significant deferred tax charge.
  - This is a non-cash item which is reversed for the purposes of calculating Adjusted Earnings per Share
- Withholding tax arises on the management fee paid from Blanket to Caledonia in South Africa and accordingly bears no relation to underlying profitability
  - The Zimbabwe tax authorities have recently changed their tax treatment of management fees, hence the level of withholding tax has increased.

Earnings per Share

Lower earnings is anticipated to be temporary



	Q2 2016	**Q2 2017**	% change	H1 2016	**H1 2017**	% change
Attributable Profit (IFRS)	3,607	**694**	-81%	4,150	**3,032**	-27%
Adjustments for:						
Blanket Mine Employee Trust Adjustment	-	**(53)**		-	**(123)**	
Equity-settled share based payments	-	**806**		-	**806**	
Foreign exchange	228	**(83)**	-136%	200	**(19)**	-110%
Deferred tax	1,361	**625**	-54%	2,123	**1,089**	-49%
Sale of Blanket Mine treasury bills	(1,993)	**-**		(1,993)	**-**	
Adjusted profit	3,203	**1,989**	-38%	4,480	**4,758**	+6%
Weighted average shares in issue (m)*	10.4	**10.5**		10.4	**10.5**	
Adjusted EPS (cents)	30.5	**18.9**	-38%	43.0	**45.7**	+6%

- Caledonia reported adjusted EPS for Q2 2017 of 18.9 cents per share, a decrease of 38% on the previous period
- H1 2017 adjusted earnings of 45.7 cents per share showed an increase of 6% on the previous period

Cash Flow

Strong cash generation despite significant investment and dividends

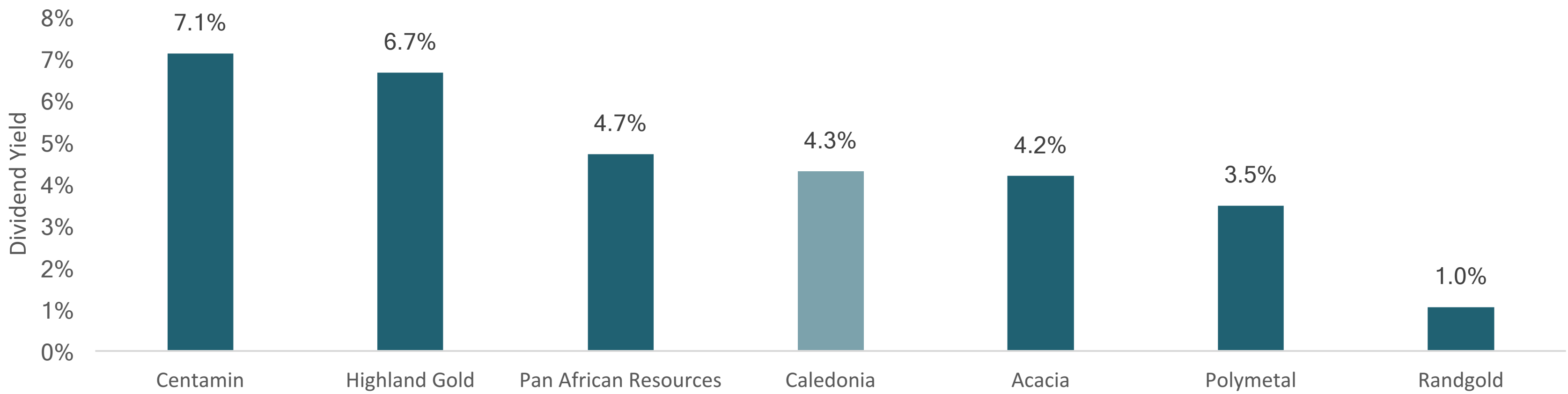
	Q2 2016	**Q2 2017**	H1 2016	**H1 2017**
Cash flows from operating activities				
Cash generated from operations	7,902	**5,459**	9,835	**7,874**
Net interest paid	(54)	**(4)**	(90)	**(5)**
Tax paid	(633)	**(754)**	(781)	**(1,389)**
Net cash from operating activities	7,215	**4,701**	8,964	**6,480**
Cash flows from investing activities				
Acquisition of Property, plant and equipment	(4,926)	**(4,223)**	(8,230)	**(7,519)**
Proceeds from property, plant and equipment	3	**-**	59	**-**
Net cash used in investing activities	(4,923)	**(4,223)**	(8,171)	**(7,519)**
Cash flows from financing activities				
Dividends paid	(599)	**(727)**	(1,197)	**(1,452)**
Repayment of term loan facility	-	**(375)**	-	**(750)**
Share repurchase	-	**(146)**	-	**(146)**
Share issued	47	**-**	105	**-**
Net cash used in financing activities	(552)	**(1,248)**	(1,092)	**(2,348)**
Net decrease in cash and cash equivalents	1,740	**(770)**	(299)	**(3,387)**
Effect of exchange rate fluctuations on cash held	-	**(74)**	-	**(70)**
Cash and cash equivalents at beginning of the period	8,841	**11,722**	10,880	**14,335**
Cash and cash equivalents at end of the period	10,581	**10,878**	10,581	**10,878**

- Cash from operating activities remains robust despite lower grade and higher production costs
- 2017 capex is anticipated to be $20m
- 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 complete the capital investment programme at Blanket

Dividend

A track record of sustainable and increasing dividends

Dividend Peer Comparison



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

Dividends effective 31/07/2017

- 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. Following the company's 1 for 5 share consolidation in June 2017 the quarterly dividend was increased to 6.875 US cents per share
- Caledonia's full year dividend of 27.5 US cents is 2.9 times covered by FY 2016 earnings , 3.9 times covered by adjusted earnings and 7.7 times covered by net cash from operating activities
- 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: US $1.58 per post consolidation share

Balance Sheet

Financial position is set to remain robust through the investment cycle

	Jun-16	Jun-17
Fixed Assets	64,917	**71,021**
Current Assets		
Inventories	7,222	**8,064**
Prepayments	810	**3,611**
Trade and other receivables	3,425	**4,720**
Cash and cash equivalents	14,335	**10,878**
Total assets	90,709	**98,294**
Non-current Liabilities		
Provisions	3,456	**3,497**
Deferred tax liability	15,909	**17,143**
Cash-settled share based payments	618	**1,152**
Long-term portion of term loan facility	1,577	**795**
Total non-current liabilities	21,560	**22,587**
Current Liabilities		
Short-term portion of term loan facility	1,410	**1,545**
Trade and other payables	8,077	**10,141**
Income taxes payable	345	**1,303**
Total liabilities	31,392	**35,576**
Total equity	59,317	**62,718**
Total equity and liabilities	90,709	**98,294**

- 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
  - Current annual dividend was 7.7 times covered by 2016 operating cash flow
- Investment of $20 million is budgeted for 2017 and is expected to be fully funded from cash flow

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
  - H1 2017 production of 25,315 is expected to be surpassed in H2 and guidance of 52,000 – 57,000 ounces is maintained
  - Measures to improve logistics began to bear fruit in July and are expected to result in higher production for the remainder of 2017
- Central Shaft is progressing well
  - Achieved a depth of 870 meters below surface as at 31 July 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
  - Recoveries of 92.8% for the quarter remain acceptable and are anticipated to improve with the installation of the new oxygen plant

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 $810-850 per ounce
  - Costs are anticipated to continue to trend downwards as the benefit of increased throughput and low marginal costs are realised
- Increased focus on deep level drilling continues
  - Resource updates are expected to be issued periodically
- 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