# Caledonia Mining Corporation Plc

## 2019 Results Presentation

March 2020

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The projected gold production figures in this document for 2021 and 2022 are explained in the management discussion and analysis (“MD&A”) dated March 20, 2019 and the MD&A dated August 13, 2019. Refer to technical report dated February 13, 2018 entitled "National Instrument 43-101 Technical Report on the Blanket Mine, Gwanda Area, Zimbabwe (Updated February 2018), a copy of which was filed by the Company on SEDAR on March 2, 2018 for the key assumptions, parameters, and methods used to estimate the mineral resources and mineral reserves from which such planned gold production is to be derived and risks that could materially affect the potential development of the mineral resources or mineral reserves. Refer to Resource Upgrade at the Blanket Mine, Zimbabwe as announced by the Company on September 20, 2018 for the resources as stated in this document. Mr Paul Matthews, the Company's qualified person and Group Mineral Resource Manager, supervised the preparation of the technical information in the technical report, and also supervised the preparation of the technical information supporting the production figures and the resources.

# Introduction

1. **Strategy update**
2. **Challenges in 2019 and planned mitigating actions for 2019 and beyond**
3. **Review of operations**
4. **Review of financial results for 2019**
5. **Outlook**

# Strategy

## Increased free cash flow to grow dividends and invest for further production

### Short-Medium Term (2020 – 2022): Complete the Central Shaft Project

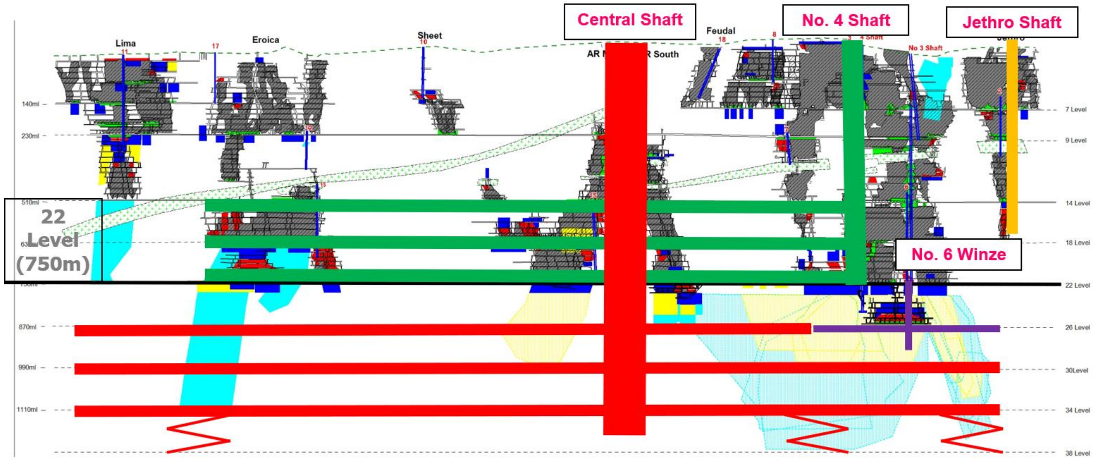
1. Increase production to 80,000 ounces per annum from 2022
2. Increased cash flows due to higher production, lower unit costs and reduced capex from 2021
3. Continued deep level exploration to extend the life of mine beyond 2034
4. Review dividend policy to deliver sustainable dividend growth consistent with increasing free cash flow: 9% dividend increase in January 2020

### Longer term (2022 and Beyond): Deploy surplus cash flow to increase dividends and fund growth

1. Evaluate new investment opportunities in Zimbabwe where “surplus” free cash can be deployed
   - Typically, new opportunities have modest initial funding requirements - mainly to improve resource definition as a precursor to technical/feasibility studies
2. Very little gold mining exploration in Zimbabwe in the last 20 years: one of the last gold mining frontiers in Africa
3. Project evaluation criteria:
   - Scale: minimum target resource 1 million oz; minimum target production of 50,000 ounces per annum
   - NPV per share enhancing and, eventually, dividend per share enhancing

# Strategy

## Blanket offers significant exploration potential at depth

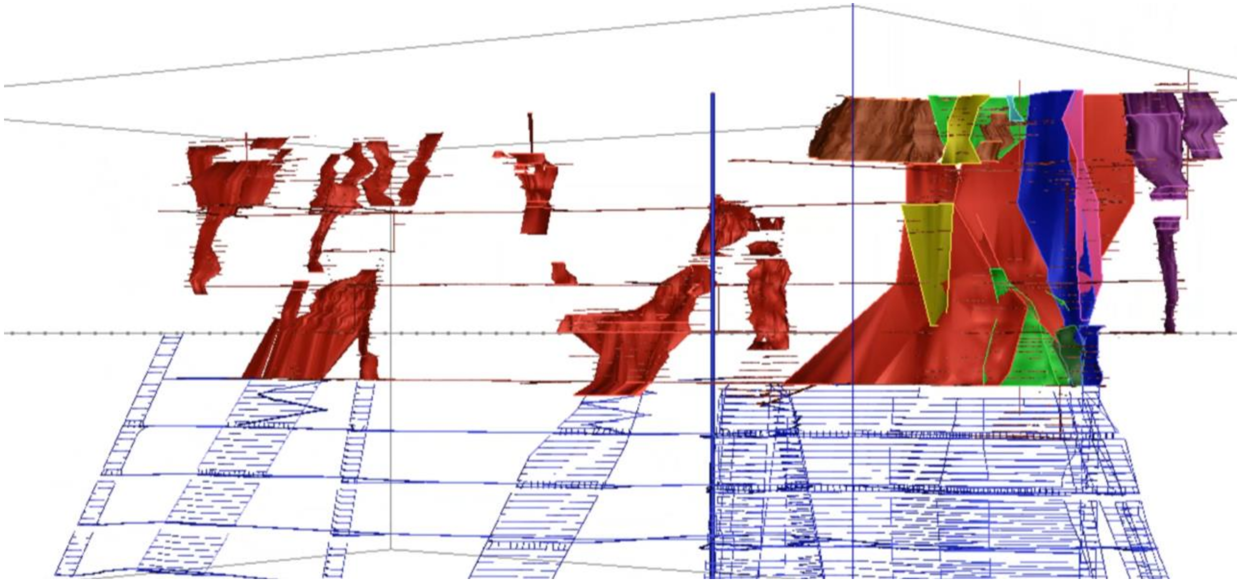



### Section View

Central Shaft will replace the current production shaft by 2021. Current planned development for Central Shaft is to open three new operating levels through conventional horizontal development and a fourth operating level accessible via declines

### 3D View

Planned long-term stoping and development levels shown. Development at depth will enable significant deep level exploration at Blanket to prove up extensions to ore bodies at depth



# Challenges

# Operating Challenges

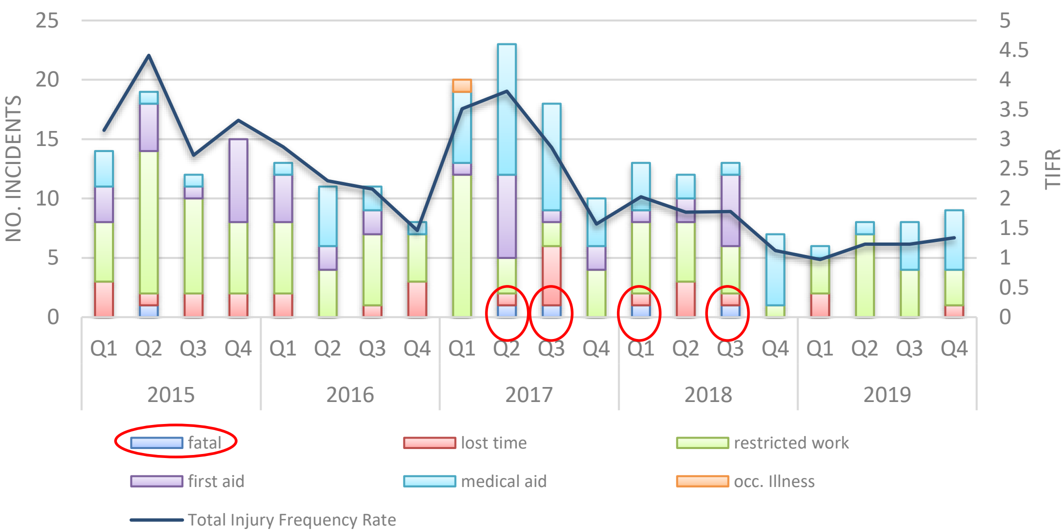
## Operating challenges in the first half of 2019 have been addressed

| Challenge | Effect | Remedial Action |
|---|---|---|
| Safety | Unacceptable safety performance:<br>4 fatal accidents in 2017/2018 | • Increased management focus<br>• Nyanzvi Initiative – internal mobilisation of workforce<br>• Introduction of long-hole stoping |
| Lower Grade due to mining dilution | Adverse effect on production and cost per ounce | • Increased training of drillers<br>• Review of geological model shows no concerns over geology |
| Electricity:<br>• unstable electricity supply from the grid<br>• “load-shedding” | Spikes/troughs in voltage damage equipment, causes lost production and slows progress at Central Shaft.<br>Load shedding causes lost production and delays Central Shaft | • Surge-protectors installed to protect our equipment<br>• Increased use of stand-by generators<br>• New power supply agreement for ringfenced imported power<br>• No long-term solution until the grid is stabilised and/or Blanket goes off-grid (e.g. solar) |
| Zimbabwe economy: Shortage of foreign exchange; inflation and currency devaluation | • FX needed for consumables, capital equipment and dividends.<br>• Rising consumer prices adversely effects employee morale<br>• Local inflation erodes local credit but reduces the US Dollar cost of locally denominated goods and services | • After the introduction of the interbank market, Blanket increased wages in local currency terms, which alleviated pressure on employees<br>• At the higher production levels achieved in late 2019 and into 2020 and at the higher gold price, we have adequate access to foreign exchange under the existing arrangements<br>• We continue to look for additional local funding but there is very limited capacity in the local banking market. Reduced supplier credit has resulted in increased working capital. |

# Challenges: Safety

## Ensuring accident-free production is non-negotiable

### Blanket Safety Incident Data (2015 – 2018)



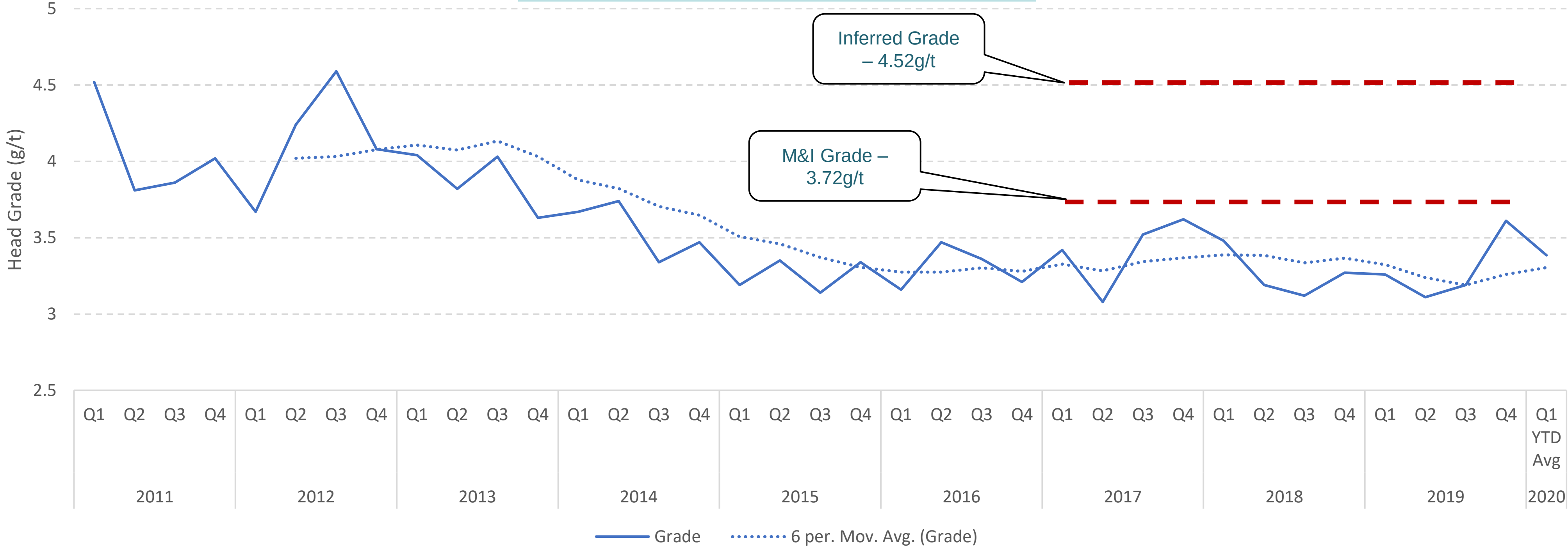

### Nyanzvi Safety Transformation Program

- More reportable accidents from 2017: a high proportion of accidents were incurred by younger and less experienced workers
- Management initiatives included a wholesale review of safety procedures and training and rigorous enforcement of safety procedures
- Management has initiated the "**Nyanzvi Initiative**"
  - Entire production crews are withdrawn from operations for 5 days of intensive safety training
  - The programme has dedicated facilities and is run by facilitators from Blanket's workforce: results in a high degree of acceptance and employee "ownership" of the programme
  - All workers have now been trained but the programme will continue to refresh and re-inforce the message

# Challenges: Low grade

## Below target grade results in lower production and higher unit production costs

### Head Grade (2011 – Q1 2020)




- Grade declined from 2018 into early 2019
- Average resource grade of 3.72g/t M&I and 4.52g/t Inferred* gives significant scope for improvement
- Low grade was mainly due to mining dilution as a result of implementing long-hole stoping in certain areas
- Grade recovered from Q3 2019 due to
  - extensive retraining of drill crews and improved monitoring
  - re-introduction of underhand stoping in selected areas, but with increased safety measures

* Refer to Management's Discussion and Analysis dated March 20, 2019 and the technical report dated 13 February 2018 entitled "National Instrument 43-101 Technical Report on the Blanket Mine, Gwanda Area, Zimbabwe (Updated February 2018), a copy of which was filed by the Company on SEDAR on March 2, 2018, for all other key assumptions, parameters, and methods used to estimate the mineral resources and mineral reserves and risks that could materially affect the potential development of the mineral resources or mineral reserves

# Challenges: Unstable Electricity
## Two issues: voltage spikes and load-shedding

| Challenge | Effect | Remedial Action |
|---|---|---|
| Frequent voltage spikes due to lack of investment in the grid | • If un-regulated, spikes will damage Blanket's electrical equipment<br>• Frequent trip-outs on electrical equipment cause interruptions to production as equipment has to be re-set before re-starting and compressors need to be re-charged | • Auto-tap changer installed (and re-installed in May 2020 after it also incurred damage) to protect equipment<br>• Additional back-up generators have been installed so that when surges become too frequent, all operations can continue using diesel power until the grid stabilises |
| Introduction of load shedding from July 2019 as local generating capacity and imports are insufficient to meet electricity demand | • Prolonged outages of up to 8 hours a day result in lost production and/or slower progress on Central Shaft<br>• Increased use of diesel – Approx 900,000 litres in H2 of 2019 compared to 180,000 litres in H1<br>    • Cost, environmental and logistical issues | • August 2019: a new power supply agreement was concluded which allows for ring-fenced imported power paid for in US$ but that imports are subject to interruption due to difficulties in South Africa<br>• Additional diesel generators were installed so that all production and capital projects can continue during outages – but this is expensive and logistically difficult to source and store large volumes of diesel often at short notice<br>• Caledonia is evaluating a solar project to improve the reliability of supply |

# Challenges: Unstable Electricity
## Proposed Solar Project

- The generating deficit in Zimbabwe and South Africa will not be resolved quickly and diesel generators are not a long-term cost-effective solution.
- Caledonia is evaluating a solar generating project which will be dedicated to supply Blanket
  - It is anticipated that solar will be cheaper and more reliable than existing supply arrangements and will reduce Blanket's environmental footprint
- A Three-phase project:
  - Phase 1 - approx. 7Mw to supply all of Blanket's base load during daylight hours. Indicative cost approx. $7m
  - Phase 2 - approx. 7Mw to supply Blanket's peak requirements during daylight hours. Indicative cost approx. $7m
  - Phase 3 - further solar generating capacity to meet any incremental power requirements resulting from any further production growth above the immediate target of 80,00 ounces
- The immediate focus is on Phase 1: Phases 2 and 3 will require a "banking agreement" with the Zimbabwe authorities to deal with surplus power generated . We do not want these negotiations to impede the delivery of Phase 1
- At this stage it is not proposed to use batteries due to the very high capital cost: this may change if battery technology develops further
  - Blanket will still rely on grid electricity and diesel stand-by power at night
- Caledonia ran a pre-qualification exercise in late 2019; shortlisted candidates have submitted bids in early 2020 which are being evaluated
  - Bids have been received on an EPC and a PPA basis.
- Caledonia is running a parallel process to identify prospective debt funders for an EPC solution
- Caledonia has received a generating licence and the necessary approvals from the Zimbabwe Investment Authority – work is expected to start on site clearance shortly

# Challenges: Zimbabwe
## A rapidly changing regulatory environment

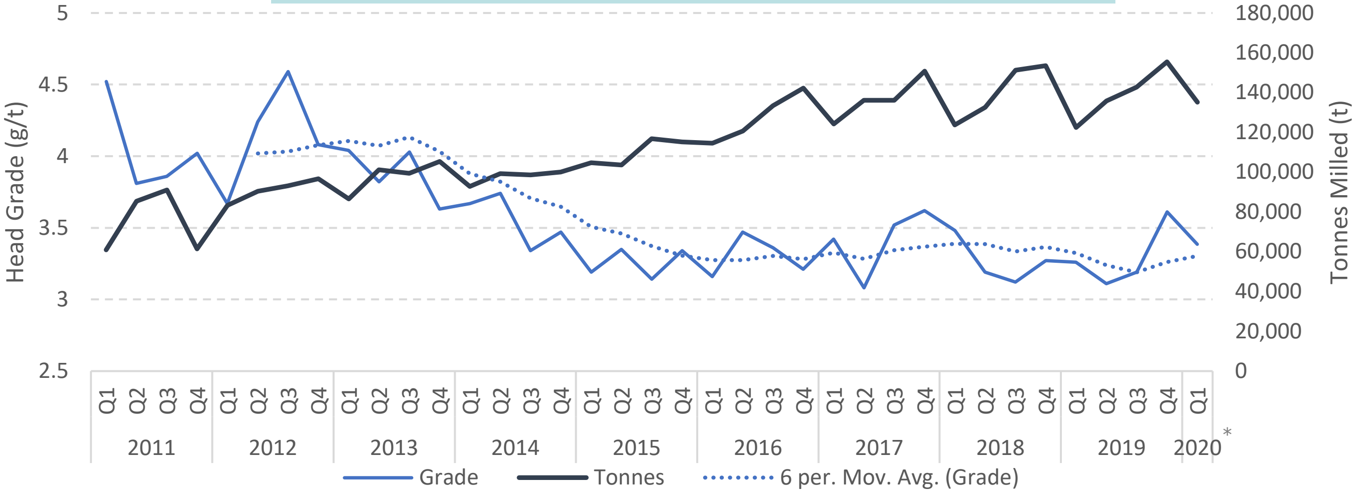
| Before October 2018 | After October 2018 | From February 2019 |
|---|---|---|
| • All currency held in Real time Gross Settlement ("RTGS") accounts<br>• RTGS accounts are used only for domestic transactions. To make a foreign transaction, account holders must apply to the RBZ for foreign exchange "allocations" on a discretionary basis at 1RTGS=1USD<br>• Blanket has always been able to secure sufficient FX allocations to cover the costs of imported goods and services, external group costs and Caledonia's dividend | • The banking system is bifurcated between RTGS accounts and foreign currency accounts ("FCAs")<br>• FCA's have foreign currency backing, can be used for foreign payments and are seen as US-dollar accounts<br>• Individuals and businesses prefer to hold and transact in FCA rather than RTGS<br>• Gold producers initially receive 30% of sale proceeds in FCA – quickly increased to 55%<br>• Government insists on a rate of 1:1; informal trading suggests approximately RTGS4:US$1 | • RBZ permits inter-bank trading between RTGS and FCA, however very little volume<br>• Provided the exchange rate is fair, this policy would allow local inflation to be absorbed by RTGS devaluation.<br>• The interbank rate moved from RTGS$2.5:US$1 in February to RTGS$16.7:US$1 by December 31, 2019<br>• RBZ appears to be "managing" the interbank rate which is consistently at a significant discount to the "street rate" |

- Frequent policy changes, inflation and devaluation caused difficulties early in 2019: low staff morale due to erosion in their purchasing power; shortage of foreign exchange hindered the purchase of high value consumables e.g. LHD spares
- Notwithstanding the high rate of inflation and lack of transparency in the interbank currency market, the prevailing monetary environment is manageable and the situation has improved
  - Workers are better protected from inflation with a resulting improvement in morale and productivity
  - Blanket has better and more predictable access to FCA to pay for imported goods and services and to pay dividends

# Operating Review

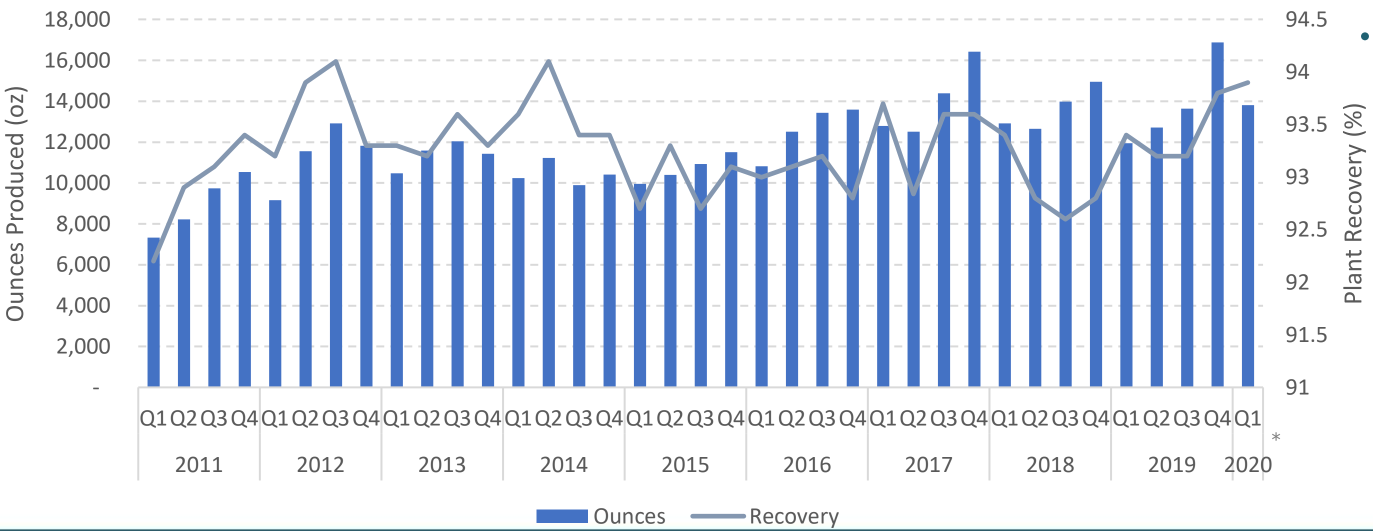
# Review of Operations

## Tonnes Milled & Grade (2011 – Q1 2020)




- Despite grade difficulties, tonnes milled continues its long-term upward trend
- Increasing tonnes milled and an expected increase in grade as deeper level ore is accessed is expected to deliver the increase in production to 80,000 ounces from 2022
- Increased hoisting capacity with the commissioning of Central Shaft in 2020 will also contribute to an increase in tonnes milled

## Ounces Produced & Recovery (2011 – Q1 2020)




- Recoveries are expected to improve to an average of 93.5% following the installation of a new oxygen plant in October 2019.

* Q1 2020 is based on an extrapolation of the achieved tonnage and grade for the months of January and February

# Financial Results

# Review of Results
## Profit and loss

| (US$'000's) | 2017 | 2018 | 2019 | % Chg | |
|---|---|---|---|---|---|
| Revenue | 69,762 | 68,399 | 75,826 | *11%* | Higher gold price |
| Royalty | (3,498) | (3,426) | (3,854) | *12%* | 5% of revenues |
| Production Costs | (36,180) | (39,315) | (36,400) | *-7%* | Lower electricity and "other" cost due to RTGS$ devaluation |
| G&A | (5,911) | (6,465) | (5,637) | *-10%* | Lower G&A due to continued efforts to reduce costs |
| **EBITDA** | **24,173** | **19,193** | **29,935** | *54%* | |
| Depreciation | (3,763) | (4,071) | (4,434) | *9%* | |
| Net other income | 2,940 | 6,674 | 1,608 | *-68%* | Mainly export incentive and gold support price |
| Forex (loss)/gain | (380) | 223 | 29,661 | *13,201%* | Mainly unrealised on deferred tax and bank loans |
| Share Based Payments | (1,811) | (329) | (689) | *109%* | LTIP scheme |
| Other | (541) | (269) | 4,808 | *-1,275%* | 2019 mainly relates to profit on sale of Eersteling |
| **Operating Profit** | **20,618** | **21,421** | **60,889** | *179%* | |
| Net Finance Cost | (31) | (220) | (198) | *-14%* | |
| **PBT** | **20,587** | **21,201** | **60,691** | *182%* | |
| Taxation | (8,691) | (7, 445) | (10,290) | *36%* | Includes deferred tax and withholding tax |
| **Profit After Tax** | **11,896** | **13,756** | **50,401** | *260%* | |
| Non-Controlling Interest | 2,512 | (2,990) | (8,383) | *179%* | Minority interest at Blanket |
| **Attributable Profit** | **9,384** | **10,766** | **42,018** | *296%* | |
| EPS (cents) | 86 | 99 | 382 | *286%* | |
| | | | | | |
| Gross Margin (%)[1] | 38% | 32% | 41% | | |
| EBITDA Margin (%) | 35% | 28% | 39% | | |
| ROCE (%)[2] | 15% | 15% | 39% | | ROCE excluding FX gain is approximately 21% in 2019[3] |

1. Gross margin calculated as gross profit divided by revenue. Gross profit is revenue less royalty, production costs and depreciation
2. ROCE calculated as profit attributable to shareholders divided by equity attributable to shareholders
3. ROCE excluding foreign exchange is calculated using attributable profit and attributable net assets after adjusting for the post tax, post NCI effect of net foreign exchange gains as set out in note 10.3 to the MD&A

# Review of Results

## Revenue reconciliation

**Reconciliation of 2018 and 2019 Gold Revenues**

| | Tonnes (t) | Grade (g/t) | Recovery (%) | Production ounces (oz) | WIP (oz) | Sales ounces (oz) | Realised gold price (98.75%) ($/oz) | Gold Revenues (US$'m) | Change in Gold Revenues (US$'m) |
|---|---|---|---|---|---|---|---|---|---|
| 2018 Gold Revenues | 560 913 | 3.26 | 92.9% | 54 511 | 388 | 54 899 | 1 245 | 68.3 | **68.3** |
| - Change in Tonnes | **556 331** | 3.26 | 92.9% | 54 066 | 388 | 54 454 | 1 245 | 67.8 | **-0.6** |
| - Change in Grade | 556 331 | **3.31** | 92.9% | 54 896 | 388 | 55 284 | 1 245 | 68.8 | **1.0** |
| - Change in Recovery | 556 331 | 3.31 | **93.4%** | 55 212 | 388 | 55 600 | 1 245 | 69.2 | **0.4** |
| - Change in WIP | 556 331 | 3.31 | 93.4% | 55 212 | **-411** | 54 801 | 1 245 | 68.2 | **-1.0** |
| - Change in Gold Price | 556 331 | 3.31 | 93.4% | 55 212 | -411 | 54 801 | **1 382** | 75.8 | **7.6** |
| 2019 Gold Revenues | | | | | | | | | **75.8** |

- Improved grade and recovery contribute $1.4m of increased revenue, offset by $0.6m arising from lower tonnes
  - Grade improvement due to management interventions to reduce mining dilution
- Improved recovery due to increased grade (tail grade remains broadly constant) and the new Oxygen Plant which was commissioned in October.
  - Q4 2019 recovery was 93.8%
  - The full benefit of the oxygen plant will be realised in 2020 following completion of the oxygen sparging system
- Work-in-progress is a timing issue – all WIP ounces at year end are delivered and sold immediately after year end
- Higher gold price is the biggest contributor to increased revenue:
  - Average realised gold price in 2019 of $1,382/ounce (2018, $1,245/ounce)
  - Blanket receives 98.75% of the London spot price i.e. after an early settlement discount
  - Hedging activity has no effect on the realised price

# Review of Results
## Production costs

| Production Costs | 2017 ($'000's) | 2018 ($'000's) | **2019 ($'000's)** |
|---|---|---|---|
| Labour | 13 440 | 13 160 | **13 905** |
| Cash- settled share-based payments | 311 | 43 | **107** |
| Consumables | 9 916 | 12 143 | **13 020** |
| Electricity | 8 701 | 9 313 | **6 383** |
| Administration | 3 004 | 3 569 | **2 159** |
| Safety | 322 | 592 | **525** |
| Other | 486 | 495 | **301** |
| Total on-mine costs | 36 180 | 39 315 | **36 400** |
| On-mine cost /tonne ($/t) | 66 | 70 | **65** |
| On-mine cost per ounce ($/oz) | 633 | 690 | **651** |

- On-mine labour headcount increases from 1,465 in 2018 to 1,569; variations in the labour expense arise from production bonuses and currency devaluation (Rand and RTGS$).
- After the introduction of the interbank rate in Feb 2019, Blanket increases monthly salaries which are denominated and paid in RTGS$ to compensate for RTGS$ devaluation
- A new bonus system was introduced in July 2019 to increase the rewards for "performers"
- Cash-settled SBP charge relates to LTIP's held by on-mine employees
- Higher consumables cost due to the costs of the enlarged fleet of underground trackless equipment which are used in the declines
- Lower electricity cost for the Year was due to RTGS$ denominated costs in the early part of 2019 which devalued in US$ terms from 12.8 cents/kwh to approximately 2 cents/kwh. A new power agreement was agreed in August 2019 and provided for ringfenced imported power at a lower effective blended US$ tariff
- Electricity costs include diesel costs for stand-by generators: 550,000 litres used in Q3 2019; 330,000 litres in Q4 2019 compared to 120,000 litres in Q1 2019
- Administration costs include telecoms, security, insurance: mostly denominated in local currency hence devalued in US$ terms
- Higher safety costs in 2018 and 2019 reflect increased focus on this area

# Review of Results

## Net Other Income

| Net other Income | 2017 ($'000's) | 2018 ($'000's) | **2019 ($'000's)** |
|---|---|---|---|
| Export incentive | 2 446 | 6 482 | **866** |
| Gold support price | - | - | **1 064** |
| Other | 494 | 192 | -322 |
| | 2 940 | 6 674 | 1 608 |

- Prior to February 2019, larger Zimbabwe gold producers received an **Export Credit Incentive** ("ECI") at 10% of the prevailing gold price. This was intended to encourage increased production and hence increase foreign exchange revenues for Zimbabwe
  - Revenues from the ECI were treated as "Other income – government grant" in the financial accounts and were deducted from costs for the purposes of calculating all-in sustaining costs
- The ECI scheme was terminated in February 2019. From March 2019 Blanket received sale proceeds at a fixed price of $44,000/kg (i.e. $1368/oz) which exceeded the prevailing LBMA price. In May 2019 the Zimbabwe government confirmed the existence of the **gold support price**, which was also intended to encourage production and exports. As the LBMA price moved above the gold support price from June 2019, the support price was not adjusted and Blanket thereafter received the LBMA price less the contracted "early settlement discount" at 1.25%.

# Review of Results
## Foreign Exchange Gains

- Rapid devaluation of the Zimbabwe currency after the introduction of the interbank mechanism in February 2019
- Blanket's functional currency is the US dollar: all RTGS$ denominated transactions and balances are translated into US$ for reporting purposes
    - Balance sheet items are translated at the closing rate for each Quarter
    - P&L items are translated at the average rate for the period
- The devaluation means assets and liabilities denominated in RTGS$ became smaller in US$ terms. Blanket has more liabilities than assets denominated in RTGS$, thus the devaluation resulted in an $29.7 million FX gain
- The main RTGS$-denominated liabilities that were devalued were deferred tax and a term loan
- The deferred tax liability mainly reflects the differential between the ***accounting*** and the ***tax*** treatments of capital investment. For accounting purposes capex is not depreciated until the asset (i.e. Central Shaft) comes into production; for tax purposes 100% of capital expenditure is allowable as a deduction against taxable income. Thus the Zimbabwe tax authority provides a benefit in terms of a lower income tax charge that is not recognized in the financial accounts: deferred tax attempts to recognize this benefit. Because Blanket's tax computations are performed using RTGS$-denominated accounts the effective loan from the Zimbabwe tax authorities which has been received in the form of reduced income tax charges will be fully repaid in RTGS$ and has therefore devalued. This benefit is currently un-realised but will start to be realised when Central Shaft is commissioned in late 2020.

| **Interbank Exchange Rate RTGS$/US$** | |
|---|---|
| February 20 2019 | 2.500 |
| March 31 2019 | 3.003 |
| June 30 2019 | 6.543 |
| September 30 2019 | 15.090 |
| December 31 2019 | 16.773 |

*Source: MD&A*

| Net FX gains | **US$'000's** |
|---|---|
| Deferred tax | 23 143 |
| Term loans | 5 818 |
| Other | 700 |
| | 29 661 |

# Review of Results
## Taxation

| Taxation | | | | | |
|---|---|---|---|---|---|
| | **2019** | | | | 2018 |
| | Zimbabwe (US$'000) | S Africa (US$'000) | UK (US$'000) | **Total (US$'000)** | Total (US$'000) |
| Income tax | 6 170 | 660 | - | **6 830** | 3 598 |
| Withholding tax | | | - | **-** | |
| - management fee | - | 128 | - | **128** | 75 |
| - deemed dividend | 224 | - | - | **224** | |
| - GMS UK dividend | - | - | 128 | **128** | 110 |
| Deferred tax | 2 942 | 37 | | **2 979** | 3 662 |
| | 9 336 | 825 | 128 | **10 289** | *7 445* |
| *Total effective tax rate* | | | | ***17%*** | *35%* |
| *Income and WHT as %ge of PBT* | | | | ***16%*** | *34%* |

- Group tax arrangements are complex due to multiple jurisdictions and the rapidly changing environment in Zimbabwe
- Cross border cash flows (management fees and intercompany procurement margins) give rise to taxable profit in S Africa
- Zimbabwean income tax is calculated using RTGS$-denominated accounts, and the resulting tax charge is translated back to US$ for reporting.  This results in an approx. $8.5m reduction in the overall taxation charge
- Deferred tax largely reflects the difference between the accounting and taxation treatment of capital investment (i.e. 100% capital allowances in the year of investment)
- Most of the foreign exchange gains are unrealised and have limited effect on the taxation charge
- 2016 re-domicile from Canada to Jersey reduces tax leakage arising on the payment of Caledonia dividends and Canadian capital gains tax on the effective realisation of a portion of the facilitation loans as a result of the repurchase of Fremiro's shareholding in Blanket

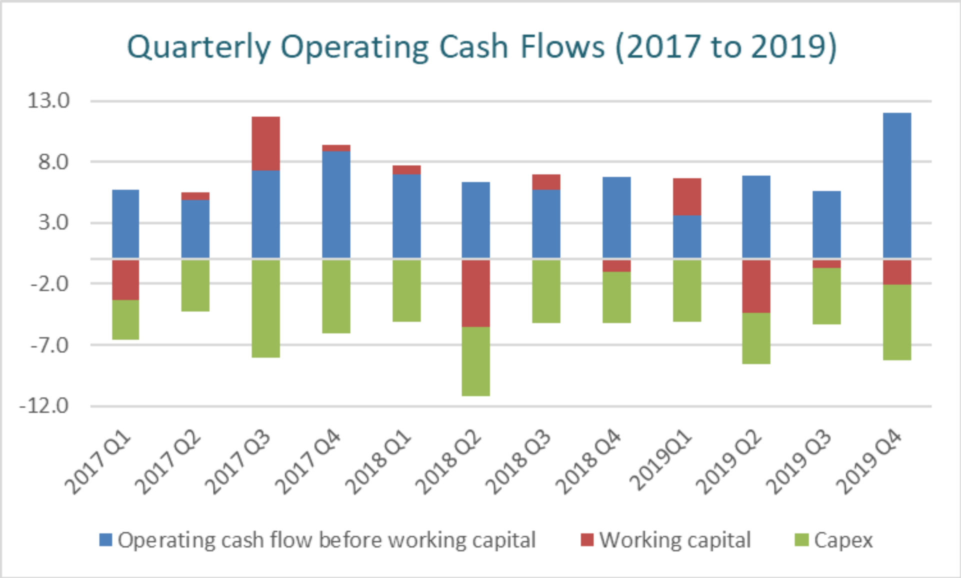
# Review of Results

## Cash Flow

| Cash Flow Statement | 2017 | 2018 | 2019 | YoY Change (%) |
|---|---|---|---|---|
| **Profit before Tax** | **20,587** | **21,555** | **60,889** | **182%** |
| Non-Cash Adjustments for: | | | | |
| Foreign Currency Gains/losses | 120 | (243) | (31,307) | 12,784% |
| Depreciation | 3,763 | 4,071 | 4,434 | 9% |
| Share Based Payment Costs | 1,209 | 285 | (588) | -306% |
| Other Adjustments | 1,129 | 244 | (5,304) | -2,274% |
| **Cash flows before working capital movement** | **26,808** | **25,912** | **28,124** | **9%** |
| Net Working Capital Movement | 2,077 | (4,667) | (4,239) | -9% |
| Net interest | (161) | (119) | (308) | 159% |
| Tax paid | (4,212) | (3,459) | (5,517) | 59% |
| **Net cash from operating activities** | **24,512** | **17,667** | **18,060** | **2%** |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment | (21,639) | (20,192) | (20,024) | -1% |
| Proceeds from property, plant and equipment | - | - | 1,000 | |
| **Net cash used in investing activities** | **(21,639)** | **(20,192)** | **(19,024)** | **-6%** |
| **Cash flows from financing activities** | | | | |
| Dividends paid | (3,310) | (3,497) | (3,395) | -3% |
| Net term debt drawdown/repayment | (1,500) | 4,500 | 2,216 | -51% |
| Term debt – transaction cost | - | (60) | (46) | -23% |
| Share issue | 162 | - | - | |
| Share repurchase | - | - | - | |
| **Net cash from/(used in) financing activities** | **(4,710)** | **943** | **(1,225)** | **-230%** |
| **Net increase/(decrease) in cash** | **(1,837)** | **(1,582)** | **(2,189)** | **38%** |
| Effect of exchange rate fluctuations | 258 | 13 | (105) | -908% |
| Net cash at beginning of the period | 14,335 | 12,756 | 11,187 | -12% |
| **Net at end of the period** | **12,756** | **11,187** | **8,893** | **-21%** |

- Significant non-cash adjustments to PBT are related to Forex gains and losses ($31.3m) and the profit on the sale of Eersteling ($5.3m)
- Negative Working capital movements in the year had an adverse impact on operating cash flows, major working capital items were an increase in the level of prepayments due to restricted supplier credit and higher stock levels
- Capital investment remains at a consistent level of approximately $20m per annum until completion of the Central Shaft in 2020
- Term debt facilities denominated in RTGS$ were drawn down in the year, total term debt at year end stands at $2.5m. Due to the devaluation of the local currency, Blankets debt levels continue to fall below an optimal level

# Review of Results
## Cash Flow




- Operating cash flows before working capital and capex increased in Q4 2019 due to higher production, a higher gold price and lower costs
- Working capital absorption in Quarters 2,3 and 4 of 2019 reflects the reduced supplier credit in Zimbabwe and increased stock levels.
- Many suppliers now require prepayments. (Q1 2019 working capital release reflects the devaluation of the electricity payable)
- Increased stocks of diesel and high-value spare parts for underground trackless equipment
- Capex remains high but is expected to diminish from Q3 2020 when work on Central Shaft will be finished

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## Balance Sheet

| Balance Sheet | 2017 | 2018 | 2019 |
|---|---|---|---|
| **Fixed Assets** | **82,143** | **97,525** | **113,714** |
| **Current Assets** | | | |
| Inventories | 9,175 | 9,427 | 11,092 |
| Prepayments | 709 | 866 | 2,350 |
| Trade and other receivables | 4,962 | 6,392 | 6,912 |
| Cash and cash equivalents | 13,067 | 11,187 | 9,383 |
| Assets held for sale | - | 296 | - |
| **Total assets** | **110,056** | **125,693** | **143,553** |
| **Total non-current liabilities** | **25,243** | **34,687** | **8,957** |
| **Current Liabilities** | | | |
| Short-term portion of term loan facility | 1,486 | - | 529 |
| Trade and other payables | 12,660 | 10,051 | 8,697 |
| Income tax payable | 1,145 | 1,538 | 163 |
| Bank overdraft | 311 | - | 490 |
| Liabilities associated with assets held for sale | - | 609 | - |
| **Total liabilities** | **40,845** | **46,885** | **18,836** |
| Equity Attributable to Shareholders | 63,267 | 70,463 | 108,415 |
| Non-controlling Interests | 5,944 | 8,345 | 16,302 |
| **Total equity** | **69,211** | **78,808** | **124,717** |
| **Total equity and liabilities** | **110,056** | **125,693** | **143,553** |

- Non-current assets increased due to the continued investment in terms of the Central Shaft project and sustaining capital
- Trade and other receivables reflect in increased level of VAT refunds receivable as a result of increased delays in the processing of VAT refunds by the Government of Zimbabwe
- In December 2019 Blanket drew down a $2.3m two-year facility which is repayable in a single repayment in December 2021; this loan is included in non-current liabilities. Total term debt repayable in 2021 stands at $2.5m

# Review of Results

## Other matters

| | |
|---|---|
| Hedging underpins cashflows until the high capital investment is completed in mid 2020. Full upside price participation maintained | • High capital expenditure until mid-2020 requires a prudent approach to cash management<br>• January 2019 Caledonia purchased put options over 22,500 ounces of gold at a strike price of $1,250/oz expiring from February to June 2019<br>• November 2019 Caledonia purchased put options over 4,600 ounces of gold per month from January 2020 until June 30, 2020 at a price of $1,400/ounce |
| Dividends | • Total dividend distributions (including distributions to minorities) of $3.4 m<br>• Dividends paid to Caledonia shareholders of 27.5 US cents per share – compared to operating cash flows of over 200 US cents per share<br>• Cash available for distribution is expected to grow due to increased production, lower unit costs and lower capital expenditure when the investment in Central Shaft tails off from July 2020 onwards<br>• Caledonia increased the quarterly dividend in January 2020 by 9% from 6.875 cents to 7.5 cents<br>• The Board will consider future increases in the dividend as appropriate in line with its prudent approach to financial management and further investment opportunities |

# Outlook

# Medium to Long-term Goals

## Build a mid tier gold producer with minimal dilution

| | | |
|---|---|---|
| now – 24 Months | • Commission Central Shaft<br>• Increase production to 80,000 ounces per annum<br>• Reduce AISC to \$700 - \$800 per ounce<br>• Review dividend policy | 70,000 – 80,000oz/yr |
| 2 – 4 Years | • Declining CAPEX post Central Shaft delivers increased FCF<br>• Invest in exploration of expansion opportunities in Zimbabwe | 80,000 – 100,000oz/yr |
| 4 – 6 Years | • Invest in growth opportunities identified through exploration<br>• Multi asset producer | 100,000 – 150,000oz/yr |
| 6 – 8 Years | • Substantial production and exploration portfolio in one of the worlds most prospective gold regions<br>• Strong growth pipeline with cash flow to fund expansion | >200,000oz/yr |

# Contacts


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**Investment Research**

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